

## 1. Definitions of terms

- Bank* - Joint Stock Company TRASTA KOMERCBANKA
- Financial instruments* -
- ✓ transferable securities (shares bonds, depository certificates and other transferable securities);
  - ✓ investment certificates of investment funds and other transferable securities that confirm participation in investment funds or comparable mutual funds;
  - ✓ money market instruments;
  - ✓ derivative financial instruments;
  - ✓ derivative commodity instruments;
  - ✓ other financial instruments not specified herein.
- Institutional Customer* -
- ✓ Institutions of the Republic of Latvia or other countries that are licensed for activities in the financial market:
    - credit institutions;
    - investment brokerage companies;
    - other licensed or regulated financial institutions;
    - investment funds and investment management companies;
    - insurers;
    - pension funds;
    - commodity dealers;
    - companies that perform at their own expense transactions in the option agreement, futures or derivative financial instrument markets or derivative instrument underlying asset markets with the only purpose to diminish financial risk in the derivative financial instrument market; or companies that perform transactions at the expense of other participants of said markets or create prices for them, which are guaranteed by participants of the payment settlement system of the market, provided that participants of the payment settlement system of the market undertake the responsibility for securing performance of concluded agreements of such companies;
    - other commercial companies that deal with investments into financial instruments as their primary activity, and make large scale investments;
  - ✓ commercial companies that meet two criteria out of the following three:
    - shareholders' equity should not be less than EUR 2 million or the equivalent in lats according to the exchange rate set by the Bank of Latvia;
    - net turnover should not be less than EUR 40 million or the equivalent in lats according to the exchange rate set by the Bank of Latvia;
    - book value should not be less than EUR 20 million or the equivalent in lats according to the exchange rate

set by the Bank of Latvia;

- ✓ states and municipalities, state institutions that manage government debts, state central banks, World Bank, International Monetary Fund, Central Bank of Europe and other international financial institutions;
- ✓ other commercial companies that deal with investments into financial instruments as their primary activity, and make large scale investments;
- ✓ a person or an entity that is recognized as Institutional Customer in another country in compliance with the procedure that is comparable to one laid down in these Provisions.

*Individual Customer* - a customer that is not an Institutional Customer.

*Authorized Business Partner* - An investment brokerage company, credit institution, insurance company, investment management company, pension fund and its management company, other financial institutions that are licensed and carry out their activities according to regulatory instruments of the member states, which provide guidelines for financial services, as well as state governments and other state institutions that manage government debts, central Bank and supranational organizations.

## 2. General Provisions

3.1. In order to comply with the provisions of the Law on Financial Instruments Market, the Bank shall assign a certain status to persons whom it provides investment services and auxiliary investment services

3.2. A person to which the Bank renders investment services or auxiliary investment services may have the status of Institutional Customer, Individual Customer or Authorized Business Partner. To determine Customer's status, the Bank uses *Customer's Questionnaire for Receipt of Investment Services and Auxiliary Investment Services for Transactions with Financial Instruments* (Appendix No 1). Before the Bank starts rendering investment services or auxiliary investment services, it shall inform the Customer about its status and related risks (Appendix No 2).

3.3. A person who has been classified as *Individual Customer* has the right to request to be classified as Institutional Customer. Assignment of another status shall be performed in accordance with paragraphs 3.43, 3.5 and 3.6.

3.4. The Bank has the right to assign the status of *Institutional Customer* to any person who is not listed in paragraph 3.4 but has expressed a respective request and whose knowledge and experience were checked by the Bank. This person shall meet at least two criteria from the ones listed below.

3.4.1. the person has performed large scale transactions in the respective market, at least ten transactions a quarter during the last four quarters;

3.4.2. the value of the person's financial instrument portfolio, which includes both funds and Financial Instruments, exceeds EUR 500,000 or the equivalent in lats according to the exchange rate set by the Bank of Latvia;

3.4.3. the person has at least one year experience in the position related to the financial sector, which requires knowledge of transactions and services that the person plans to carry out as Institutional Customer.

