Guide to financial instruments

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Disclaimer
This document is informative and not intended to be either investment advice or recommendation. Prior to concluding any transaction involving financial instruments with “Swedbank”, AB or through it or with its intermediation, the client should examine the information and documents on the webpage www.swedbank.lt, analyse all the features and risks and obtain all necessary information and advice from professional advisers.
Section I. Information about „Swedbank”, AB and its investment services

1. Purpose
The purpose of this guide is to provide Clients with information about „Swedbank”, AB ("Bank"), about the investment services and ancillary services offered by the Bank, about the financial instruments offered by the Bank and the risks associated with such instruments, about investment and deposit protection arrangements in place and other information relevant for investors.

A description of financial instrument transactions and the key risks and costs associated with them is given in Section II of this guide.

Current guide, including the information on risks enounced in Part II, is applied also to transactions in financial instruments that are performed by the Bank at the expense of the Client within portfolio management service in accordance with the power of attorney issued by the Client by signing the relevant agreement. In aforementioned case transactions in financial instruments are performed on the relevant agreement basis and the Client does not need to sign the agreements specified in Part II of current guide.

This description and the documents referred to here, include the Order Execution Policy and the Bank’s price list, are available on the Bank’s website at www.swedbank.lt and at branches of the Bank.

2. Information about “Swedbank”, AB

<table>
<thead>
<tr>
<th>Name</th>
<th>„Swedbank”, AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration No</td>
<td>112029651</td>
</tr>
<tr>
<td>Phone</td>
<td>+370 5 2684444</td>
</tr>
<tr>
<td>Address</td>
<td>Konstitucijos pr. 20A, 03502 Vilnius</td>
</tr>
<tr>
<td>Website</td>
<td><a href="http://www.swedbank.lt">www.swedbank.lt</a></td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:info@swedbank.lt">info@swedbank.lt</a></td>
</tr>
<tr>
<td>Supervisory authority</td>
<td>Bank of Lithuania (address Gedimino pr. 6, LT-01103 Vilnius, tel.: +370 5 2680029, fax: +370 5 2628124, e-mail: <a href="mailto:info@lb.lt">info@lb.lt</a>, website: <a href="http://www.lb.lt">www.lb.lt</a>)</td>
</tr>
<tr>
<td>Business licence</td>
<td>Bank licence No.11 issued by the Bank of Lithuania on 28 December 1993</td>
</tr>
</tbody>
</table>

3. Investment services and ancillary services provided by “Swedbank”, AB

3.1. Investment services:
- Reception and transmission of investors’ orders in financial instruments.
- Execution of investors’ orders in financial instruments on the account of investors or third parties.
- Individual management of investors’ financial instruments as authorized by investor (portfolio management service).
3.2. Investment ancillary services:
- Safekeeping and administration of financial instruments.
- Granting of credits or loans to the investor for carrying out transactions in financial instruments if the business enterprise issuing the credit or loan is involved in the transaction in financial instruments as a counterparty.
- Advising on capital structure, operational strategy and related matters, and advising on services in respect of corporate mergers and acquisitions.
- Provision of services related to underwriting of financial instruments for initial placement or guaranteeing of underwriting of financial instruments not placed during initial placement.
- Foreign exchange services if related to provision of investment services.
- Investment research, financial analysis and other general recommendations relating to transactions in financial instruments.

4. Client classification
4.1. Prior to undertaking transactions in financial instruments the Bank shall, according to regulations, assign to the Client the status of a retail client, a professional client or an eligible counterparty.
4.2. The Bank may provide Client with investment services or investment ancillary services at its own discretion without explaining the reason for providing or not providing such services.

5. Assessment of appropriateness and suitability
5.1. In order to determine whether the Client possesses the knowledge and experience necessary for certain financial instruments, the Bank may ask the Client for details of their knowledge and experience in respect of the transactions to be entered into and about the goals the Client wishes to attain through the transactions in question, and about the Client’s risk tolerance and ability to bear losses.
5.2. The Client shall provide the information referred to in paragraph 5.1 by filling in appropriateness or suitability questionnaire.

6. Transactions in financial instruments
6.1. Transactions in financial instruments may take place in different forms – in an organized manner at a trading venue, such as a regulated market (stock exchange), an organized trading facility or multilateral trading facility (MTF), or outside regulated markets, organized trading facility or multilateral trading facility (over the counter or OTC transactions). In order to learn about the exact procedure of how orders by retail and professional clients for transactions in financial instruments are accepted and forwarded for execution by the Bank, the Client has a duty, prior to entering into respective Investment services agreement (for example, Agreement for financial market transactions, Agreement for securities account/brokerage services), to examine the General Conditions of Dealing with and Servicing the Customers of the Bank, the Order Execution Policy, list of Execution Venues and other information essential for transactions in financial instruments on the Bank’s website at www.swedbank.lt or at branches of the Bank.
7. Taxation

7.1. Certain investment products and services are offered to the Clients together with other product and services (packaged products) in order to ensure transaction settlement and proper risk management. Such packaged products may be associated with additional risks and costs.

7.2. Client order execution in securities transactions (brokerage services), securities safekeeping and settlement services and portfolio management services require opening and maintenance of securities account and cash account with the Bank. The Bank may agree to provide brokerage services without opening cash account and securities account with the Bank to professional customers and eligible counterparties meeting certain credit risk and settlement arrangement requirements set by the Bank.

7.3. Entering into derivative transactions require opening and maintenance of cash account with the Bank. The Bank may agree to enter into derivative transaction without opening cash account with professional customers and eligible counterparties meeting certain credit risk and settlement arrangement requirements set by the Bank.

