

CRYPTO DECLARATION OF INVESTMENT RISK

1. GENERAL PROVISIONS

- 1.1. The subject of this Crypto Declaration of Investment Risk (hereinafter referred to as the "**Declaration**") is to inform the Client about the most important, however not all risks related to trading Crypto.
- 1.2. The Declaration forms an integral part of the Regulations on the Provision of Crypto Services ("**General Terms and Conditions**", "**GTC**"). Capitalised terms used in the Declaration not defined in this document shall have the meaning as specified in the GTC.

2. RISK ELEMENTS RELATED TO THE CRYPTO

- 2.1. Trading in Crypto involves numerous risk elements, in particular:
 - a) volatility risk,
 - b) execution and slippage risk
 - c) liquidity risk,
 - d) risk of political, legal and economic changes,
 - e) technology, protocol and Crypto project risk,
 - f) delisting and support withdrawal risk
 - g) other types of risks not listed in the Declaration.
- 2.2. Additional types of risk associated with the particular Crypto are usually described in their information documents (whitepapers).
- 2.3. Information on historical returns on Crypto is no guarantee that the same results will be achieved now or in the future and should not be considered as a forecast of achieving such results.

3. RISK CONCERNING CRYPTO

3.1. RISKS RELATED TO CRYPTO

Crypto are digital representations of value or rights that are created, recorded, and transferred using distributed ledger or blockchain technology. They do not constitute equity securities and do not grant their holders corporate rights such as voting at shareholders' meetings, receiving dividends, or participating in the distribution of assets in the event of liquidation. The rights associated with Crypto depend on the design of the specific token (e.g. access to a platform, participation in a protocol, or reference to the value of another asset).

Trading in Crypto takes place in electronic form only and is based on records in decentralised or centralised systems. The market for Crypto is characterised by very high volatility of quotations, both in the short-term and in the long-term horizon. A decline in the market value of a Crypto may cause the loss of part of the invested capital, and in extreme cases the loss of the entire amount invested.

Similarly to shares, the issuance of most Crypto occurs for an indefinite duration within a regulatory framework, which means they do not have a maturity date. However, their availability and tradability may be affected by factors such as changes in the functioning of the underlying blockchain, decisions of developers or communities maintaining the protocol, or restrictions imposed by trading platforms. This may significantly limit the possibility of exiting an investment at a time chosen by the investor. Furthermore, in the case of cross-border Transactions, the laws or regulations applicable in the jurisdiction of trading or custody may affect the investor's rights or the execution of orders.

Crypto is highly speculative. Quotations may fluctuate significantly due to a range of factors

including: overall market sentiment, liquidity levels, the concentration of holdings by large investors ("whales"), the security of blockchain protocols, and regulatory developments in different countries.

Example

Favourable conditions:

The total cost of acquiring the Crypto is EUR 100 and increases by 10%, i.e. by EUR 10. The profit from such an investment is EUR 10. The initially invested capital will be increased by the profit associated with the increase in the Crypto price.

Adverse conditions:

The total cost of acquiring the Crypto is EUR 100 and decreases by 15%, i.e. by EUR 15. The loss on such an investment is EUR 15. The upper limit of the loss may not exceed the value of the initially invested capital.

Positive scenario

The main factors affecting the risk of investing in Crypto include adoption and security of the underlying technology, market demand for the asset, and confidence in the Crypto project's continued operation. In a situation where the protocol achieves growing usage or the market perceives the asset positively, the price of the Crypto may increase, potentially generating gains for the investor.

Negative scenario

If confidence in a given Crypto deteriorates (e.g. due to a security breach, failure of the underlying Crypto project, delisting from an exchange, increase of interest in a negatively correlated asset, liquidity crisis, or unfavourable regulatory developments), the market value of the asset may fall sharply. In such a situation, the investor may lose the entire invested capital.

