

APPROVED
by AS "TRASTA KOMERCBANKA" Council
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1. Definitions of Terms

- Bank* - Joint Stock Company TRASTA KOMERCBANKA.
- Secure Transmission System for Financial Information* - S.W.I.F.T., Reuters Dealing, Bloomberg, telex, and other means of communication with equivalent safety class.
- Financial Instruments* - Financial instruments defined in the Financial Instrument Market Law, derivative financial instruments, and structured finance products which the Customer may use in Transactions under intermediation of the Bank, including, but not limited to:
- transferable securities (shares, bonds, depository certificates, and other transferable securities);
 - investment certificates of investment and alternative investment funds, as well as other transferable securities certifying share in such funds or equivalent mutual funds;
 - money market instruments;
 - derivative finance instruments;
 - currency exchange transactions with characteristics of derivative financial instruments;
 - structured financial products with provisions that guarantee the investor a part of the initial investment and that include a derivative financial instrument or have a profitability linked to any underlying assets of derivative financial instruments if there is a possibility that the investor may lose a part of the initial investment;
 - other financial instruments not specified herein.
- Simple Financial Instruments* -
- shares, which are included in a regulated market of the member state or a foreign market;
 - money market instruments;
 - bonds or other debt securities (excluding bonds or debt securities which include derivative instrument(s));

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- investment certificates of investment funds;
- other simple financial instruments that meet the following characteristics:
 - they are not derivative financial instruments;
 - such financial instruments can frequently be put into circulation, repurchased or otherwise sold at publicly affordable prices, which are either market prices or prices offered by the rating systems independent of the issuer;
 - they do not include any existing or contingent liabilities in excess of the cost of a financial instrument for the Customer;
 - information on the characteristics of financial instruments is publicly available, easily comprehensible, and it allows an average retail customer to make informed decisions regarding transactions with such instruments.

- Customer* - An individual or a legal entity to which the Bank renders investment services or ancillary investment services.

- Customer's Status* - Classification of the Customers applied by the Bank that is based on Customer's competence, experience and knowledge in regard to transactions with Financial Instruments under the Policy for Determination of the Customer Status in respect to Investment Services developed by the Bank. The Customer is assigned one of the following statuses: Individual Customer, Institutional Customer or Authorized Business Partner.

- Intermediary* - A legal entity that has the right to provide intermediary services in transactions with Financial Instruments and which is contracted by the Bank to hold Financial Instruments and execute Customer Orders in regard to transactions with Financial Instruments, including depositories, credit institutions, brokers, investment companies, intermediaries, agents, etc.

- Order* - Expression of Customer's or his/her fiduciary's will with respect to Financial Instruments (buying, selling, transferring to another account or account of another person, deregistering, pledging, etc.) based on which the Bank initiates a transaction with Financial Instruments.

- General Provisions for Transactions and Account Services* - Provisions approved by the Bank which govern the legal relationship between the Customer and the Bank, as far as they do not contradict the Agreement.

2. General Provisions

2.1. The Bank implements this Policy in compliance with the requirements of the *Financial Instrument Market Law* with a purpose to provide the best result for the Customer in transactions with Financial Instruments.

2.2. This Policy applies to all Customers irrespective of the assigned Customer's status.

2.3. This Policy applies:

2.3.1. 3.3.1. when the Bank executes Customer Orders;

2.3.2. when the Bank receives Customer Orders and transmits them to Intermediaries for execution.

3. Execution Venues

3.1. The Bank has an access to multiple execution venues where Financial Instruments are traded. The Bank expands and updates the list of such transaction venues on a regular basis. Information about the Execution Venues is posted on the Bank's website www.tkb.lv. The Bank does not notify its Customers about any changes in the said list individually and it is Customer's responsibility to follow any updates in the list.

3.2. The Bank establishes direct relationship with the local and foreign stock exchanges by becoming a member thereof in order to provide an access to the execution venues for transactions with Financial Instruments. The Bank is a permanent member of the Tallinn, Vilnius and Riga stock exchanges. The Bank also uses services of Intermediaries (contractors) to provide access to other execution venues where the Bank does not have a direct access to.

3.3. For execution of Customer Orders the Bank selects such Intermediaries which are viewed by the Bank as able to execute Orders, taking into account that the Bank's duty is to provide the best possible execution for its Customers.