3.5. Before making a decision the person referred to in paragraph 3.4 to be recognized as *Institutional Customer*, the Bank shall evaluate his/her competence, experience and knowledge to make sure that, taking into account specifics of respective transactions and services, Customer will be able to independently make investment decisions and comprehend related risks. The status of Institutional

Customer may be assigned to the person mentioned herein in general or in regard to a certain type of investment services, or transactions, or a certain transaction or a product.

3.6. A person who wishes to be assigned the status of *Institutional Customer* shall submit to the Bank an application where he/she should indicate the type of investment service, transaction or product in regard to which he/she would like to receive the status of Institutional Customer. Before assigning the status of Institutional Customer to the person, the Bank shall serve this person a written notification advising that he/she may lose the investment protection right while having the Institutional Customer status. The person shall sign a confirmation statement that he/she has received the notification and understands the consequences of losing said right. The parties enter into a written agreement in regard to assignment of the Institutional Customer status.

3.7. A person who has been assigned the status of *Institutional Customer* according to paragraphs 3.3, 3.4 and 3.5 shall submit to the Bank information about the changes in his/her activities that may have an impact on the person's compliance with requirements of the Institutional Customer status. After receipt of the information indicating that Customer does not any longer meet the requirements specified for Institutional Customer, the Bank makes a decision about revocation of the status and notifies the person in writing.

3.8. A person who has been assigned the status of *Institutional Customer* has the right to request assignment of the *Individual Customer* status. Institutional Customer may be assigned the status of Individual Customer in regard to all provided services or certain types of investment services, transactions, or products. The Bank assigns the status of Individual Customer according to paragraphs 3.8 and 3.9.

3.9. Institutional Customer who is interested in obtaining the status of *Individual Customer* shall submit to the Bank a respective application where he/she should indicate the type of investment service, transaction or product in regard to which he/she would like to receive the status of Individual Customer.

3.10. In order for Institutional Customer to be assigned the status of *Individual Customer*, the Bank and the person who is recognized as Institutional Customer enter into a written agreement. This agreement shall stipulate types of investment services, transactions or products where the status of Individual Customer shall apply.

3.11. Before the Bank starts rendering investment services or auxiliary investment services, it shall inform respective companies about the status of *Authorized Business Partner* applied to such companies.

3.12. In relation to currency trading operations, the *Customer Questionnaire* appended to the *Agreement on currency trading operations against cover (01F0289)* is applied in determining of customer's status.

3.13. The Bank shall grant the Customer status having assessed Customer's information about its activities, knowledge and experience in transactions with financial instruments and, depending on the assigned status, shall apply the Customer's interests protection measures as provided in the legislation.

Appendix No. 1

To the Investment Services Customer Status  
Determination Policy

FI account number: \_\_\_\_\_

\_\_\_\_\_ 20\_\_ .

**CUSTOMER QUESTIONNAIRE**

***Receipt of Investment Services and Auxiliary Investment Services for Transactions with  
Financial Instruments***

Dear Customer:

Please provide information required below to TRASTA KOMERCBANKA JSC. Your information will be used in compliance with the law of the Republic of Latvia On Financial Instruments Market.

If the Customer refuses to provide information requested by the Bank or provides incomplete or inaccurate information, or does not notify the Bank about changes in the information provided earlier, the Bank shall not be held responsible if it cannot evaluate whether a particular service is appropriate for the Customer and whether the Customer can stand financial losses. If the Customer has not provided additional data, the Bank shall not be held responsible for any consequences caused by Customer's refusal to provide information, or by provision of incomplete information, or by not notifying the Bank about changes in the information provided earlier.

If despite the Bank's warning that a certain transaction is not appropriate for the Customer, he still concludes this transaction, the Customer should realize that he exposes himself to the risks, for adequate evaluation, control and mitigation of which he does not have sufficient knowledge or experience.

If the Customer upon his own initiative submits an order to the Bank in regard to a transaction with financial instruments that are considered simple financial instruments (equities traded in the regulated market of EU member states or listed on foreign stock exchanges, instruments of the money market, bonds or other debt securities (except those bonds or debt securities which include derivatives), with investment certificates of investment funds, and other financial instruments which according to the legislation of the Republic of Latvia are considered simple financial instruments, the Bank will not evaluate whether the respective investment service or offered instrument is appropriate for the Customer, and it is not Bank's responsibility to caution the Customer about inappropriateness of a certain instrument and/or investment service for the Customer.