Risk of price volatility

3.2 A price drop below the investor's purchase price:

- a. **Specific risk** – factors directly related to a given Crypto or protocol may trigger a price change (factors dependent on the Crypto project). Examples include security vulnerabilities in the code, failure of the underlying Crypto project, governance decisions by the community, or changes in tokenomics (e.g. supply issuance, burning, staking rewards).
- b. **Market (systematic) risk** – factors not directly related to a given Crypto can also have a significant impact on its price. These include conditions in the overall Crypto market (e.g. Bitcoin price trends), regulatory developments, changes in sentiment towards blockchain technology, or global macroeconomic events (e.g. interest rate hikes, geopolitical instability).
- c. **Adoption and utility** – the level of demand for using the Crypto (e.g. as a payment method, for access to decentralised applications, or as collateral in DeFi, i.e. decentralized finance) strongly influences its value. Limited or declining adoption increases the probability of price drops, greater volatility of quotations and liquidity declines.
- d. **Market capitalisation** – volatility of quotations is generally negatively correlated with the size of the Crypto market capitalisation. Lower market-cap Crypto usually display higher volatility than larger, more established ones (e.g. Bitcoin, Ethereum).
- e. **Liquidity and concentration** – trading liquidity is influenced by the number of Crypto actively circulating on exchanges in comparison to the amount held by large investors ("whales"). Low liquidity or a high concentration of holdings can cause

significant price swings and slippage, especially during large trades.

- 3.2.2. Particularly during periods of high volume, illiquidity, fast movement or volatility in the marketplace for any Crypto, the actual market price at which a market order or trade is executed may be different from the prevailing price indicated via the XTB Application at the time of your order or trade.
- 3.2.3. Crypto prices can be extremely volatile due to market manipulations. Public statements, social media activity of politicians and/or celebrities as well as large holders ("whales") executing high volume orders (relative to liquidity) may induce sudden price movements, or even market trends distortions.

Execution and Slippage Risk

- 3.2.4. Execution and slippage risk arises when the price at which an order is executed differs from the price visible to the investor at the moment of placing the order. This risk is particularly significant in the case of Crypto due to their high volatility and the often fragmented nature of trading venues. The above mentioned risk could be especially relevant for Crypto with low liquidity.
- 3.2.5. During periods of increased market activity, low liquidity, or rapid price movements, execution prices may vary substantially from the prices displayed on the XTB Application. As a result, a market order may be executed at a less favourable price than expected, leading to higher transaction costs or losses.
- 3.2.6. This risk is inherent in trading Crypto and cannot be entirely eliminated. Investors should be aware that the speed of execution, trading volume, and network congestion can all contribute to slippage.

Liquidity risk

- 3.2.7. Liquidity risk consists in the inability to sell or buy Crypto in the short term, in a substantial volume and without significantly affecting the level of market prices, or, in the case of extremely low liquidity, the complete inability to sell or buy a Crypto at a given time.
- 3.2.8. Liquidity risk in Crypto markets typically arises from low trading volumes on exchanges or decentralised platforms, limited availability of trading pairs, or concentration of holdings in the hands of a small number of large investors. Low trading liquidity translates into a higher level of price volatility risk, slippage in order execution, and potential difficulties in exiting an investment at the desired moment.

Political and legal risk

- 3.2.9. Changes in law and regulation may affect, directly or indirectly, the functioning of Crypto markets and service providers, and thus the price of Crypto, as well as the liquidity and volume of trade. This risk is particularly significant given the evolving and often uncertain regulatory framework governing Crypto across different jurisdictions.
- 3.2.10. Unexpected political and legal events may have a material effect on the quotation prices of Crypto, decrease liquidity, prevent the conclusion of Transactions (e.g. suspension or halting of trading on exchanges), or lead to sudden and significant price movements. Such events may include, in particular, the introduction of restrictive regulations, prohibitions or limitations on trading or custody of Crypto, enforcement actions against

key service providers, or changes in the legal status of a given asset.

