

Special risks of Digital Assets

of Kaiser Partner Privatbank AG

Kaiser Partner Privatbank AG ("Bank") may provide a range of services to its Clients relating to Digital Assets registered on a blockchain or other digital distributed ledger or based on similar technology (collectively hereinafter, "Digital Assets"), including, in particular, trading, tokenisation and custody services.

The issuance, trading, settlement, investment and holding of positions in Digital Assets involves special risks for the Client, including technological, operational, market and systemic risks, as well as legal, regulatory and tax risks, which may be different from and/or in addition to those associated with traditional assets, including traditional financial instruments or national and supranational currencies. The realisation of these risks may theoretically result in a total loss of the Client's investment and possibly additional losses beyond the original investment, depending on the nature of the Digital Assets and the specifics of the Client's investment activity and exposure.

1. Scope

This document ("Special risks of Digital Assets") provides information on certain specific risks associated with Digital Assets that may be relevant to the Client in the context of its business relationship with the Bank.

This risk disclosure statement regarding Digital Assets does not constitute, nor is it intended to be, an exhaustive disclosure of all relevant risks or other relevant aspects relating to Digital Assets or transactions in such assets. Under no circumstances should it serve as a substitute for professional advice from knowledgeable experts. In particular, because the decentralised protocols underlying the technology of Digital Assets are still at an early stage of development and may change fundamentally in the future, the risks presented herein and the likelihood of their occurrence may evolve or change over time and new risks may arise. The Bank is entitled, but not obliged, to update this risk disclosure on Digital Assets to take account of new developments, in particular technological, legal, regulatory or market developments.

Unless expressly stated otherwise in this risk disclosure statement on Digital Assets, the risks described herein are beyond the Bank's control. Except in certain individual cases, for example

where the Bank itself acts as issuer or sponsor of a Digital Asset that is subject to separate documentation and risk disclosure, the Bank has no influence on the issuance or continuation, functionality, convertibility or transferability of a Digital Asset, including with respect to any underlying assets.

This Digital Asset risk disclosure statement is supplemental to and forms part of the contractual arrangements governing the relationship between the Bank and the Customer and must be read in conjunction with the Bank's General Terms and Conditions ("GTC"), the Bank's Custody Account Regulations ("Custody Account Regulations") and any other general or special terms and conditions of the Bank, where applicable. The Bank reserves the right to adapt and amend this risk warning for Digital Assets at any time and to notify the Client of such amendments in accordance with the provisions of the GTC.

2. Other relevant topics outside of this document

This risk warning regarding Digital Assets is separate from and in addition to the disclosure of risk factors by issuers, distributors, counterparties or other persons and financial service providers involved in the issuance, distribution, trading and other transactions relating to Digital Assets, such as may be contained in particular in prospectuses, key information documents, white papers, fact sheets and other information sheets which describe in more detail the risks associated with a particular Digital Asset or category of Digital Assets.

The Client must review such additional documents, if available, before investing in, trading or transacting in any Digital Asset. He must also consider the risk factors disclosed therein in his decision-making process in addition to the risks described in this risk disclosure on Digital Assets.

Furthermore, this risk disclosure does not address any tax or other legal issues relating to investments and transactions in Digital Assets in any jurisdiction. The Client is therefore advised to seek appropriate advice on legal and tax matters.

3. What are Digital Assets?

Digital Assets are an evolving, non-uniform asset class characterised by the use of Distributed Ledger Technology (hereinafter "DLT") or similar technology. Digital Assets are dematerialised assets that exist as entries in a public, authorised or private blockchain or other digital distributed ledger. The relevant Distributed Ledger itself and all data stored therein, including without limitation the Digital Assets as such or any references thereto, are, unless otherwise expressly stated in the relevant documentation, not operated or controlled by the Bank and are therefore outside the Bank's control.

In particular, Digital Assets may represent native value units that do not involve or represent a debt obligation to an issuer or other third party. When such units are intended or used for payment purposes and do not qualify as or represent securities or other financial instruments, they are sometimes referred to as payment tokens or (pure) cryptocurrencies. (hereinafter "cryptocurrencies").

