DECLARATION OF INVESTMENT RISK dated January 29th, 2020

1. General provisions

1.1. The subject of this Declaration (hereinafter referred to as "Declaration") is to inform the Client about the most important, yet not all risks related to trading in over-the-counter (OTC) Financial Instruments.

1.2. The various types of risks described in the Declaration are appropriate for both retail and professional customers as well as eligible counterparties.

1.3. The Declaration forms an integral part of the Regulations for the provision of services to execute orders to purchase or sell securities and property rights, keep securities and property rights accounts and cash accounts by XTB Limited. ("General Terms of Business– OTC Market", "TOB"). The terms used in the Declaration with the use of capital letters shall have the meaning as specified in the TOB.

2. Risk elements in relation OTC Market

OTC Market

2.1. Trading in Financial Instruments which value is based i.e. on securities, futures, currency exchange rates, cryptocurrency exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments involves specific market risk related to the Underlying Instruments. For information regarding results achieved by Clients on transactions on Financial Instruments of the OTC market, click **here**.

2.2. Specific market risk for a particular Underlying Instrument includes, in particular, the risk of political changes, changes in economic policy, as well as other factors which may considerably and permanently influence the conditions and rules of trading and valuation of a particular Underlying Instrument.

2.3. In case of the high volatility or limited liquidity of the market for the Underlying Instrument, XTB may increase, without prior notice, the Spread on OTC Market Financial Instruments. In particular, liquidity on Underlying Instruments is largely limited during the opening phase of the market on Sunday at 11:00 p.m. and in consequence XTB commences trading with an increased level of Spread. Standard Spread values are restored as fast as the liquidity and the volatility of the underlying market allows. Usually this process takes not more than 10-20 minutes, however, in cases of limited liquidity or large volatility the process may take longer.

2.4. For Financial Instruments quoted with variable Spread (floating Spread) chosen by the Client point 2.3 shall not apply and Spread is variable and reflects the market price of an Underlying Instrument. Such a variable Spread is a part of market risk and may negatively influence overall costs associated with the Transaction.

3. Risk concerning Financial Instruments

3.1. Risk concerning contracts for difference (CFD)

CFD is a derivative financial instrument that enable to earn on the changes in the prices of underlying assets. CFD is a contract concluded between two parties, where two parties commit themselves to settle the difference of the opening and the closing prices in this contract, which results directly from changes in prices of assets, to which a contract applies. Such assets may be shares, bonds, indices, interest rates, commodities, currencies or cryptocurrencies. When making a CFD transaction, the client invests in a derivative financial instrument based on the prices of currencies, prices of cryptocurrencies, futures contracts or shares and does not make thereby a transaction on the underlying instrument, which is the basis for quotation of the derivative financial instrument. Thanks to the leverage, CFD enables Clients to enter into transactions involving significant amounts with the involvement of relatively small amounts of cash.

Example regarding investments in 1 CFD based on the EUR/PLN currency pair exchange rates by a retail customer

In order to start the investment, it is enough to invest a capital in the amount of for example 5% of the face value of CFD. In such a case, the Investor may trade financial instruments worth 20 times more than the invested capital. In practice, this means that with the abovementioned financial leverage, the change in the value of a financial instrument by 1 percentage point may result in a profit or loss (depending on the direction of the change) in the amount of 20% of the funds invested.

Positive scenario

We purchase (buy) 1 CFD on a EUR/PLN currency pair quoted at PLN 4.00. In the case of this financial instrument, the multiplier (position value) is 100,000, so the nominal value of the contract is PLN 400,000 (PLN 4.00 x PLN 100,000 = PLN 400,000). Deposit collected under the abovementioned transaction is 5% of the nominal value of the contract, that is PLN 20,000. An increase by 1% from PLN 4.00 to PLN 4.04 results in a profit on an account in the amount of PLN 4,000 : (4.04 - 4.00) x PLN 100,000.00 = PLN 4,000.

Negative scenario

We purchase (buy) 1 contract for a EUR/PLN currency pair quoted at PLN 4.00. In the case of this financial instrument, the multiplier (position value) is 100,000, so the nominal value of the contract is PLN 400,000 (PLN 4.00 x PLN 100,000 = PLN 400,000). Deposit collected under the abovementioned transaction is 5% of the nominal value of the contract, that is PLN 20,000. The more than 1% drop in the price from PLN 4.00 to PLN 3.95 results in a loss on an account in the amount of PLN 5,000 : (4.00 - 3.95) × PLN 100,000.00 = PLN 5,000.
CFD is of non-standardized nature. This means that the particular types of CFD may vary significantly in terms of the specifications.