**Information about Customer**

Name, surname / Company name	
Personal ID number (date of birth for LR non- residents) / Reg. No.	

Legal entity:

Representation basis (Articles of Association, Power of Attorney, other)	
Proxy's name, surname	
Personal ID number (for LR residents)	

Password number and date of birth (LR non-residents)	
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Current account No.	LV__/__/ KBRB __/__/__/ __/__/__/ __/__/__/ __/
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Refusal to provide requested information:

TRASTA KOMERCBANKA JSC informs that by refusing to provide the information requested below or data on changes in said information you agree that TRASTA KOMERCBANKA JSC is not responsible for any consequences caused by your refusal to provide the information, or by provision of incomplete information, or by failure to inform of any changes in the information supplied previously.

I hereby confirm that I refuse to furnish the information requested below:

\_\_\_\_\_  
signature

**1. Information on Holding of Inside Information**

Are you included in the list of insiders of any issuer whose Financial Instruments are traded in regulated markets?

- Yes       No

If you have answered "Yes" to the previous question, please indicate respective issuers:	
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**2. Information on Possession of Financial Instruments**

- I confirm that I will be the owner of all Financial Instruments in the financial instrument account
- I confirm that I will not own but manage Financial Instruments in the financial instrument account. The financial instrument account will be a nominal account, as constructed by the Republic of Latvia Law *On Financial Instruments Market*

**3. Information on Knowledge, Experience and Purposes of Transactions with Financial Instruments**

Purpose of Financial Instrument Transactions

- single transaction
- accrual of capital
- short-term investments (for up to 1 year) and speculations in financial markets
- long-term investments (for over 1 year)
- other \_\_\_\_\_

Experience in Financial Instrument transactions

Equity securities:

- I have no transaction experience
- I have performed transactions with Financial Instruments for \_\_\_\_\_ years (on average per month \_\_\_\_\_ transactions)
- I am a professional investor

Debt securities:

- I have no transaction experience
- I have performed transactions with Financial Instruments for \_\_\_\_\_ years (on average per month \_\_\_\_\_ transactions)
- I am a professional investor

Investment funds:

- I have no transaction experience
- I have performed transactions with Financial Instruments for \_\_\_\_\_ years (on average per month \_\_\_\_\_ transactions)
- I am a professional investor

Other financial instruments:

- I have no transaction experience
- I have performed transactions with Financial Instruments for \_\_\_\_\_ years (on average per month \_\_\_\_\_ transactions)
- I am a professional investor

Knowledge of Financial Instruments  
(if at least one box is checked, then

APPENDIX TO CUSTOMER QUESTIONNAIRE - Customer's knowledge of financial instruments - must be filled in)

Knowledge of simple financial instruments

Debt securities:

- Government debentures and bonds
- Corporate bonds and mortgage bonds

Investment funds:

- Bond investment funds
- Share investment funds
- Balanced investment funds
- Stock investment funds
- Exchange traded investment funds (ETF)

Capital securities:

- Ordinary shares
- Preferred shares
- Publicly traded share instruments ADR, GDR, and RDR

Knowledge of complex financial instruments

- Futures
- Options
- Alternative private funds
- Non-public share derivative financial instruments
- Debt securities with embedded derivative
- Other \_\_\_\_\_

Target markets

- Latvia
- Baltic countries
- EU countries
- USA
- Russia
- Other

**4. Information on Understanding of Risk**

I understand risks related to investments and understand that investments into various types of financial instruments have different degree of risk and possibility to incur losses. I am ready to undertake the risks.