Other types of Digital Assets may:

(i) represent any form of traditional, non-traditional or exotic financial instrument, including shares, bonds, fund units, structured products or derivatives (sometimes referred to as asset tokens);

(ii) grant a right to use a digital service, platform or infrastructure (sometimes referred to as a utility token); or

(iii) represent a hybrid form of any of the above types of Digital Assets, including cryptocurrencies (sometimes referred to as hybrid tokens). Depending on their specific structure and depending on the rules of different jurisdictions, Digital Assets may be referred to as tokens regardless of the terminology used by an issuer or other parties involved, Digital Assets may qualify as securities (in which case they are sometimes referred to as security tokens) or other forms of financial instruments, with the associated legal and regulatory consequences, particularly if they are suitable for investment purposes.

Digital Assets based on DLT may be subject to centralisation effects, e.g. due to the accumulation of ownership of issued/pre-processed units with the issuer, another single party or a small number of connected or unconnected parties, or due to the concentration of network functions such as the operation of nodes or the validation of transactions with a single party or a small number of connected or unconnected parties. This may result in Digital Assets exhibiting characteristics of centrally issued instruments and/or potentially having adverse effects on parties other than those involved in or

influencing the accumulation of ownership or network functions.

4. Glossary Digital Assets

For better clarification, various terms specific to the field of Digital Assets are explained in more detail below. The glossary is divided into the technical term (underlined) and its definition directly below:

Airdrop/Airgrab:

A distribution of cryptocurrency or other Digital Asset units to a defined set of digital ledger addresses, usually without any compensation or other form of remuneration from the recipients of the units, often for promotional or similar purposes.

DLT/Distributed Ledger Technology:

Technology that enables the implementation of databases distributed across different nodes or computing devices in a network, each of which can participate in the network by replicating and storing a copy of the ledger or parts of it.

Node:

A computer connected in a DLT network.

Miner/Minter:

Refers to a device or person operating the device that creates valid blocks. Some protocols require proof of work (by "miners"), while other consensus mechanisms require the use of assets (by "minters"). Besides "miners" and "minters", there are other consensus mechanisms that require other devices or people, such as "validators" in Byzantine fault-tolerant mechanisms.

Blockchain:

A specific form of a database, based on DLT, that uses a chain of blocks ("blockchain") to achieve consensus on the distributed ledger (DL).

Consensus:

In the context of DLT, consensus refers to the process (algorithm or mechanism) used to bring the distributed database into a synchronised state at a given time or block.

Hard fork:

A consensus-influencing protocol change where participants who have not adopted the change are no longer able to validate and verify transactions.

Soft fork:

A consensus-influencing protocol change where participants who have not accepted the change are still able to participate in the validation and verification of transactions.

51% attack:

A 51%-attack is a potential attack on a blockchain network where a single entity or organisation is able to control a high percentage of the hash rate, which can lead to a disruption of the network. In such a scenario, the attacker would have enough mining power to intentionally exclude transactions or change their order. Such an attacker might also be able to reverse transactions, so that they would be able to spend the same unit of Digital Asset twice. A successful majority attack would also allow the attacker to prevent some or all transactions from being confirmed ("transaction denial of service") or to prevent some or all other miners from mining, leading to a so-called mining monopoly ("censorship attack").

Collision attack/Birthday attack:

A collision attack on a cryptographic hash value is an attempt to find two inputs that result in the same hash value, so-called hash collision. This type of cryptographic attack exploits the mathematics behind the birthday problem in probability theory and depends on the higher probability of collisions between random attack attempts and a fixed degree of permutations. Such an attack could be used to alter transactions.

Dusting attack:

A dusting attack refers to a malicious activity in which an attacker violates the privacy of the owners of a Digital Asset by sending very small amounts of coins to their addresses. The activity carried out at these addresses is tracked down by the attacker and used in an attempt to identify the person or company behind an address.

5. Risks of financial instruments embodied in or serving as underlying assets in Digital Assets.

Where Digital Assets constitute, embody, incorporate, reference or represent securities or other forms of financial instruments, the risks inherent in such securities or other financial instruments generally apply in the same way as to traditionally issued and traded instruments. As these risks apply generally and are not specific to

Digital Assets, they are not discussed in detail below.

The risks associated with the trading of securities and other financial instruments are described and disclosed separately to the Client, in particular on the basis of the brochure of the Liechtenstein Bankers Association (LBA) on the risks in securities trading as well as in other documents, oral and written information provided to the Client within the framework of the business relationship with the Bank.