CFD contracts may be unsuitable for a long-term investor. If the client holds the Open Position on CFD for a longer period of time, the related costs increase.

To learn more about the CFD derivative instrument, XTB recommends the Client opening a demo account before opening the real account.

Financial leverage risk

3.1.1. CFD are contracts that largely employ financial leverage mechanism. Nominal value of the Transaction may largely exceed the value of the deposit, which means that even subtle changes of the price of an Underlying Instrument may considerably influence Client's particular Account's Balance.

3.1.2. Due to the leverage effect and how quickly the Client can earn profits or incur losses, it is important that the Client always monitors its Open Positions and does not invest any funds it cannot afford to lose.

3.1.3. The Margin deposited by the Client may secure only part of the nominal amount of the Transaction, which might result in high potential profit but also in the risk of heavy losses for the Client. In certain circumstances the losses might amount to whole financial resources gathered on particular Client's Accounts.

Price volatility risk and liquidity risk

3.1.4. Investing in CFD is connected with the Client's market risk resulting from price volatility. The above risk is particularly important in the case of investment in CFD with the above presented leverage. Groups of financial instruments are characterized with very different levels of volatility. Instruments with very high (often unjustified) volatility and the entailed high risk of loss are CFD instruments based on cryptocurrencies.

3.1.5. A particular type of risk is the occurrence of so-called price gaps. This means that the market price of the underlying instrument increases or decreases, in such a way that there are no intermediate values between its initial price and the final price. For example, if before the opening of the market, the market price of underlying instrument X was 100, and at the opening, the first quoted price of this instrument was 120, all the Client Transactions (Orders) will be made at the first available market price - i.e. for example at 105.

3.1.6. The client is exposed to liquidity risk, which means that the client may not be able to cash the investment or may be forced to incur significant additional costs in order to cash the investment earlier, especially if there is a limited liquidity on the market of the underlying instrument, i.e. there are not enough transactions.

Counterparty risk

3.1.7. Considering that XTB is the place of the execution of Orders as the other party to the Transactions, the Client is exposed additionally to the counterparty's credit risk, which means the risk of full or partial default by XTB arising from the Transaction prior to the final settlement of cash flows related to this Transaction. Upon the Client's request, XTB will provide additional information on the consequences of such a way of executing Orders.

Tax risk

3.1.8. Tax regulations of the Client's home country can affect the actual paid profit.

3.1.9. XTB does not provide tax advising services.

Currency and transaction risk

3.1.10. Transactions concluded by the Clients are subject to real-time translation to the Client's account currency. An unfavorable change of the market exchange rate translated to the account currency can have a negative effect on the transaction result.

3.1.11. XTB offers two types of orders: instant and market. Instant mode orders are always executed at the price specified by the Client or, if the market conditions preclude it, are rejected. In the case of the market orders, the order is performed at the best possible market price for the Client. In exceptional cases, the market order can be also rejected (e.g. lack of funds in the account, exceeding the maximum exposure in the account, wrong price). The market orders can be executed at a price other than the price at the time of order placement.

Risk of price gap and non-execution of awaiting orders at the specified price

3.1.12. A price gap arises when the CFD quotation market is opened at a price significantly different than the market closing price on the prior quotation day. In such a case, the activated awaiting orders will be executed at the market price after the market opening.
The described situation may result in incurring a higher loss on the transaction than initially assumed and may be limited through use of the awaiting orders.

Political and legal risk

3.1.13. Unexpected events of political and legal nature may have a material effect on the CFD instrument quotation rates which can translate to decreased liquidity, lack of possibility to conclude transactions or occurrence of price gaps.

4. Equity CFD, ETF CFD,

4.1. In case of taking a short position on part of Equity CFDs or ETF CFDs, XTB shall offset such position with a corresponding short sale of the Underlying Instrument. Such Transactions may generate an additional borrowing costs for a Client, related with borrowing of the Underlying Instrument. The amount of this related cost is beyond control of XTB. Aforementioned costs shall be collected from a Client at the end of Trading Day and shown in Trading Account as swap points and may significantly influence the costs charged for a short position on Equity CFDs or ETF CFDs. Estimated costs of position shall be indicated in the Condition Tables, however, they may be changed with immediate effect depending on borrowing costs of Underlying Instrument.