The Bank assesses quality of the services provided through intermediation of the Intermediaries as well as their ability to ensure the best result for execution of the orders, on a regular basis, but no less than quarterly. The Bank assesses:

- payment speed and reliability;
- convenience;
- pricing policy;
- relevant execution venues;
- understanding of the needs and priorities of the Customers;
- experience and reputation of the Intermediary.

The Bank frequently assesses financial standing of the Intermediaries and reports it to the Resource Committee of the Bank.

3.4. Other provisions related to the Intermediaries. The Bank selects an execution venue for each individual Order in respect to transaction with a certain type of Financial Instruments, which, in the Bank's view, is appropriate and will help achieve the best possible result for the Customer. To provide more favourable transaction results for Customer, the Bank may execute a Customer Order outside the regulated market by closing a deal with another market participant, other Customer of the Bank, another bank, or by concluding a transaction on its own

account. The Bank has the right to execute Customer Orders outside the regulated market and the multilateral trading system, upon a receipt of Customer's prior consent for each individual transaction, or if such an option is stipulated in the respective Investment Services Agreement. If the Customer has not given its consent to execute Orders outside the regulated market and the multilateral trading system when entering into the Investment Services Agreement, record on the consent of Customer to execute a transaction outside the regulated market or the multilateral trading system is made in the Order for operation with the respective financial instrument.

3.5. It is possible that transactions with individual Financial Instruments may be carried out only in a specific execution venue. It is believed that by executing Customer Order in respect to such Financial Instruments, the Bank has provided the best possible result for the Customer

4. Provision of the Best Possible Result

4.1. When executing Customer Orders in respect to transactions with Financial Instruments or receiving Customer Orders and transmitting them for execution, the Bank takes all reasonable steps to obtain the best possible result for the Customer. Attempt to provide of the best possible result does not mean that the Bank assumes any more liabilities than it is required by the applicable law or agreement with the Customer.

4.2. When executing Customer Orders, the Bank considers the following factors:

- 4.2.1. transaction price and costs;
- 4.2.2. execution speed;
- 4.2.3. likelihood of execution and settlement;
- 4.2.4. size of the transaction;
- 4.2.5. any other factors relevant to execution of the Customer Order;
- 4.2.6. characteristics of the transaction or other considerations related to execution of the Order.

4.3. To determine the importance of other factors in execution of the Orders, the Bank in addition considers the following criteria:

- 4.3.1. characteristics of the Customer, including Customer's Status;
- 4.3.2. type of the Customer Order;
- 4.3.3. characteristics of the Customer Order;
- 4.3.4. characteristics of financial instruments that are subject of the Customer Order;
- 4.3.5. characteristics of the execution venue for the Customer Order.

4.4. The Bank evaluates and prioritizes the aforementioned factors at its own discretion to provide the best execution result for the Customer. Price and costs of a transaction are considered to be one of the most important factors in execution of any transaction. Nonetheless, in some cases, other factors may be considered more important than the price and costs of a transaction. In some cases the Bank takes into account specific circumstances relevant to a specific Customer Order (e.g. large scale transaction, non-liquid market, etc.).

5. Specific Customer Instructions

In case if the Customer submits an Order in respect to a transaction with Financial Instruments under specific instructions, the Bank executes the respective Order only if it is possible. Customer understands and agrees that if the Order is submitted to the Bank for execution under specific instruction, in some cases the Bank may not be able to obtain the best result by executing the Order according to the Specific Customer Instructions. The Customer is aware that any specific instructions may prevent the Bank from carrying out certain operations necessary to provide the best possible result under the Policy for Execution of Orders in respect to the elements included in these instructions.

6. Orders for Transactions with Financial Instruments Traded on Regulated Markets

The Bank executes Orders in respect to transactions with Financial Instruments mentioned herein at a market price or a special transaction price indicated in the Customer Order, by obtaining the best possible execution result under the principles set forth in this Policy. If any special terms for execution of a transaction are defined in the Customer Order, the respective Order is executed under the principles set forth in Paragraph 5 of this Policy.

7. Orders for Transactions with Financial Instruments Usually Traded Outside of Regulated Markets

7.1. The Customer Orders in respect to trade of debt securities, monetary market instruments, derivative instruments traded outside stock exchanges, financial contracts for difference, and other Financial Instruments are traded by the Bank outside regulated markets.