7.4. Offering of these products in a package is associated with the risks related to each of the package elements - Bank’s credit risk, country and political risk, system risk and currency risk (see Section II Part 1 for details). Bank’s credit risk associated with the offering of these services in a package is mitigated by application of deposit guarantee and investor protection schemes (see Section I sub-section 12 for details), and in case of securities safekeeping by statutory segregation of customer securities in Bank’s custody from securities belonging to the Bank.

7.5. If certain situations the Client, who is a consumer, may have a right within 14 days to withdraw from the respective agreement governing provision of investment services entered by means of distance communication. If withdrawal right applies to the respective agreement governing provision of investment services, the Client can withdraw from this agreement without withdrawing from current account agreement, but the Client cannot withdraw from current account agreement if the right of withdrawal does not apply to respective investment service agreement.

7.6. Information about costs of the investment product packages is available on Bank’s website www.swedbank.lt/mifid in the document “Transaction pre-trade costs & charges examples”.

8. Taxation

8.1. The Client’s income from investment services and ancillary services and Client’s transactions may be subject to taxes as and when stipulated in legislation of the Republic of Lithuania and foreign legislation.

8.2. The Client must note that in the events stipulated in legislation, the Bank may have a duty to withhold taxes from the payment to the Client. The Bank may exchange funds for payment of taxes into the official currency of the Republic of Lithuania at the Bank’s exchange rate in force. The withholding of tax does not create a duty for the Bank to reimburse the Client for the amount of tax withheld.

8.3. Taxes may also be withheld by a foreign financial authority pursuant to the procedure laid down in foreign legislation.

9. Fees

9.1. Fees for the services provided by the Bank are charged according to the Bank’s price list, except if the fee is set on the basis of an agreement or separate arrangement between the Bank and the Client.

9.2. In the event that the Bank incurs any additional expenses in connection with operations necessary for provision of services, the Client may have a duty to reimburse for such expenses.
10. Communication with the client
10.1. Unless agreed otherwise, the language used in communication with the Client will be Lithuanian. This guide and the Order Execution Policy are available on the Bank’s website at www.swedbank.lt and at branches of the Bank.
10.2. The forms of exchange of information in which the Bank communicates with the Client are stipulated in relevant agreements between the Bank and the Client.
10.3. The Bank will provide the Client with information about execution of Client’s transactions and orders as stipulated in the respective investment services agreements between the Bank and the Client.
10.4. The Bank may provide the Client with binding third-party information in the original language.

11. Conflict of interest prevention
11.1. The Bank shall take all reasonable steps to identify and prevent conflicts of interest which may arise between the Bank, including the Bank’s employees, and the Client, in the course of providing investment services.
11.2. The Bank’s Conflict of Interest Prevention Policy is available on the Bank’s website at www.swedbank.lt.

12. Investor protection and deposit guarantee arrangements
12.1. The Bank is a participant in the investor protection scheme under the provisions of the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors. In the events set forth in the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors, the Client, provided they meet the criteria, will be entitled to the statutory compensation.
12.2. The Bank participates in the deposit guarantee fund according to the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors. In the events provided for in the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors, the Client, provided they meet the criteria, will be entitled to the statutory guaranteed compensation in case of unavailability of the deposit.
12.3. The Client can access and inspect the rules of investor protection scheme and the deposit guarantee fund at any branch offices of the Bank and on the Bank’s website at www.swedbank.lt.
Section II
Information about transactions in financial instruments and the associated risks

Part 1. Introduction about risk in general

1.1 Clients need to take into consideration that investing in financial instruments and concluded financial instrument transactions entail financial risks which may result in losses for the Client. A risk means the possibility of incurring loss through investing.

1.2 The value of financial market transactions may decrease or increase, therefore, risk exists that the return on transactions may be negative, namely, the transaction may create loss. The risk of loss varies from one financial instrument transaction to another.

1.3 The Client has a duty, prior to undertaking a financial instrument transaction, to make an independent assessment of the properties and the associated risks of the selected financial instrument transaction, taking account of their financial standing, experience with transactions in financial instruments, investment objectives, preferred investment horizon, and other important variables.

1.4 The Client needs to take into account that when entering into transactions, the Client personally assumes all the risks arising from the transaction.

1.5. When investing in financial instruments, the client must specially take into consideration:

1.5.1. The Client has a duty, prior to entering into an investment services agreement, carefully examine the Order Execution Policy, which is available on the Bank’s website at www.swedbank.lt or at branches of the Bank, and assess their capacity to assume the obligations set forth in agreements with the Bank (Agreement for Financial Market Transactions, Agreement for Securities Account/Brokerage Services and other).

1.5.2 Prior to entering into a transaction or submitting an order for entering into a transaction, the Client must carefully assess at least the most common transaction risks covered in this description, especially the risks inherent in the financial instrument transaction in question, as well as their capacity to assume the obligations attached to the financial instrument transaction. The Client also has a duty to carefully examine the mechanics of calculating the transaction termination amount in order to be able to fairly assess related risks.

1.5.3 The Client has a duty to carefully examine the information contained in transaction confirmations received from the Bank and to independently keep track of the status and value of their transactions. The Client must be ready for prompt action upon request by the Bank when necessary for execution of the transaction entered into by the Bank, for example by providing collateral or additional collateral if the market value of the collateral or transaction has dropped.

1.5.4 The Bank may have the right to apply other assets held by the Client with the Bank towards securing performance of the Client’s obligations.

1.5.5 The Client must note that the Client may not unilaterally modify the terms of transaction or extend or prematurely terminate a transaction, including if the transaction results in loss for the Client. After entering into a transaction, the Client may modify, extend or prematurely terminate the transaction only if agreed so with the Bank; furthermore, such modification of the original terms of transaction may entail significant additional cost for the Client.