Technology and protocol risk

- 3.2.11. Increases or decreases of Crypto prices may result from the technological, business, or economic conditions specific to a given group of projects or market segments. These may include: unfavourable market conditions for the sector (e.g. decentralised finance, NFTs, gaming tokens), increased competition from alternative protocols, a decline in demand or user adoption, or the failure of underlying Crypto projects — which in extreme cases may result in the complete loss of value of the relevant Crypto and, consequently, the loss of the funds invested. In addition, the risk is also influenced by unmeasurable factors related to the behaviour of groups of investors, such as speculative bubbles, herd behaviour, or the popularisation of short-lived investment trends.
- 3.2.12. Crypto are a unique kind of product, backed by technology and trust, unlike most assets, which are backed by governments or other legal entities, or by commodities such as gold or silver. This means there is no central bank that can take corrective measure to protect the value of Crypto in a crisis;
- 3.2.13. Crypto rely on software protocols to operate, which are typically open-source and maintained by independent developer communities. These protocols may be subject to sudden changes, updates, or modifications that may lead to the creation of new Crypto commonly referred to as "forks". A fork can materially affect the value, functionality, or even the identity of a Crypto. Such changes may result in unexpected outcomes for investors, including alterations to the asset's utility, market value, or tradability. Investors should understand that we do not control the underlying protocols and cannot guarantee the continuity, performance, or stability of Crypto affected by protocol changes.

Delisting and Support Withdrawal Risk

- 3.2.14. Crypto may, at any time, be delisted from exchanges or become unsupported by the platforms or protocols that facilitate their trading. This risk can occur due to regulatory decisions, operational changes by exchanges, low market demand, or abandonment of the underlying Crypto project by its developers.
- 3.2.15. Delisting or withdrawal of support may render a Crypto illiquid or, in extreme cases, effectively worthless. Unlike traditional shares, where corporate actions and market structures often provide mechanisms for orderly exit, investors in Crypto may face substantial difficulties in selling or transferring their holdings, and may be unable to recover any of their invested capital.

Tax risk

- 3.2.16. Tax regulations of the Client's home country may affect the actual profit paid out.
- 3.2.17. We do not provide any tax advisory services.

Exchange rate risk

- 3.2.18. Due to the fact that Crypto is generally quoted in USD, the rate of return on investments in Crypto quoted in a currency other than the Crypto Account Currency is affected by changes in exchange rates. The value of the Crypto is converted into the Crypto Account Currency in real time. Consequently, even if the price of the Crypto in its Liquidity Provider remains stable, fluctuations in foreign exchange rates may increase or decrease the final return in the Crypto Account Currency.

- 3.2.19. In the case of Crypto traded on foreign or offshore exchanges, there are additional risk factors, in particular:
- a. risk of fluctuation in the currency in which the Crypto is quoted in relation to the Crypto Account Currency,
 - b. risk of having limited or delayed access to reliable information about the Crypto project or market,
 - c. legal risk related to the issuance, holding, or trading of Crypto under different and rapidly evolving legal regimes.

RISK OF OCCURRENCE OF FORCE MAJEURE

3.2.20 The Client acknowledges that in certain situations in which our normal activity is disrupted by any events of Force Majeure or other events that are beyond our control, execution of the Client's Order might be impossible. In addition, the Client's Order may be executed under conditions less favourable than those provided for in the GTC and the Crypto Orders' Execution Policy.

4. EXECUTION TIME

- 4.1. In standard market conditions we pass through and confirm the Client's Orders without undue delay. However, one or both of these actions may not be possible in a period when the Liquidity Provider is unavailable due to maintenance or in other situations in which on the particular market there is exceptional volatility of prices of the Crypto or a loss of liquidity, as well as in other situations which are beyond our control.

TERMS AND CONDITIONS OF KEEPING THE ACCOUNT

- 4.2. Prior to concluding the Crypto Agreement, you should know and accept any and all costs and charges related to the Crypto Agreement. This applies, in particular, to the costs and commissions related to conclusion of Transactions and any other fees and commissions we charge in accordance with the Crypto Agreement. Provision of the services on particular markets may involve additional costs and taxes. Such costs will be paid by the Client and may be paid through XTB.
- 4.3. In some cases, we provide our services through third-party partners, including Custodians or Liquidity Providers. The principles governing their services are determined by the regulations applicable to those entities. As a result, your rights may be governed differently than under the laws of your country of residence.
- 4.4. Crypto held on behalf of the Client may be stored with a Custodian in cold wallets or at Liquidity Providers. We hold such assets in our name but on behalf of the Client, in a fiduciary capacity, and in a manner intended to ensure separation from assets held for our own account or those of the Custodian or Liquidity Provider. In the event it is not possible to maintain full separation of Client assets, we shall notify the Client without delay.
- 4.5. The holding and custody of Crypto are conducted in accordance with our Crypto Custody Policy. A summary of this custody policy is made available to Clients upon request, in electronic format.
- 4.6. Selection of Custodians or Liquidity Providers will be based on applicable laws, regulations, market practices, and other binding acts issued by public authorities or market operators. Subject to Applicable Law, we shall not be responsible for the non-provision or improper provision of services by Custodians or Liquidity Providers, particularly where such failures result from circumstances beyond our control. The terms and conditions of services provided by Custodians or Liquidity Providers are based on the regulations applicable to them.
- 4.7. Keeping Client Crypto with Custodians or Liquidity Providers, or transferring them to accounts