7.2. Price of a Financial Instrument outside a regulated market depends on the market value and value of the underlying asset. The Bank may quote price of the mentioned Financial Instruments upon a request if the Bank is ready to execute transactions with the respective Financial Instruments at the said prices. When executing Orders on behalf of a Customer, the Bank closes a deal with the Customer on its own. The Bank takes all reasonable steps to obtain the best execution result for the Customer to the extent that is reasonably possible. However, in some cases, the Bank may not be able to obtain the best possible result for the Customer by trading Financial Instruments outside regulated markets.

8. Orders for Transactions with Investment Certificates of Investment Funds

The Bank executes the Orders in respect to transactions with investment certificates of investment funds by transmitting the Orders for execution to investment fund management companies or Intermediaries in accordance with the legal acts regulating investment funds.

9. Limit Orders

9.1. The Customer may submit an Order that is restrictive in terms of its execution. Types of Orders:

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By price:

- MARKET, MKT (Orders that should be executed on the market immediately at the current market price)
- LIMIT (Orders that should be executed on the market at a higher price than the current market price)
- STOP (Orders that should be executed on the market at a lower than the current market price)
- STOP LIMIT (Orders that should be executed on the market at the price that is lower than the current market price but does not exceed the LIMIT price);

By duration:

- GTC, Good Till Cancelled (Orders are valid as long as they are fully executed or cancelled respectively)
- Day (Orders are active and valid during the trading day)
- GTD, Good Till Date, (Orders are active and valid until a specific date)
If the period is not specified, it is considered a one-day period (DAY ORDER).

By activity type:

- OCO, One Cancels the Other (if any of the related deferred Orders is executed, the other order is automatically cancelled)
- IFD, IF Done (if one of the deferred Orders is executed, the other Order is automatically activated).

Order types may differ for different exchanges and instruments.

9.2. If Customer has submitted a Limit Order regarding stocks that are listed in a regulated market, and the Order is not executed immediately due to current market situation, the Bank takes all reasonable steps, unless explicitly instructed by the Customer otherwise, to provide execution the Order as promptly as possible, and discloses information regarding the Order to the market, i.e., transmits the Limit Order to the execution venue.

10. Acceptance and Execution of Orders

10.1. The Customer may submit an Order (in writing) by visiting the Bank in person or by using electronic means of communication (phone, fax, Trast.Net e-banking system, the Secure Transmission System for Financial Information) if the Customer has entered into proper investment services agreements. Different processing procedures apply to Orders submitted by different methods before the Bank may initiate execution of the Order. Therefore, the Bank always warns the Customer that the sequence in which Orders are submitted to the Bank does not always match the sequence in which the Bank receives the Orders and initiates their execution thereto.

10.2. The Bank carries out identity verification of the Customer in accordance with the provisions of the respective investment services agreement and General Provisions for Transactions and Account Services.

10.3. The Bank notifies (within a reasonable time) individual customer of any significant difficulties in proper execution of the Order.

10.4. After execution of the Customer Order (upon completion of the respective transaction and settlement of payments), the Bank immediately (within a reasonable time) transfers the received Financial Instruments or cash to the Customer's account.

10.5. The Bank is entitled to execute Customer Orders outside regulated markets where it has received Customer's consent under the Investment Services Agreement or the Order.

10.6. The Bank has the right to execute Customer Orders in full or in part by using Order of another Customer or third party. In such case the Order is executed at a price that reflects the current market conditions and the Bank serves as the execution venue for the Customer Order. In such case the Bank gives the Customer notice that the respective order will be executed using an Order of another Customer or third party, and the Bank will serve as the execution venue for the Order, given that the Customer has provided consent for the Order to be executed on such terms.

10.7. Orders related to the initial issue of Financial Instruments are executed by transmitting them to the Intermediary under the terms of the respective issue and the Customer Order.

10.8. The Bank assesses appropriateness of the investment services provided to the Customer by using data from the *Customer Questionnaire on Investment Services and Ancillary Investment Services*.

10.9. If the Customer on its own initiative has submitted an Order in respect to a transaction with Financial Instruments, which are considered Simple Financial Instruments, the Bank does not assess the appropriateness of the investment services or instruments offered to the Customer, and the Bank is not responsible for giving notice to the Customer if certain instruments and/or investment services are not appropriate for the Customer.

10.10. When receiving Customer Orders and transmitting them to the Intermediary for execution, the Bank takes all reasonable steps to obtain the best possible execution result for the Customer. Customer Orders are transmitted only to Intermediaries with approved policy for provision of the best possible execution result for the Customer.