- Yes                       No

## 5. Information on Education

- Secondary  
 Secondary vocational  
 Higher  
 Other \_\_\_\_\_

## 6. Information on Financial Condition

For natural persons

Occupation:

- Salaried employee (name of the workplace and tel., position)  
\_\_\_\_\_

- Entrepreneur (company name, lines of business, nature of obligations)  
\_\_\_\_\_

- Secondary school student    High school student    Pensioner    Unemployed  
 Other \_\_\_\_\_

Income source

- Salary  
 Revenues from transactions with financial instruments  
 Scholarship, pension, welfare  
 Other \_\_\_\_\_

Income a year (EUR)

- under 20,000  
 from 20,000 to 40,000  
 above 40,000

Market value of real estate (EUR)

- no real estate  
 under 100,000  
 from 100,000 to 200,000  
 from 200,000 to 500,000  
 from 500,000 to 1,000,000  
 above 1,000,000

Liabilities to other persons (EUR)

- under 100,000  
 from 100,000 to 200,000  
 from 200,000 to 500,000  
 from 500,000 to 1,000,000  
 above 1,000,000

The value of the existing financial instrument portfolio (financial means and financial instruments)  
(EUR)

- under 100,000  
 from 100,000 to 200,000  
 from 200,000 to 500,000  
 from 500,000 to 1,000,000  
 above 1,000,000



Please indicate whether the level of your income is sufficient to cover your expenses.

- not sufficient
- not always sufficient
- is sufficient
- more than sufficient

To what extent is your financial situation and the ability to pay all liabilities dependent on the assets or money used in transactions with financial instruments?

- not dependent
- partially dependent
- dependent to a large extent

For legal entities

Shareholders' equity (EUR)

- under 100,000
- from 100,000 to 500,000
- from 500,000 to 2,000,000
- above 2,000,000

Net turnover (EUR)

- under 100,000
- from 100,000 to 500,000
- from 500,000 to 2,000,000
- above 2,000,000

Book value (EUR)

- under 100,000
- from 100,000 to 500,000
- from 500,000 to 2,000,000
- above 2,000,000

The value of the existing financial instrument portfolio (financial means and financial instruments) (EUR)

- under 100,000
- from 100,000 to 200,000
- from 200,000 to 500,000
- from 500,000 to 1,000,000
- above 1,000,000

Please indicate whether the level of your income is sufficient to cover your expenses.

- not sufficient
- not always sufficient
- is sufficient
- more than sufficient

To what extent is your financial situation and the ability to pay current and proposed liabilities is dependent on the assets or money used in transactions with financial instruments?

- not dependent
- partially dependent
- dependent to a large extent

**7. Planned Average Monthly Volume of Transactions with Financial Instruments (EUR)**

- under 100,000
- from 100,000 to 200,000
- from 200,000 to 500,000
- from 500,000 to 1,000,000

**8. Information on Used Services**

What investment services offered by TRASTA KOMERCBANKA JSC do you plan to use?

- Safekeeping of financial instruments
- De-registration
- Remittance of financial instruments
- Investments and trade:
- Other \_\_\_\_\_

**9. Or, taking into account your experience and knowledge in the financial markets field, do you consider yourself as an Institutional Customer / confirm that you may be classified as an Institutional Customer in accordance with the Republic of Latvia Law *On Financial Instruments Market* or laws of the country of your registration (domicile)?**

- I am Institutional Customer     I am not Institutional Customer

**CONFIRMATION STATEMENT**

I hereby confirm that the information I have supplied is true, and I undertake to inform JSC TRASTA KOMERCBANKA JSC of any changes to the information that I have furnished.

TRASTA KOMERCBANKA JSC hereby notifies that should you fail to submit data on changes to the information, which you have provided in this questionnaire, TRASTA KOMERCBANKA JSC shall not be held responsible for any consequences caused by incomplete information or failure to inform of any changes in the information supplied previously.

\_\_\_\_\_

*name, surname*

\_\_\_\_\_

*signature*

\_\_\_\_\_

*date*

**10. Information on Customer's status  
(to be completed by Bank employee):**

Customer is classified as:

- Individual Customer     Institutional Customer

*Receipt of Investment Services and Auxiliary Investment Services for Transactions with  
Financial Instruments*

**Checking of Customer's knowledge about financial instruments**

**Information about Customer**

Name, surname / Company name	
Personal ID number (date of birth (for non- residents of Latvia) / Reg. No.	