1.5.6 If the Client defaults on their contractual obligations and in other cases specified in the respective contract, the Bank will have the right to unilaterally terminate the transaction.

1.5.7 Termination of a transaction may result in significant expenses for the Client. The expenses are related to the potential obligation to pay the transaction termination amount, the size of which depends on the terminated transaction’s market value at the time of termination of the transaction, and the late interest and penalties provided for in the contract.
1.6. **Most common risk types**

Depending on the cause of potential loss, risks are classified as follows:

**Country or political risk** — a risk which arises if any such developments take place in the country or region where the issuer, in whose securities the Client has investments, is based or registered, which impact political or economic stability or further development of such region or country, as a result of which there is a probability that the Client may lose their investments, in full or in part, in the respective country or region or incur loss as a result of the investments made. Such events include substantial changes in the economic, legal or political environment (for instance, nationalization processes), or social or domestic policy crises (for instance, mass riots etc).

**Currency risk** — the risk of incurring loss through investments in financial instruments denominated in a foreign currency as a result of exchange rate fluctuations unfavourable for the Client.

**Market risk** — the risk of incurring loss due to unfavourable price fluctuations in the market where the Client has investments. Adverse price fluctuations may be caused, for example, by poor economic performance of the relevant country, region or industry, by a precarious economic environment, instability on stock exchange etc.

**Liquidity risk** — the probability of loss caused by insufficient market liquidity as a result of which sale or purchase of financial instruments, emission allowance or currencies at the time and for the price favourable for the Client is complicated or impossible.

**Price risk** — the risk that the Client may incur loss due to unfavourable movements in prices of securities, other financial instruments or emission allowances. If the value of a financial instrument moves in a direction unfavourable for the Client, the transaction may become unbeneficial for the investor, the transaction may be terminated, as a result of which not only the collateral may be lost by the Client but the loss may substantially exceed the value of the collateral provided.

**System risk** — the risk of incurring loss due to disruptions in securities’ or emission allowances’ custody systems and depositories, stock exchanges, performers of settlements, securities custodians and other institutions, as a result of which such institutions fail to comply with their obligations to their Client or the financial instruments, which are in their custody, are irrecoverably lost.

**Interest rate risk** — the risk to incur loss due to adverse market fluctuations as a result of which financial market interest rates change; for example, the value of debt securities may change depending on changes in interest rates: when interest rates go up, the value of such securities goes down and vice versa.

**Issuer risk** — the risk of the Client incurring loss due to depreciation of holdings as a result of poor financial performance, economic difficulties or other similar factors affecting the issuer; for instance, poor business results may cause the issuer to be unable to perform the obligations attached to the securities issued by that issuer.

**Legal risk** — the Client may not have sufficient knowledge of the legal acts applicable to the securities the Client has invested in (e.g. legal acts applicable to the issuer, custodian, registrar, trading venue). If the securities belonging to the Client are held through a foreign custodian, the foreign custodian or foreign registrar may, pursuant to the legislation of the foreign country have the right to net (set-off right), establish encumbrances or restrictions on disposal of said securities or demand their establishment. A Lithuanian registrar may have the same right. The rights of the Client with respect to the Client’s securities to which legislation of third countries is applied may differ from those stipulated in the legislation of Lithuania or the European Union. As a result of this, the Client may not be aware of their obligations and therefore suffer losses, or sanctions arising from law may be applied with respect to them. Also, legal acts may be amended in the country and this may bring about the establishment of restrictions or obligations unfavourable for the Client after the investment was made. If the securities are held in an account opened in the name of the bank, it is impossible for the Client to exercise their rights and obligations personally.
**Tax risks** – according to the regulation or practice in a certain market or the services offered by a custodian operating in such a market, it may not be possible for the Client to use the incentives arising from the abolition of double taxation contract made between their country of residence and the country where the securities are held. Taxation may also be affected by the circumstance that the securities belonging to the Client are held with their consent in an account opened with a custodian in the name of the bank, which may result in the securities belonging to the Client being regarded as securities belonging to the Bank.

**Leverage risk** – changes in prices of derivative financial instruments may often be greater than changes in the price of their underlying assets.

**Information risk** – it may be impossible for the Client to obtain adequate and correct information about the securities or obtaining such information is difficult, which means that it may be impossible for the Client to make appropriate decisions with respect to their investments.

**Credit risk** – the risk that the issuer of a financial instrument or a counterparty may default on their obligations.

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**Part 2. Transactions which require the client to enter into the agreement for securities account/brokerage services with the bank**

**1. Transactions in UCITS Mutual Funds**

<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
<th>Mutual funds created under the UCITS Directive; other mutual funds created in EU or outside of it if they are not derivatives and do not embed derivatives, they can be sold frequently at market prices or other independently determined prices, they do not involve any liabilities that exceed their acquisition costs, their nature, risk or payout cannot be altered significantly (such as via conversion), their exit costs do not make them effectively illiquid, and there is sufficient public information available that enables an average client to make an informed investment decision about them. UCITS Mutual Funds pool money from investors and are managed by a professional investment management company. The fund aims to gain profit from appreciation of investments through the selected investment policy. Fund assets are invested in various financial instruments, bank deposits and other investment targets depending on the fund’s investment policy set out in the prospectus of each fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</td>
<td>There is risk that the investment may fall in value in part or at the extent of the entire sum invested. UCITS framework provides methodology for calculation of fund’s riskiness based on Synthetic risk and reward indicator, ranked on 7 point scale, where lower values indicate typically lower rewards and lower risk and higher values indicate typically higher rewards and higher risk for the investor. Client has a duty to get acquainted with the risk profile of the fund in the prospectus of the relevant fund.</td>
</tr>
</tbody>
</table>
The prospectuses of funds distributed by the Bank are published on the Bank's Internet Banking site in section “Savings, investments” in the information shown under the name of the fund.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the country risk, market risk, issuer risk, liquidity risk, system risk, currency risk, interest rate risk, price risk, legal risk, tax risk, credit risk and information risk.