4.2. In some circumstances, transactions concluded on particular Underlying Instruments on the Underlying Exchange may be cancelled. In such case XTB has the right to cancel relevant corresponding Transaction on Equity CFDs or ETF CFDs with the Client.

4.3. If an Underlying Instrument for the Synthetic Stock, Equity CFD or ETF CFD is being delisted on an Underlying Exchange and at the time of delisting there are still open positions in the relevant Equity CFD or ETF CFD, XTB has the right to close such positions without prior notification of the Client.

4.4. Client should specifically acquaint himself with conditions of trading in Equity CFDs or ETF CFDs described in the TOB and Order's Execution Policy before trading with XTB.

5. Stop out mechanism

5.1. If the Equity or Balance on the Trading Account falls below certain value, XTB may at any time close any of the Client's Open Position ("stop out") in accordance with the rules specified respectively for CFDs in the TOB. Client should specifically acquaint themselves with those rules before trading with XTB. Such a case may also take place in the situation of changing the market value or changing the risk weights for the security of the Client's open positions.

5.2. Stop out mechanism in normal market conditions hedges particular Trading Accounts Balance against falling below the value of the deposited funds.

5.3. Should unfavorable market conditions arise, in particular if a price gap occurs, the execution price of Closing Position with the stop out mechanism may be so unfavorable that the losses suffered may involve the whole Balance on particular Client's Accounts.

5.4. Client should ensure that the execution of the Order won't cause automatic closing of the position through the stop out mechanism. This situation may occur in particular when:

a) costs relating to the Transaction after its opening will cause decrease of the Equity to the level that activates in accordance with the Agreement the stop out mechanism or

b) the significant volume of the Order will cause that upon execution the VWAP price strongly deviates from the first price from the book of orders, and the valuation of the newly opened position will cause the decrease of the Equity to the level that activates in accordance with the Agreement the stop out mechanism.

5.5. XTB may, but isn't obliged to, inform the Client, if accordingly, the Equity or the Balance on the Trading Account is close to the value at which the stop out mechanism is activated ("margin call"). This information may be sent through the Trading Platform or in another way.

6. Terms and conditions of keeping the Account

6.1. Prior to signing the Agreement, the Client should acquaint himself and accept all costs and charges related to the execution of the Agreement. It concerns in particular all costs of keeping and maintaining the Accounts, all costs and commissions related to the conclusion of Transactions and all other fees and commissions charged by XTB in accordance with the Agreement. Client is hereby made aware that there might be other costs and taxes connected to performance of the services on particular markets which will be collected from the Client and paid through XTB.

6.2. Transaction or Order concluded or placed by the Client in Equity CFDs or ETF CFDs may require XTB to conclude hedging transaction in Underlying Instrument on one or more Underlying Exchanges and/or with one or more Partners. In case of the Client placing an Order or concluding a Transaction in Equity CFDs, and/or EFT CFDs, XTB shall be entitled, on a basis of this Agreement, to use on own account funds constituting Nominal Value of Margin deposited on Client's Account. For this purpose, XTB is entitled to transfer to XTB the equivalent of such funds as a security and may transfer them to corporate account of XTB and pass on to the Partner in order to place an order and/or conclude a hedging transaction on the Underlying Exchange or with the Partner. Those funds will still be shown on Client's Account as the Balance.

6.3. In some cases XTB executes its services also with the use of custodians or brokers. The principles of broker's or custodian's services are based on the regulations applicable to those entities. Client should be aware that due to this fact Client rights might be regulated differently than as if they would be if the law applicable in Client's country of residence applied. In a situation when XTB deposits Financial Instruments, recorded on Client's Trading Account, on an omnibus account maintained for XTB by the Custodian, XTB is the signatory of the omnibus account and the holder of Trading Account shall be entitled to Financial Instruments recorded on such an omnibus account, in amount specified by XTB in the Trading Account. Trading Account's holders' Financial Instruments are kept separately from financial instruments of the Custodian or XTB. If, for any reason, there is no possibility to keep Financial Instruments of the Trading Account's holders separately, XTB shall be obliged to inform the Clients without unnecessary delay.

6.4. In case described in points 10.2 or 10.3 above, XTB shall be responsible for appointment of the Custodian and/or the Partner on the basis of applicable to the Agreement:

a) legal provisions;

b) regulations;

c) market regulations, customs and/or market practices being in force on a given market;

d) binding acts issued by public or corporate institutions, market operators or other participants of the market on the basis of the law, regulations, customs, and practices, mentioned in points a-c, in particular resolutions, decisions, motions, directives and/or instructions, addressed to particular units as well as to general public, hereinafter referred to as "Applicable Provisions", subject to other provisions of the Agreement.