6. Risks specific to Digital Assets

I. Technological risks

Digital Asset risks arising from or related to the specific use of the technology include, but are not limited to:

a) Risk that Digital Assets exist only on a Distributed Ledger:

Unless expressly stated otherwise, the Distributed Ledgers in which and on which Digital Assets exist are outside the Bank's control. Digital Assets may be subject to events specific to the relevant Distributed Ledger, such as hard or soft forks in a Blockchain, which may, among other things, result in the creation of new or competing Digital Assets that may impair functionality, convertibility or transferability or result in a full or partial loss of Shares or a reduction (including a reduction to zero) in the value of the Client's Digital Assets.

b) Risk of irreversibility of transactions/erroneous instructions:

Base layer transactions on a blockchain or other distributed ledger are irreversible and final, and the history of transactions is not computationally alterable (i.e. it would require more computing power than is ever reasonably available to an individual or group). Therefore, if the Client initiates or requests a transfer of Digital Assets using an incorrect digital ledger, it is impossible to identify the recipient and reverse the erroneous transaction. This risk also exists if the Client attempts to transfer Digital Assets to the Bank using a false digital ledger.

c) Risk of delayed execution:

The execution of transactions involving Digital Assets on a blockchain or other distributed ledger is subject to verification and other processes involving multiple third party actors/nodes using evolving technologies. This may result in significant delays during which the Client may not be able to dispose of the Digital Assets in question, while their value

may fluctuate significantly or otherwise result in loss or damage.

d) Risk of security vulnerabilities in the underlying code or technology:

There is a risk that developers or other third parties may voluntarily or involuntarily introduce vulnerabilities or bugs in the underlying code or technology of a Digital Asset that can be exploited in various types of attacks. Successful attacks (or the perception of a technological weakness) could impair the functionality, convertibility or transferability or result in a full or partial loss of shares or an impairment (including a write-down to zero) of the Client's Digital Assets.

e) Risk of exploitable breakthroughs in the field of cryptography, e.g. development of quantum computers:

The state of the art in cryptography, including digital encryption, may evolve over time. Advances in code decryption techniques and technological advances (also with regard to the computing power required for the use of such techniques) could pose risks to the security of Digital Assets and, if exploited, could result in theft, loss of shares or impairment (including reduction to zero) of the Client's Digital Assets.

f) Risks associated with consensus mechanisms and concentration risk:

DLT may depend on independent validators or other forms of consensus or validation that are vulnerable to external attack. Potential attacks include collision attacks, 51% attacks, dusting attacks and censorship attacks. If such attacks are successful, a perpetrator may, for example, take control of Digital Assets, spend the same Digital Asset twice and/or misuse the identity or personal data of other users. In addition, such an attack may impair functionality, convertibility or transferability, or result in a full or partial loss of shares or a reduction (including a reduction to zero) in the value of the Client's Digital Assets. The risk of a successful attack is increased for Digital Assets based on a DLT architecture with a high degree of concentration of ownership of units or network functions among a small number of parties.

II. Legal and Regulatory Risks

Digital Asset risks related to the legal and regulatory environment may include, but are not limited to:

(a) Risk of non-compliance with or changes to the legal and regulatory framework:

The legal and regulatory framework applicable to Digital Assets in Switzerland and abroad is not yet

finalised and is constantly evolving. Existing laws and regulations, changes to the legal and regulatory framework and related measures by regulatory authorities or other governmental bodies may affect the proper issuance, national and international tradability and transferability or convertibility of Digital Assets.

or convertibility of the Client's Digital Assets and could potentially result in a total or partial loss of Shares or an impairment (including a write-down to zero) thereof.

b) Risk of regulatory action in one or more jurisdictions:

Digital Assets, their issuers or other parties involved, financial and other service providers may be subject to regulatory investigations, orders or other actions that could potentially result in a total or partial loss or impairment of the Client's Digital Assets, impair the ability to offer Digital Assets to the Client or otherwise adversely affect the Client. Further, such measures may prevent, restrict or prohibit the Client from holding or dealing in Digital Assets.

c) Risk of confiscation of Digital Assets:

The technology underlying Digital Assets enables thorough forensic investigations that can go back a period of time and cover a number of transactions that would not be possible with similar effort in the context of traditional assets. Depending on the individual case, such forensic investigations may cover a period going back to the creation of the Digital Asset in question. As a result, the Client's Digital Assets may be at risk of seizure by courts or government authorities if they have previously been used for or in connection with criminal activity or are otherwise deemed to be "tainted". Depending on how the Client invests in or holds Digital Assets (e.g. in the case of dedicated segregated accounts, by investing in a financial product with one or more Digital Assets as its underlying asset or in a non-segregated account representing a contractual entitlement to delivery of a specified quantity of a Digital Asset) and/or the nature of the Digital Asset business or transactions in which the Client is involved, the Client may from time to time hold or receive in exchange different interests in the same Digital Asset, some of which may be at increased risk of seizure or may be "tainted" to varying degrees. The release of seized Digital Assets may be subject to foreign laws or regulations and the relevant procedures may result in costs, delays or other adverse effects for the Client.

d) Risk of legal invalidity of tokenisation or transfer of tokenised rights:

Where Digital Assets are intended to constitute, embed or represent securities or other financial instruments, the legal validity of such a construct may be subject to different rules in the potentially relevant jurisdictions, in particular in the jurisdiction of the issuer or the holder of the Digital Asset concerned. There is a risk that the tokenisation of the alleged underlying rights and obligations and/or the transfer of such rights and obligations through the transfer of a Digital Asset is not legally effective and that the Client's Digital Assets consequently do not contain the expected rights and obligations, which may lead to a full or partial loss of shares or an impairment (including a reduction to zero).

e) Classification risk:

The Bank may, at its own discretion, determine from time to time for the purposes of its relationship with the Client whether it considers a particular Digital Asset to be a cryptocurrency or another instrument such as a security or other financial instrument. Such classification shall be made only between the Client and the Bank. The Bank cannot be held liable for any different classification by authorities or other competent third parties in any jurisdiction at any time, which may result in different rights and obligations of the Client in relation to its Digital Assets in different jurisdictions over time. These may include legal and regulatory obligations, tax obligations or other requirements, non-compliance with which may result in measures and sanctions, including criminal liability, or which may otherwise affect the Client's legal position or the value, transferability or convertibility of the Digital Assets concerned.

III. Market risks

The risks of Digital Assets in relation to the relevant markets, trading platforms and systems may include, but are not limited to, the following:

a) The markets for Digital Assets continue to evolve:

The Digital Asset markets are evolving and may be subject to increased volatility and limited transparency and reliability, execution delays or failures, all of which may potentially result in losses or other adverse effects for the Client.

b) Limited regulation:

Trading platforms and systems for Digital Assets and their participants may be unregulated or subject to

limited regulation and may not offer the same or similar protections as traditional financial markets, including with respect to market manipulation or insider trading. Any of these inherent characteristics may potentially result in losses or other adverse effects for the Client.

c) Delays in the execution or settlement of transactions in Digital Assets:

The execution and settlement of transactions in Digital Assets may depend on the characteristics of the relevant distributed ledger or on the involvement of third parties in the relevant network, in particular the availability of miners or other processing entities. Delays or failures in the execution or settlement of transactions could potentially result in losses or other adverse effects for the customer.

d) Valuation risk of cryptocurrencies in particular:

Cryptocurrencies are generally not linked to a national or supranational currency or to an asset or commodity traded on a regulated market and may be subject to increased volatility. The exchange rates of cryptocurrency assets may change between the time an instruction to sell or buy is given and the time it is executed.

7. Summary

By trading, transacting, investing and holding positions in Digital Assets, the Client acknowledges and accepts the risks described in this Digital Asset Risk Disclosure. Clients who do not understand this Digital Asset Risk Disclosure should seek advice from a competent advisor or refrain from activities involving Digital Assets.

The Bank shall not be liable for any loss or damage resulting from the realisation of risks specific to Digital Assets which are beyond the Bank's control or which are not due to a failure to comply with the Bank's duties of care under the GTC, the Deposit Regulations and any other general or special conditions of the Bank. Furthermore, the Bank is not obliged to inform the Client about the realisation or the possibility of the realisation of one of the risks described above or other risks in connection with Digital Assets.

8. Entry into effect

This risk disclosure regarding Digital Assets enters into effect on March 1, 2023.