**Execution venue, settlement procedure**

Transactions are conducted over-the-counter.

Settlements take place in the Client’s accounts with the Bank.

Prior to undertaking a transaction, the investor must examine the prospectus of the relevant fund and the procedure of settlements with the units.

Normally, settlements take place within several days after the purchase / sales price of units is established.

The price is established according to the fund’s prospectus.

In submitting an order for purchasing or selling fund units, the investor should take account of the fact that the price at which units are purchased or sold is normally established one or two business days after the order is submitted (depending on the settlement procedure in place with the fund in question).

The unit price is subject to change every business day, therefore prices at which orders are executed may differ from the price of the unit published at the time the order was given.

The number of fund units purchased is calculated by dividing the transaction amount specified in the order by the price of one fund unit. If the fund units are not divisible, the number of fund units purchased is rounded down to the whole number and the difference between the transaction amount specified in the order and the value of the executed order is returned to the Client’s current account.

**Direct costs and associated expenses of transaction**

Direct costs:
1. Unit purchase price established as specified in the prospectus of the relevant fund (the price may include the fee charged by the investment fund management company).
2. Fees charged by the Bank:
   - fund unit purchase fee,
   - fund unit sale fee,
   - fund unit exchange fee,
   - securities account maintenance fee if there are any fund units in the account.

Associated expenses:
- Fee for opening and maintenance of cash and securities accounts.
- Currency exchange fee.
- Fee for other operations with accounts.
- Third-party transaction processing fee.

**Complexity**
Non- complex.
2. Transactions in exchange-traded fund (ETF) units

| Description of transaction (investment) | Exchange-traded funds are investment funds which have an investment structure that normally replicates a specific market index and which are traded on stock exchanges. 
Leveraged (double or triple) exchange-traded funds are exchange-traded funds which normally replicate a specific market index in double or triple extent within one trading day. 
Short exchange-traded funds exhibit dynamics inverse to the index which the exchange-traded fund tracks. |
| Risks inherent in transaction, leverage, contingent liabilities, provision of collateral | There is risk that the investment may fall in value in part or at the extent of the entire sum invested. 
The level of risk varies depending on the selected exchange-traded fund’s replication index and structure. 
Leveraged (triple and double) ETFs and short ETFs, due to their complex structure, are much riskier than the regular ETFs. 
The Client has a duty to also get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, issuer risk, liquidity risk, country risk, information risk, system risk, credit risk, tax risk, price risk, currency risk, interest rate risk, and legal risk. |
| Execution venue, settlement procedure | Transactions are conducted via stock exchanges. 
Settlements take place in the Client’s accounts with the Bank. |
| Direct costs and associated expenses of transaction | Direct costs: 
- Price of exchange-traded fund units. 
- Purchase and sale fees. 
If the trade currency of the unit is other than the euro, then the fee will be withheld in the relevant trade currency according to the Bank’s exchange rate then in force. 
Associated expenses: 
- Fee for opening and maintenance of cash and securities accounts 
- Currency exchange fee. 
- Fee for other operations with accounts. |
| Complexity | Complex. 
Exception: UCITS ETFs are non-complex. |

3. Equity transactions

| Description of transaction (investment) | An equity (also called stock, share) is a security which proves the shareholder’s participatory interest in the equity capital of a company. Shares usually grant the right to vote at the enterprise’s general meeting, but the voting right may differ depending on the type of shares. |
The shareholder presumes that if the company earns profit s/he shall have the opportunity to earn dividends, however it should be taken into account that the earning of profit and payment of dividends is never guaranteed.

In addition, the investor hopes when investing into shares that the share price would grow. The share price is affected by several factors, e.g. assessment of the enterprise’s growth potential dominating on the market, market interest rates, and changes pertaining to particular enterprise (e.g. changes in the management). Therefore, a person investing into one particular share should observe the corresponding enterprise, the securities market and also general economic development.

Various equity types are possible: voting, non-voting, preferential and other shares. The variables in each specific issue of share are determined by the issuer.

<table>
<thead>
<tr>
<th>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>When investing into shares it is possible that the shares will not earn the expected revenue or all the invested money will be lost. Shares traded on the market are sensitive towards all principal risks of financial markets. The investor shall be aware that it may lose his/her entire investment, since in case of terminating the enterprise’s activities the shareholders are among the last parties entitled to receive compensation from the enterprise’s assets.</td>
</tr>
<tr>
<td>Compared to other securities, the change in shares’ value may be relatively large. A widespread method for lowering the risk related to one enterprise is risk spreading by preparing a portfolio composed of many different shares, however it does not eliminate the general market risk – prices of shares may strongly fluctuate due to a reason not directly connected to enterprise’s economic results (e.g. global cooling of economy or liquidity crises).</td>
</tr>
<tr>
<td>When purchasing the shares of a foreign company, the investor shall additionally take into account the political risk, economic risk, legal risk and potential fluctuations of currency exchange rate (see the Introduction Part)</td>
</tr>
<tr>
<td>In case of private equity, the matter may concern extremely non-liquid shares. In addition public limited companies which securities are not traded on a regulated market, are as a rule less transparent for investors (e.g. in the part of reporting the financial results there do not apply the same strict requirements as for stock-exchange-listed enterprises).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normally, transactions in equities are conducted via stock exchanges.</td>
</tr>
<tr>
<td>In some cases, unlisted equities may be available for purchase.</td>
</tr>
<tr>
<td>Settlements take place in the Client’s accounts with the Bank.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct costs and associated expenses of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct costs:</td>
</tr>
<tr>
<td>- Equity purchase price.</td>
</tr>
<tr>
<td>- Purchase and sale fee.</td>
</tr>
<tr>
<td>Fees are charged for executed or partially executed transactions only.</td>
</tr>
<tr>
<td>If the equity trade currency is other than the euro, then the fee will be withheld in the relevant trade currency according to the Bank’s exchange rate then in force.</td>
</tr>
</tbody>
</table>
### Associated expenses:
- Fee for opening and maintenance of cash and securities accounts
- Currency exchange fee
- Fee for other operations with accounts