6.5. Subject to the Applicable Provisions, XTB shall not be responsible for improper execution of services by Custodian, Broker and/or Partner, in particular depository and brokerage services, if lack or improper execution of services results from circumstances for which XTB is not responsible. Terms and conditions of the services provided by Custodian and/or Partner are based on provisions applicable to Custodian and/or Partner.

6.6. Keeping Clients' Financial Instruments and/or funds at the Custodian, Partner and/or corporate account of XTB in case of transfer of the funds to XTB, is related with increased risk connected with business continuity of the Custodian, Partner and/or XTB (risk of insolvency, risk of liquidation, risk of infringement or dissolvement of the Agreement).

7. Technological limitations and Beta Services

7.1. Signing a binding Agreement shall mean that the Client knows and accepts specific technological features of the Trading Platforms and Trading Accounts provided by XTB. It concerns in particular the manner of Trading Account functioning, the manner of Orders' execution, the possibility of limitations in the access to the Accounts through electronic means, that arises due to possible malfunctioning of services provided by third parties that supply telecommunication, hardware or software infrastructure. The Client shall bear all consequences and costs arising from lack of access to the Accounts and from any limitations in opportunities to execute a Transaction through electronic means and by telephone that are caused by reasons that are beyond XTB's control.

7.2. Trading Accounts may be temporarily suspended for reasons that are beyond XTB's control. This may disable, delay or in other way affect the Transaction's proper execution for what XTB cannot take responsibility.

7.3. Client may voluntarily agree to participate in testing periods of XTB's new products and services. In that case such new products and services may cause additional risk to the Client which is described in the TOB. Before agreeing to participate in such testing periods ("Beta Services") the Client should carefully acquaint with the rules and risks connected with Beta Services described in the TOB.

8. Other essential information

8.1. **Client hereby acknowledges that unless otherwise stipulated, XTB does not cooperate with any entities, including both natural persons and organizational entities, which directly or indirectly provide brokerage activities consisting of investment advice, portfolio management or other similar services by acting on XTB's account or on their own.**

8.2. **Client acknowledges that XTB does not authorize any other entity or a person to receive any cash deposits or any other assets from the Client on the account of XTB and the Client should at all times deposit funds**

necessary to conclude the Transactions only on the Cash Account specified in accordance with the Agreement.

8.3. **In case of any concerns as to XTB employees' activities or concerning cooperation with persons or entities mentioned above, Client should at all times contact XTB.**

8.4. **Unless stipulated otherwise, the Client shall conclude the Transactions directly with XTB and shall not act as an agent or proxy of other person. The Client shall not authorize any person to conclude the Transactions on behalf of the Client, unless XTB expresses its consent thereto.**

8.5. **The Client acknowledges that unless explicitly specified otherwise all Instructions placed by the Client with XTB shall be considered as Client's independent investment decisions. The Client should always base his investment decisions on his own judgment. XTB does not provide investment advising services.**

9. Final representations

9.1. Before signing the Agreement, the Client shall carefully consider whether the OTC Market Financial Instruments are appropriate for him/her, taking into account Client's investment knowledge and experience, financial resources, access to necessary technologies and other important factors.

9.2. By accepting the Declaration Client declares that he/she is aware of investment risks and financial consequences that are related to trading in Financial Instruments, especially those related to the fact that the price of certain Financial Instrument may depend on price of securities, futures, exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments.

9.3. The Client declares that he/she is fully aware that due to high financial leverage, dealing in OTC Financial Instruments being derivatives is strictly connected with the possibility of suffering heavy financial losses by the Client, even at a slight change of the Underlying Instrument price.

9.4. The Client declares that he/she is fully aware of the fact that it is not possible to make profit on Financial Instruments Transaction's without taking the risk of losses.

9.5. The Client declares that his/her financial standing is stable and sufficient to enable him to invest in the Financial Instruments.

9.6. Any guarantees as to making a profit on Financial Instruments should be deemed false.

9.7. The Client exempts XTB from liability for any losses incurred by the Client as a result of Transactions made by the Client on OTC Financial Instruments. Beyond all doubt, concluding a Transaction shall be deemed as an independent decision of the Client.