Please mark one or several correct answers.  
(possible valuation - "correct" or "incorrect")

**1. Checking of Customer's knowledge of simple financial instruments - equity securities**

Which of the following financial instruments are capital securities?

- Ordinary share
- Bond fund certificate
- Bond
- Mortgage bond
- Share fund certificate
- Preferred share
- Debenture
- Futures
- Deposit

Valuation: \_\_\_\_\_

Please mark what affects the price of capital securities:

- Maturity date
- Dividend earnings

Valuation: \_\_\_\_\_

Is a shareholder guaranteed a refund in case of the share issuer's insolvency?

- Yes
- No

Valuation: \_\_\_\_\_

Total for equity securities: \_\_\_\_\_

**2. Checking of Customer's knowledge of simple financial instruments - debt securities**

Which of the following financial instruments are debt securities?

- Ordinary share
- Bond fund certificate
- Bond
- Mortgage bond
- Share fund certificate

- Debenture
- Futures
- Deposit

Valuation: \_\_\_\_\_

Please mark types of debt securities income:

- Coupon
- Dividends
- Earnings from buying-selling

Valuation: \_\_\_\_\_

Does a debt security give the right to participate in the shareholders' meeting of the issuer?

- Yes
- No

Valuation: \_\_\_\_\_

Total for debt securities: \_\_\_\_\_

### 3. Checking of Customer's knowledge of simple financial instruments - investment funds

Which of the following financial instruments are instruments of investment funds?

- Ordinary share
- Bond fund certificate
- Bond
- Mortgage bond
- Share fund certificate
- Debenture

Valuation: \_\_\_\_\_

Please mark where investment fund certificates are listed:

- Stock exchange
- Depository
- Over-the-counter interbank market

Valuation: \_\_\_\_\_

Who manages an investment fund?

- Investment Management Company
- Investor
- Stock exchange

Valuation: \_\_\_\_\_

Total for investment funds: \_\_\_\_\_

### 4. Checking of Customer's knowledge of complex financial instruments

Which of the following financial instruments are derivatives or contain their characteristics?

- Ordinary share
- Bond with inflation-adjusted return
- Option
- Mortgage bond
- Share fund certificate
- Priority share
- Debenture
- Futures

Valuation: \_\_\_\_\_

Insurance against potential losses due to changes in prices and against future changes of currency or interest rates is

- Hedging
- Arbitration
- Conversion

Valuation: \_\_\_\_\_

A buyer of financial instruments will not incur losses due to fluctuations in price of the underlying asset, however, there is a risk not to receive profit; meanwhile, the seller has the risk of unlimited losses which may exceed the premium received from buyer. This financial instrument is:

- Futures
- Option
- Forward

Valuation: \_\_\_\_\_

Total for complex financial instruments: \_\_\_\_\_

### 5. Checking of Customer's understanding of risk

Please arrange the following financial instruments according to their risk degree (starting with the lowest degree of risk, and finishing with the highest degree of risk), assuming that as of the moment of assessment you do not have any negative information about their issuers:

- Government debenture:
- Futures:
- Corporate bond:
- Ordinary share:

Valuation: \_\_\_\_\_

Using which of the following criteria the risk degree of a financial instrument can be evaluated?

- Nominal value of the financial instrument
- S&P/Moody's rating of the financial instrument
- The difference between buy and sell price

Valuation: \_\_\_\_\_

Can the currency rate fluctuation risk be considered as a risk related to investment into financial instruments?

- Yes
- No

Valuation: \_\_\_\_\_

Total for understanding of risk: \_\_\_\_\_

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*name, surname*

*signature*

*date*

Bank employee who has accepted the Appendix to the Questionnaire \_\_\_\_\_

Bank employee who has made the assessment:

Bank's commentaries:

## DESCRIPTION OF FINANCIAL INSTRUMENTS RELATED RISKS

The Bank provides the Customer with information about risks associated with business transactions in the financial markets, and warns of contingent losses that may occur upon receipt of investment services and auxiliary investment services. The Bank informs that the below list of risks is not exhaustive and includes only the most significant of them, and in the course of business transactions the Customer may undergo other risks as well.