### Complexity

| Non-complex: | Shares admitted to trading on a regulated market within the EU or on an equivalent 3rd country market or on a multilateral trading facility (MTF). |
| Complex: | Shares that do not meet the criteria for non-complex shares. |

### 4. Shares that embed a derivative and certain subscription rights

<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
<th>Shares that embed a derivative include preference shares that embed a derivative, convertible shares and similar instruments traded outside the EU: subscription rights (incl nil-paid rights) that have a complex share (such as a non-listed share or derivative-embedding share) as underlying and all subscription rights irrespective of their underlying if traded on secondary market (including similar instruments issued or traded outside the EU): leveraged ETFs that use financial derivatives and debt (swaps, futures) to amplify the returns of an underlying asset.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</td>
<td>There is risk that the investment may fall in value in part or at the extent of the entire sum invested. The level of risk increases compared to equity transactions due to the complex nature of the specific derivative that is embedded (See more in Part 3 under the relevant derivative) or the subscription right. The Client has a duty to also get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, issuer risk, liquidity risk, country risk, credit risk and tax risk.</td>
</tr>
<tr>
<td>Execution venue, settlement procedure</td>
<td>Normally such transactions are conducted via stock exchanges. Settlements take place in the Client’s accounts with the Bank.</td>
</tr>
</tbody>
</table>
| Direct costs and associated expenses of transaction | Direct costs:  
- Share purchase price.  
- Purchase and sale fee.  
Fees are charged for executed or partially executed transactions only.  
If the equity trade currency is other than the euro, then the fee will be withheld in the relevant trade currency according to the Bank’s exchange rate then in force.  
Associated expenses:  
- Fee for opening and maintenance of cash and securities accounts.  
- Currency exchange fee.  
- Fee for other operations with accounts. |
| Complexity | Complex. |
5. Complex mutual funds that are listed or non-listed

| Description of transaction (investment) | A mutual fund is an investment company that pools money from many investors and invests it in different instruments (e.g., stocks, bonds or other securities or assets).
|   | A complex mutual fund means that the money is invested in, for example, structured UCITS, Alternative Investment Funds, complex ETFs and similar collective investment undertakings recognized outside the EU (real estate funds, private equity funds, hedge funds, venture capital funds, and funds with other unusual underlying).
|   | Leveraged (double or triple) exchange-traded funds are exchange-traded funds who normally replicate a specific market index in double or triple extent within one trading day.
|   | Short exchange-traded funds exhibit dynamics inverse to the index which the exchange-traded fund tracks.

| Risks inherent in transaction, contingent liabilities, provision of collateral | There is risk that the investment may fall in value in part or at the extent of the entire sum invested.
|   | Complex mutual funds carry higher risk due to investing the investors’ money into more complex and thus riskier instruments.
|   | Leveraged (triple and double) ETFs and short ETFs, due to their complex structure, are much riskier than the regular ETFs.
|   | The Client has a duty to also get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, issuer risk, liquidity risk, country risk, information risk, system risk, credit risk, tax risk, price risk, currency risk, interest rate risk, and legal risk.
|   | Prior to undertaking a transaction, the investor should carefully read the prospectus available on the Bank’s website or on the company’s website.

| Execution venue, settlement procedure | Transactions are conducted over-the-counter in case of non-listed complex mutual funds and via stock exchanges in case of listed complex mutual funds.
|   | Settlements take place in the Client’s accounts with the Bank.

| Direct costs and associated expenses of transaction | Direct costs:
1. Unit purchase price established as specified in the prospectus of the relevant fund (the price may include the fee charged by the investment fund management company) or price of exchange-traded fund units.
2. Fees charged by the Bank:
   - fund unit purchase fee,
   - fund unit sale fee,
   - fund unit exchange fee,
   - securities account maintenance fee if there are any fund units in the account.
|   | If the trade currency of the unit is other than the euro, then the fee will be withheld in the relevant trade currency according to the Bank’s exchange rate then in force.
Associated expenses:
- Fee for opening and maintenance of cash and securities accounts.
- Currency exchange fee.
- Fee for other operations with accounts.
- Third-party transaction processing fee.

Complexity
Complex.

6. Debt security transactions (admitted to trading on a regulated market or on a MTF)

**Description of transaction (investment)**
Debt securities are bonds and other types of transferable securitized debts.

When debt securities are issued, the issuer borrows whereas the buyer of debt security lends money. Maturity period, interest rate, collateral and other essential terms of fixed income securities are published by the issuer in the issue prospectus or are agreed between the issuer with the buyer individually.

Traditionally, regular interest payments are made on the basis of bonds, and the invested Principal is repaid to the investor upon the redemption of the bond. The interest rate of the bond may be fixed or floating (connected to certain reference rate).

There are also possible discount bonds, where the lender (buyer of bond) earns revenue from the difference between the selling price and nominal value of the bond, and no interest is paid from the bond. Liabilities pertaining to bonds are usually not secured, but they may well be.

The Bank offers both exchange traded and over-the-counter traded debt securities.

**Risks inherent in transaction, leverage, contingent liabilities, provision of collateral**
There is risk that the investment may fall in value in part or at the extent of the entire sum invested – includes cases where the issuer is unable to fulfil its obligations (e.g. in case of bankruptcy) or its ability to fulfil obligations decreases.