10.11. The Bank may refuse to accept the Customer Order and is not liable for any delays in execution of Customer Orders if at least one of the following conditions is met:

The Order is incorrect or suspicious;

b) The Order contradicts other effective (not cancelled) Customer Order which has not been completed;

c) The order is incomplete, obscure, or drawn up incorrectly, including, cases when the Order is not signed or confirmed with an authorization key generated by user's code and password or authorization element (Digipass Code Card);

d) characteristics of the Order, including, instructions of the Customer, make it unlikely to be executed or executed immediately following the sequence in which the Orders are submitted;

e) the current market conditions make the Order unlikely to be executed or executed immediately following the sequence in which the Orders are submitted;

f) Interests of the Customer require other actions than requested by the Customer Order;

- g) the Customer has not provided sufficient amount of Financial Instruments unencumbered by any third parties in the Financial Instrument account necessary for execution of the Order;
- h) the Customer has not provided sufficient amount of money resources unencumbered by any third parties in the investment or current account necessary for execution of the Order;
- i) the Customer is preventing execution of the Order due to his/her action or inaction;
- j) the Customer Order is requiring the Bank to provide a service or transaction which does not comply with the respective Investment Services Agreement;
- k) the Order includes a Financial Instrument in respect to which the Bank is not offering investment services in general or may not provide the requested investment service;
- l) the Order is requested to be executed in a venue which is not used by the Bank for transactions;
- m) the Order contradicts common market practice;
- n) the Order contradicts laws and legislation of the Republic of Latvia or laws and legislation of the country where the Order is executable or where the Financial Instruments are held;
- o) the Bank has suspicions that the transaction requested by the Order is executed by use of internal information or with an intent to engage in market manipulation;
- p) the Bank has suspicions that the transaction requested by the Order is related to money laundering, attempt of money laundering, or terrorism financing.

11.12. If a condition which gives the Bank the right to refuse to accept and/or execute the Customer Order is met after the Order has been accepted for execution or its execution has been initiated, the Bank has the right to suspend execution of the Order and is not liable for any delays in execution of the respective Order.

11. Aggregation, Execution and Distribution of Orders

11.1. The Bank, at its own discretion, may aggregate Customer Orders with its own transactions or Orders of other Customers. The Bank aggregates Orders only if the probability that such aggregation of the Orders or transactions may work to disadvantage of those Customers whose Orders are aggregated is low. Prior to aggregation of Orders or transactions, the Bank gives notice to the Customer, whose Order are to be aggregated with Order of another Customer, that such aggregation may cause losses to the respective individual Order.

11.2. When aggregating Orders with its own transactions or several Customer Orders, the Bank distributes or redistributes the respective transactions of the Customer without working to disadvantage of the Customer. In case if the Bank aggregates a Customer Order in respect to a transaction with its own transaction, and the aggregate Order is executed only in part, the Bank distributes the respective transactions in a way that provides execution of the Customer Order first, followed by execution of the Bank's own transaction as far as it is possible.

11.3. The Bank may apply proportional income distribution in respect to the transaction executed for its own account if the Order could not have been executed on such favourable terms or executed at all without aggregation of the Orders.

11.4. The Bank proceeds as follow when distributing an aggregate Order, which includes the Customer Order:

- the obtained funds or financial instruments are distributed among Customers as specified in the Instruction which the Bank received from the organizer of the issue or the issuer (in case of initial issue);
- If an aggregate Order is executed in full, the result for each Customer is determined by multiplying the amount of financial instruments specified in the Customer Order by the average execution price of the aggregate Order.
- If an aggregate Order is executed in part, the result for each Customer is determined proportionally, i.e. by multiplying proportion of the respective Customer's financial instruments in the aggregate Order by the result of the aggregate Order.

The Bank may apply any other procedure for distribution of aggregate Orders by giving the Customer an advance notice.

12. Interventions and Downtimes of the Systems, Difficulties to Execute the Orders

It is possible that the Customer Orders may not be submitted when there are emergency interventions or downtimes in any systems (including phone connection) related to services of the markets, banks, or Intermediaries which the Bank is using and in such cases execution of the Orders in accordance with this Policy for Execution of the Orders is considered impossible or inadequate by the bank. In case of such technical problems the Bank notifies the Customer as soon as it is possible (in reasonable time) by posting information on the Bank's website and/or Trast.Net e-banking system and/or by notifying the Customer personally.

13. Monitoring and Reviewing of the Policy

Amendments to the Policy are posted on the Bank's website. Any amendments to the Policy take effect on the day when they are posted on the Bank's website www.tkb.lv.