### General Risks

*Issuer's risk* - the risk that the value of securities may decrease because of issuer's inability to perform its liabilities, weak financial indicators, economic problems or other similar reasons, and such decrease of securities value may result in losses for the Customer.

*State or political risk* - risk of losing capital or restricted opportunities of currency buying / selling due to the events that affect the national or regional economic or political stability, or further development of the country or region.

*Market risk* - risk that consists of the following risks: price risk, currency risk, interest risk and liquidity risk.

*Currency risk* - may occur with changing of foreign currency exchange rates in the market.

*Interest rate fluctuation risk* - risk that Customer may incur losses due to interest rates fluctuations in the market.

*Liquidity risk* - risk of losses caused by insufficient market liquidity, i.e. complicated or impossible sale of financial instruments at the time desired by Customer or at a desired price.

*System risk* - risk of losses due to malfunctioning of financial settlements centre or financial settlements system, which prevents making of payments or transfers.

*Legal risk* - risk of losses or suffering of additional costs due to amendments to regulatory documents.

*Information risk* - risk of losses in connection with unavailability or lack of credible and complete information about exchange rates, prices of financial instruments, market trends.

### Risks Associated with Separate Transaction Types

Transactions in foreign financial markets involve risks which may differ from the risks associated with investments in Latvia. In some cases the risk may be higher.

Trading in financial instruments through the trading platform, may differ significantly from trading in other systems. In this case, the Customer may face a risk of losses as a result of malfunctioning of computer network or other equipment, risk of a third party to have unauthorized access to the trading platform, using Customer's authorization data, etc.

Transactions in derivative financial instruments are associated with high risk and may be unsuitable for some investors. Trading in financial derivatives typically take place in the form of financial lever, which may result in major losses or gains, compared with the invested funds. This means that relatively small changes in market prices cause proportionately much greater changes of investment value. Some derivatives are characterized by large fluctuations in market prices, which, therefore, increase the risk of suffering even greater losses.

Transactions outside the regulated market (OTC) are associated with relatively higher risk compared to closed deals of the regulated market, because it is highly possible that trading in financial instruments outside the regulated market may be terminated and the evaluation and closure of open positions may be difficult.

Transactions where the bank provides an opportunity to buy financial instruments on credit (margin transactions - Margin Forex or Margin Loan against a financial instruments pledge). In case of a Margin transaction, the lever mechanism is applied. This means that only a fraction of the investment is paid (the initial margin is paid), as a result of which enhanced are both the contingent

gains and losses. If a financial instrument is bought and sold on the same day, the Customer does not pay any interest for borrowing the money. If a customer buys a financial instrument and does not want to sell it on the same day, the Customer pays the bank a set interest rate for the use of funds.

Other risks depend on the type of financial instrument purchased by investor.

Repo/Reverse REPO transactions - contracts for sale/purchase of financial instruments /purchase at a fixed price subject to repurchase of the same financial instrument at a specified price at the end of the transaction. These transactions are associated with the risk of price changes. In case of adverse changes in prices of financial instruments (if the value of financial instruments decreases compared to the purchase price of financial instruments), the counterparty may require additional collateral.

### Risks Associated with Separate Financial Instruments

#### Simple Financial Instruments

##### *Ordinary and preference shares*

The Customer can buy shares with the aim to sell them later for profit. However, there is no guarantee that the profit will be earned, because share prices depend on many factors - company's successful performance, industry, situation in the country and in the international markets and etc. The result can be a partial or complete loss of invested money, if the company becomes insolvent. Investment in shares is connected to the dividend payment risk if the company decides not to pay dividends. Important is also the liquidity risk

##### *Debt financial instruments*

By buying debt financial instruments a Customer is planning to earn either from interest payments and / or from increase of market price of the financial instruments. There is a possibility that the issuer will not be able to repay the principal and / or coupon (credit risk) if the issuer goes bankrupt. If interest rates increases, the price of the debt financial instrument decreases. The price of debt financial instruments with a fixed coupon where the coupon is lower and the repayment period longer, undergo more changes than the price of debt securities with a higher coupon and a shorter repayment period. Investors may lose a part of their investment if debt instruments are sold before the repayment (maturity) date. Important is also the liquidity risk. Debt securities may be structured. The price of structured debt securities in the secondary market also depends on the underlying asset price changes. There may be a risk of losing the invested principal and not to receive any profit. Contingent risks are described in the section "Structured financial Products".

