Information for clients of GarantiBank International N.V. ("GarantiBank") with respect to their derivative positions entered into and administered by GarantiBank.

With effect from 1st April 2016 the Dutch Giro Securities Act (*Wet giraal Effectenverkeer,* "DGSA") was amended in order to provide more asset protection for derivatives investors. The amendment was made pursuant to the Markets in Financial Instruments Directive 2004/39/EG (partly recast by Directive 2014/65/EU and partly replaced by Regulation (EU) 600/2014 as of January 3, 2018) which orders amongst others banks registered in the Netherlands such as GarantiBank to make adequate arrangements so as to safeguard clients' ownership rights, especially in the event of its insolvency. The new rules effectively improve protection for our clients that invest in derivatives against unexpected bankruptcy of GarantiBank. The new rules require GarantiBank to disclose the capacity in which it is trading (i.e. whether as principal or intermediary) to its clients as well as the asset protection consequences thereof. Under the new DGSA the derivative position of a client when contracted on its behalf by GarantiBank will fall within and is qualified so called separate derivatives capital. This client's derivatives capital is segregated from funds owned by GarantiBank. As such, derivatives positions which GarantiBank takes on behalf of a client will be separated from the assets of GarantiBank. GarantiBank effectively keeps a proper and clear administration of its clients' derivatives positions (and of its own funds).

Dependent on GarantiBank's trading capacity, the legal (and more particularly: property law related) consequences for the client in the event of an unexpected bankruptcy of GarantiBank will be different, as explained below. Under the Dutch Insolvency Act (*Faillissementswet*) and without the abovementioned new DGSA, there was a risk that in case of unexpected bankruptcy of GarantiBank derivative positions held by the bank on behalf of its clients with a central counterparty ("CCP") could not be segregated from the bank's bankruptcy estate. Moreover, under the European Market Infrastructure Regulation (Regulation (EU) 648/2012, EMIR) in case of a default of a clearing member (which could be GarantiBank) the CCP is held to contractually commit itself to transfer the positions held by the defaulting clearing member for the account of its clients to another clearing member. The new DGSA arranges for the segregation of derivative positions in the event of bankruptcy of an intermediary (such as GarantiBank). The segregation with legislative protection will relate to positions held by GarantiBank on behalf of its clients and will include collateral provided in connection with such derivative positions.

When entering into derivative transactions, GarantiBank will inform the client in respect of the capacity in which it is trading: either as intermediary on behalf of the client (as *tussenpersoon* as defined in the new DGSA) or as the client's only and final counterpart. Where in providing its services GarantiBank acts as an intermediary for the client, derivative positions held on the client's behalf as well as related collateral shall in the event of GarantiBank's bankruptcy not form part of the bankruptcy estate. This means that in case of GarantiBank's bankruptcy such derivative positions may be transferred to a back-up clearing member or, when such porting is not possible, liquidated. In case of insolvency and liquidation of GarantiBank the proceeds of such liquidation will not be absorbed and will not become part of the bankruptcy estate. If and when GarantiBank, however, enters into a derivative position with a client as the client's only and final contractual counterpart and GarantiBank becomes insolvent, the client's derivative position (including related collateral) will not gain the legislative protection as explained above. This is because GarantiBank entered into the transaction in its own name and for

its own risk and account and the relevant derivative position is accounted for as the bank's own funds. Accordingly and in this situation, if GarantiBank becomes insolvent, the client's derivative position forms part of GarantiBank's bankruptcy estate assets. The result is that the client would have to file its claim against GarantiBank with the trustee in the bank's bankruptcy (the *curator*). As a rule of Dutch property and insolvency law, this claim is unsecured and must be dealt with by the curator without priority and preference, if and when funds are available for settlement of creditors' claims.

On 1st April 2016 the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, "AFM") informed market participants that it will – at least for the moment - not publish specific rules with respect to the disclosure requirements referred to above. In the above, GarantiBank has given its best efforts to provide its clients with the necessary information in respect of the disclosure requirements. The (explanatory) notes of the AFM on its website with respect to the new DGSA (Dutch language only) can be found at https://www.afm.nl/nl-nl/professionals/nieuws/2016/apr/bescherming-derivatenbeleggers (similar information given by *De Nederlandsche Bank*, http://www.dnb.nl/betalingsverkeer/effectenverkeer/emir-en-ccps/regeling-ter-bescherming-van-derivatenbezitters/index.jsp, with links to legislation and explanatory memorandum).

Clients are advised to consult with their (legal) advisor on the impact and the specific consequences that the new DGSA has or may have on their dealings.