There is also the risk of not receiving all or part of interest income.

Enterprise’s bonds are usually considered less risky than the shares of the same enterprise, since in case of the enterprise’s liquidation the bondholders are paid compensation before the shareholders. The main risk associated with bonds is the inability of the bond issuer to pay the interest or principal of loan (issuer risk). The probability of issuer’s insolvency is assessed by independent credit rating agencies. The rating AAA is considered the least risky. Any changes in the rating may strongly affect the market value of the bond. The bonds issued by governments and local municipalities are often considered risk-free (except some countries like Macedonia, Greece, Ecuador and others), however there always exists the risk of failure to perform the obligations.

Smaller enterprises have not necessarily ordered a rating for their bonds which makes the assessment of the risk of their securities much more complicated for the investor. The unusually high interest rate of bond refers to the fact that the issuer experiences problems with funding itself, and such bond is considered risky on the market.
The strong fluctuation of the market value of bond may also be caused by the circumstances that are not directly associated with the bond issuer, but rather with changes in general interest rates (interest rate risk). As a rule, the prices of longer-term bonds are more sensitive towards any changes in the interest rates.

Investors are especially advised to consider liquidity risk when conducting transactions in bonds of smaller enterprises, bonds not quoted at the stock exchange or traded on a stock exchange of low liquidity. Due to small interest of buyers there may occur difficulties in selling the bonds ahead of schedule. In case of bonds issued in foreign currency, one should take into account the currency risk.

The Client also has a duty to get acquainted with the types of the most common risks (see the Introduction part), especially the country risk, market risk, issuer risk, liquidity risk, interest rate risk, system risk, currency risk, price risk, legal risk, tax risk, information risk, and credit risk.

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
<th>A debt security of the respective issue may be traded in one or several stock exchanges and over-the-counter.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Irrespective of whether the security is listed on stock exchange, the transaction will almost always be executed in over-the-counter market.</td>
</tr>
<tr>
<td></td>
<td>Settlements take place in the Client’s accounts with the Bank.</td>
</tr>
</tbody>
</table>

### Direct costs and associated expenses of transaction

**Direct costs:**
- the price of security which includes the Bank’s direct costs, as well as the mark-up for the Bank’s business profit, the Bank’s counterparty risk costs and other costs set forth in the Bank’s Order Execution Policy (mark-up). The minimum amount of the mark-up is EUR 30* per one transaction. For transactions the amount of which is up to 50 000 EUR* at par value, the mark-up may amount up to 3% of the par value of the transaction. For transactions the amount of which is from 50 000 EUR to 250 000 EUR* at par value, the mark-up may amount up to 1% of the par value of the transaction. For transactions the amount of which is in excess of 250,000 EUR* at par value, the mark-up may be up to 0.5% of the par value of the transaction. In case of a higher mark-up to be charged in the transaction, the Client will be notified of it prior to entry into the transaction.
  * or equivalent in other currency

- The total price of the security is agreed by the Client with the Bank. The Bank will disclose the amount of the mark-up included in the price of the security.

- The fee for participating in sovereign debt security auctions held by the Republic of Lithuania or other states.

Fees are charged for executed or partially executed transactions only.

**Associated expenses:**
- Fee for opening and maintenance of cash and securities accounts.
- Currency exchange fee.
- Fee for other operations with accounts.
### Complexity

- **Non-Complex**: debt securities admitted to trading on a regulated market within EU or on an equivalent 3rd country market or on a MTF.
- **Complex**: debt securities that do not meet the criteria for non-complex debt securities.

### 7. Non-listed debt securities (excluding those that embed a derivative or have a complex structure that makes it difficult to understand the risk)

#### Description of transaction (investment)

Non-listed debt securities include bonds and other debt instruments that are not traded on regulated markets, multilateral trading facilities, organised trading facilities or similar trading facilities outside the EU (excluding bonds and money market instruments that embed a derivative or have a complex structure that makes it difficult to understand the risk), such as fixed-rate or floating rate bonds, inflation-linked bonds, step-up bonds and covered bonds (including other similar instruments issued or traded outside the EU).

#### Risks inherent in transaction, leverage, contingent liabilities, provision of collateral

There is a risk that the investment may fall in value in part or at the extent of the entire sum invested – includes cases where the issuer is unable to fulfil its obligations (e.g. in case of bankruptcy) or its ability to fulfil obligations decreases.

There is also the risk of not receiving all or part of interest income.

The Client also has a duty to get acquainted with the types of the most common risks (see the Introduction part), especially the country risk, market risk, issuer risk, liquidity risk, interest rate risk, system risk, currency risk, price risk, legal risk, tax risk, information risk, and credit risk.

#### Execution venue, settlement procedure

A non-listed debt security is not traded on a stock exchange but most commonly through the over-the-counter market.

Settlements take place in the Client’s accounts with the Bank.

#### Direct costs and associated expenses of transaction

- **Direct costs**: the price of security which includes the Bank’s direct costs, as well as the mark-up for the Bank’s business profit, the Bank’s counterparty risk costs and other costs set forth in the Bank’s Order Execution Policy (mark-up).
- The total price of the security is agreed by the Client with the Bank. The Bank will disclose the amount of the mark-up included in the price of the security.
- The fee for participating in sovereign debt security auctions held by the Republic of Lithuania or other states.

Fees are charged for executed or partially executed transactions only.

- **Associated expenses**: Fee for the opening and maintenance of a cash account and securities account.
- Currency exchange fee.
- Fee for other operations with accounts.