##### *Investment funds*

Investment funds may have different levels of risk, depending on the segments of the financial market and financial instruments in which investments are made. The cash and bond funds are the safest (they have smaller share value fluctuations), but the balanced and equity funds have a higher risk (greater share value fluctuations), which allows to earn more. The objective, category, investment restrictions, risk level, as well as costs of an investment fund are described in the fund prospectus.

#### Derivative (complex) financial instruments

Since these instruments can be very different, depending on the underlying asset of the transaction, the risk profile of each financial instrument must be examined separately. For many derivative financial instruments the lever mechanism is applied. This means that only a fraction of the investment is paid (the premium is paid or the initial margin is paid in), which results in increasing of both the contingent gains and losses.

##### *Futures*



The risks associated with futures are the price (price volatility) risk, liquidity risk and interest rate risk. In the event of OTC futures the counterparty risk also exists.

#### *Options*

The risk for an option buyer is limited because the premium paid upon signing an agreement is the only unavoidable expenditure faced by the option buyer, but an option seller's risk is unlimited. Other financial risks associated with options include the price volatility risk, liquidity risk and interest rate risk. An option loses its value if it is not realized until the transaction closing date. OTC options have the counterparty risk.

#### *Swaps*

The main risk of currency swaps is the interest rate risk. Other risks are currency risk, which applies only to the difference of interest to be paid, liquidity risk and counterparty risk. In case of adverse changes in financial instruments price, the counterparty may require additional collateral. The main risks of interest rate swaps are the interest rate risk and counterparty risk.

#### *Structured Financial Products*

Each structured product has a different risk profile. Since a large number of combinations is permissible, it is not possible to describe each structured product's risk. About the risks associated with structured products the Customer shall be informed upon conclusion of each separate contract.

When performing transactions with financial instruments whose trading requires a Margin, it should be noted that as a result of fall in the asset price the margin amount from which losses are deducted is less than the maintenance margin, and in this case the investor receives a margin call, i.e. he has to replenish the account (invested money) to restore the Margin to the required level. If the investor fails to replenish the margin account, the bank has the right to close the investor's position under the current market price, and to cover losses from the margin funds.

The Margin may be used as Initial Margin which is the amount that must be deposited at the bank upon closing the deal, and the maintenance margin, which is the minimum amount of money that must be available in the account until the transaction date.

The Margin is part of the financial lever. Every time an investor borrows money to invest in financial instruments, this process may result in both the contingent gains, as well as losses, and that is why the concept is called 'lever'.

The Customer should note: the higher the potential return on a financial instrument, the greater the risk of a loss.

The Customer understands that

- the Bank shall not be responsible for any losses that Customer may incur in connection with transactions, which the Bank has executed in compliance with Orders;
- the Bank shall not be responsible for any losses that Customer may incur due to disclosure of Customer's code where the disclosure is not Bank's fault;
- it is Customer's responsibility to notify of being included in insiders' lists; and the Customer is aware of the prohibition to use insider information and is aware of the responsibility established for violation of this rule;
- manipulations with Financial Instruments in the market are not allowed; Customer is aware of the responsibility arising out of market manipulations with Financial Instruments;

The Customer agrees that

- the Bank will record its telephone conversations with the Customer related to operations in the securities market and Customer's applied for, started and/or executed transactions. The Customer agrees that these records of telephone conversations have full legal force and that they may be used in the court as evidence in regard to Orders and existence or absence of certain Order terms and conditions;

- the Bank has the right to disclose information about Customer and his/her transactions in the situations provided for by current legislation of the Republic of Latvia;
- The Customer shall reimburse the Bank in full for any losses that are caused to the Bank by the fact that Customer has not performed his/her liabilities stipulated in respective agreements;

I have read the aforementioned:

---

*name, surname*

*signature*

*date*