XTB Limited is licensed and regulated by the Cyprus Securities and Exchange Commission (License Number 169/12) and provides crypto-asset services under Regulation (EU) 2023/1114 (MiCA) on the basis of a notification registered with CySEC, with Registered Office at Pikioni 10, Building: Highsight Rentals Ltd, 3075, Limassol, Cyprus.

maintained for us by these partners, involves increased risk. This includes, but is not limited to, the risk of hacking, system failures, operational errors, bankruptcy, insolvency, or other interruptions in business continuity of the Custodian, Liquidity Providers, or XTB. Clients acknowledge and accept that such events may result in partial or total loss of their Crypto.

5. TECHNOLOGICAL LIMITATIONS

- 5.1. Signing a binding Crypto Agreement shall mean that you are aware of and accept specific technological features of the XTB Application and Crypto Accounts we provide. These features involve in particular the manner of operation of the Crypto Account, the manner of Order execution, possible limitations in access to the Crypto Accounts through electronic means (such limitations can arise due to malfunctioning of services provided by third parties that supply telecommunications tools, hardware or software). You shall bear any and all consequences and costs arising from lack of access to the Crypto Accounts or from any limited ability to execute a Transaction through electronic means – provided that they are caused by reasons that are beyond our control.
- 5.2. Crypto Accounts may be temporarily suspended for reasons that are beyond our control. This may disable, delay or otherwise affect proper execution of Transactions, for which we cannot assume responsibility.

6. OTHER ESSENTIAL INFORMATION

- 6.1. Unless otherwise stipulated, we do not cooperate with any entities. This applies to natural persons and organisational entities, acting for XTB or on their own account, which directly or indirectly provide brokerage activities such as: investment advice, portfolio management or other similar services.
- 6.2. We do not authorize any other entity or person to accept any cash deposits or any other assets from the Client on our behalf. You should at all times deposit the funds necessary to conclude the Transactions only in the Cash Account specified in accordance with the Crypto Agreement.
- 6.3. You should always contact us if you have any doubts concerning cooperation with the persons or entities referred to above.
- 6.4. Unless stipulated otherwise, you shall conclude the Transactions directly with us and may not act as an agent or proxy of any other person. You may not authorize any person to conclude the Transactions on your behalf, unless we give our consent thereto.
- 6.5. Unless explicitly specified otherwise, any Instructions you place with us shall be considered as your own independent investment decisions. You should always make your investment decisions based on your own judgment and do your own due diligence. We do not provide any investment advisory services.

7. FINAL PROVISIONS

- 7.1. Before using the XTB Application, you should carefully consider whether trading Crypto is appropriate for you. You should take into account your knowledge and experience with volatile investments, financial resources, access to the necessary technology, and other relevant factors.
- 7.2. By accepting this Declaration, you represent that you are aware of the investment risks and potential financial consequences associated with trading Crypto. You acknowledge that taking investment risks is necessary to achieve any potential profit, and that trading Crypto carries the possibility of partial or total loss of your invested capital.
- 7.3. You represent that your financial standing is stable and sufficient to bear potential losses arising from trading Crypto. Any guarantees or promises of profit from trading Crypto are false and should not be relied upon.

- 7.4. You release XTB from any liability for losses incurred as a result of Transactions executed in accordance with your instructions or decisions concerning Crypto. Beyond all doubt, conclusion of a Transaction shall be deemed an independent decision of the Client.