### Complexity

Complex.
### 8. Debt securities that embed a derivative

<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
<th>include bonds (and money-market instruments) of the following type: convertible and exchangeable bonds, indexed bonds, contingent convertible bonds, callable or puttable bonds, credit-linked notes, warrants (including similar instruments issued or traded outside the EU).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</td>
<td>There is a risk that the investment may fall in value in part or at the extent of the entire sum invested – includes cases where the issuer is unable to fulfil its obligations (e.g. in case of bankruptcy) or its ability to fulfil obligations decreases. There is also the risk of not receiving all or part of interest income. The Client also has a duty to get acquainted with the types of the most common risks (see the Introduction part), especially the country risk, market risk, issuer risk, liquidity risk, interest rate risk, system risk, currency risk, price risk, legal risk, tax risk, information risk, and credit risk.</td>
</tr>
<tr>
<td>Execution venue, settlement procedure</td>
<td>A debt security of the respective issue may be traded in one or several stock exchanges, over-the-counter, on an Organized Trading Facility (OTF) or a Multilateral Trading Facility (MTF). Settlements take place in the Client’s accounts with the Bank.</td>
</tr>
</tbody>
</table>
| Direct costs and associated expenses of transaction | Direct costs:  
- The price of security which includes the Bank’s direct costs, as well as the mark-up for the Bank’s business profit, the Bank’s counterparty risk costs and other costs set forth in the Bank’s Order Execution Policy (mark-up).  
- The total price of the security is agreed by the Client with the Bank. The Bank will disclose the amount of the mark-up included in the price of the security.  
- The fee for participating in sovereign debt security auctions held by the Republic of Lithuania or other states.  
Fees are charged for executed or partially executed transactions only. 
Associated expenses:  
- Fee for the opening and maintenance of a cash account and securities account.  
- Currency exchange fee.  
- Fee for other operations with accounts. |
| Complexity | Complex. |

### 9. Debt securities with a complex structure that makes it difficult to understand the risk

| Description of transaction (investment) | Debt securities with a complex structure include bonds (and money-market instruments) which return is dependent on the performance of an asset pool; that are subordinated (including quasi-equity); where issuer can modify cash flows; that have no maturity date, that have unusual or unfamiliar underlying (including those that reference non-public benchmarks, synthetic indices, niche markets etc., and catastrophe bonds): where a basket of instruments or assets have to outperform a specified benchmark for a return to be paid or where the return is determined by the combination of two or more indices at one or multiple points of time. |

<table>
<thead>
<tr>
<th><strong>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</strong></th>
<th>There is risk that the investment may fall in value in part or at the extent of the entire sum invested – includes cases where the issuer is unable to fulfil its obligations (e.g. in case of bankruptcy) or its ability to fulfil obligations decreases. There is also the risk of not receiving all or part of interest income. The Client also has a duty to get acquainted with the types of the most common risks (see the Introduction part), especially the country risk, market risk, issuer risk, liquidity risk, interest rate risk, system risk, currency risk, price risk, legal risk, tax risk, information risk and credit risk.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Execution venue, settlement procedure</strong></td>
<td>A debt security of the respective issue may be traded in one or several stock exchanges, over-the-counter, on an Organized Trading Facility (OTF) or a Multilateral Trading Facility (MTF). Settlements take place in the Client’s accounts with the.</td>
</tr>
</tbody>
</table>
| **Direct costs and associated expenses of transaction** | Direct costs:  
- The price of security which includes the Bank’s direct costs, as well as the mark-up for the Bank’s business profit, the Bank’s counterparty risk costs and other costs set forth in the Bank’s Order Execution Policy (mark-up).  
- The total price of the security is agreed by the Client with the Bank. The Bank will disclose the amount of the mark-up included in the price of the security.  
- The fee for participating in sovereign debt security auctions held by the Republic of Lithuania or other states.  
Fees are charged for executed or partially executed transactions only.  
Associated expenses:  
- Fee for the opening and maintenance of a cash account and securities account.  
- Currency exchange fee.  
- Fee for other operations with accounts. |
| **Complexity** | Complex. |

### 10. American Depositary Receipt (ADR) and Global Depositary Receipt (GDR) transactions

<p>| <strong>Description of transaction (investment)</strong> | American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) are depository receipts issued to represent financial instruments of an issuer based in another country. They are traded in stock exchanges of the USA and other countries. ADRs/GDRs make it easier to invest in foreign companies. |
| <strong>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</strong> | ADR/GDR buyers run the risk that the investment may fall in value in part or at the extent of the entire sum invested. The Client has a duty to also get acquainted with the description of the most common risks (see the Introduction part), especially the issuer risk, liquidity risk, market risk, country risk, system risk, currency risk, information risk, credit risk, tax risk, legal risk, price risk, and interest rate risk. |</p>
<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
<th>Transactions in ADRs/GDRs are conducted via stock exchanges. Settlements take place in the Client’s accounts with the Bank.</th>
</tr>
</thead>
</table>
| **Direct costs and associated expenses of transaction** | **Direct costs:**  
- Security purchase price.  
- Purchase and sale fees.  
  
Fees are charged for executed or partially executed transactions only.  
  
If the security trade currency is other than the euro, then the fee will be withheld in the relevant trade currency according to the Bank’s exchange rate then in force.  
  
Associated expenses:  
- Fee for opening and maintenance of cash and securities accounts.  
- Currency exchange fee.  
- Fee for other operations with accounts.  
- Agent settlement fee. |
| **Complexity** | **Non-complex.** |
Part 3. Transactions which require the client to enter into the agreement for financial market transactions with the bank

1. Foreign exchange spots

<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
<th>A foreign exchange spot transaction is a currency exchange transaction at a rate set at the time of transaction in which settlements aren’t made until the end of the second business day of the Bank after the transaction conclusion date.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important! The transaction does not constitute a financial instrument within the meaning defined by the Financial Instruments Market Law, hence these transactions are not subject to provisions of the Order Execution Policy, to the principles of determining appropriateness and suitability of transactions, or to the investor rights protection regulations provided for in the law for the relevant Client status (retail client, professional client, or eligible counterparty).</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange spots are mainly used in different trading activities. They are appropriate to hedge the exchange rate risk form the moment it occurs.</td>
<td></td>
</tr>
<tr>
<td>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</td>
<td>The foreign exchange spot transaction is less appropriate to hedge future cash flows, taking into account that the settlement takes place just two working days after the transaction and therefore prompt cash funding would be needed. For that reason forwards are more appropriate</td>
</tr>
<tr>
<td>There is a risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral in the event that the settlement day does not coincide with the transaction conclusion day. The amount of loss may exceed the amount of the collateral provided.</td>
<td></td>
</tr>
<tr>
<td>The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, market risk, liquidity risk, interest rate risk, legal risk, tax risk.</td>
<td></td>
</tr>
<tr>
<td>Collateral:</td>
<td></td>
</tr>
<tr>
<td>If the transaction settlement day does not coincide with the transaction closing day, the Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of the initial collateral depends on the currencies involved in the transaction, normally ranging between 5% and 7% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.</td>
<td></td>
</tr>
<tr>
<td>Execution venue, settlement procedure</td>
<td>Transactions are conducted over-the-counter.</td>
</tr>
<tr>
<td>Settlements take place in the Client’s accounts with the Bank.</td>
<td></td>
</tr>
<tr>
<td>Direct costs and associated expenses of transaction</td>
<td>Direct costs:</td>
</tr>
<tr>
<td>The price of currency exchange is reflected in the currency exchange rate.</td>
<td></td>
</tr>
<tr>
<td>Associated expenses:</td>
<td></td>
</tr>
<tr>
<td>◾ Fee for opening and maintenance of a cash account.</td>
<td></td>
</tr>
<tr>
<td>◾ Currency exchange fee.</td>
<td></td>
</tr>
<tr>
<td>◾ Fee for other operations with accounts.</td>
<td></td>
</tr>
</tbody>
</table>
If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

<table>
<thead>
<tr>
<th>Complexity</th>
<th>N/A.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(the transaction does not constitute a financial instrument)</td>
</tr>
</tbody>
</table>

### 2. Foreign Exchange Forward

**Description of transaction (investment)**

A foreign exchange forward transaction is a currency exchange transaction with settlements taking place on a specified future date at the rate of exchange agreed between the Bank and the Client at the transaction closing moment.

The maximum duration of the transaction is not limited, but normally will not exceed 1 – 2 years.

The minimum duration of the transaction varies from currency to currency and normally is not less than 2 - 3 business days. If the currency is exchanged earlier than within 2 business days after concluding the transaction, then it will not be treated as a foreign exchange forward, but rather a foreign exchange spot.

The foreign exchange forward transaction are appropriate to hedge future cash flows.

**Risks inherent in transaction, leverage, contingent liabilities, provision of collateral**

There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral and the risk that the amount of loss may exceed the size of the collateral provided.

One of the risk can also be the fact that the exchange rate is fixed the Client cannot step back and benefit from positive exchange rate movements.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, currency risk, interest rate risk, price risk, legal risk, tax risk and liquidity risk.

**Collateral:**

The Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of the initial collateral depends on the duration of transaction and the currencies involved in the transaction, normally ranging between 5% and 7% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.

**Execution venue, settlement procedure**

Transactions are conducted over-the-counter.

Settlements take place in the Client’s accounts with the Bank.

**Direct costs and associated expenses of transaction**

Direct costs:

The price of currency exchange is reflected in the currency exchange rate.

Associated expenses:

- Fee for opening and maintenance of a cash account
- Currency exchange fee
- Fee for other operations with accounts
If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

<table>
<thead>
<tr>
<th>Complexity</th>
<th>Complex.</th>
</tr>
</thead>
</table>

### 3. Foreign Exchange Swap

#### Description of transaction (investment)

A foreign exchange swap consists of two counter transactions in which the parties agree to enter into a foreign exchange spot transaction, while at the same time agreeing to exchange the same currencies in the opposite direction through a foreign exchange forward transaction.

Foreign exchange swaps are used to manage treasuries in different currencies.

#### Risks inherent in transaction, leverage, contingent liabilities, provision of collateral

There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral. There is also a risk that the amount of loss may exceed the amount of the collateral provided.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, currency risk, interest rate risk, price risk, legal risk, tax risk and liquidity risk.

**Collateral:**
The Bank may ask the Client to provide collateral. The size of collateral will be determined on a case-to-case basis. The size of the initial collateral depends on the duration of transaction and the currencies involved in the transaction, normally ranging between 5% and 7% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.

#### Execution venue, settlement procedure

The transaction is conducted over-the-counter. Settlemets take place in the Client’s accounts with the Bank.

#### Direct costs and associated expenses of transaction

Direct costs:
The price of currency exchange is reflected in the currency exchange rate.

Associated expenses:
- Fee for opening and maintenance of a cash account
- Currency exchange fee
- Fee for other operations with accounts
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

<p>| Complexity | Complex. |</p>
<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
</tr>
</thead>
</table>
| A foreign exchange option is a transaction which gives the option buyer the right (without imposing an obligation) to buy or sell the amount of currency agreed in the terms of transaction for a specified price on a set future date or to make cash settlements on that date for an amount determined based on the difference between the foreign exchange market rate and the rate set in the terms of the option transaction. To enjoy this right, the option buyer pays the option seller a compensation called 'premium'.

The option seller’s duty is to sell or to buy, upon request by the buyer, the currency amount agreed in the terms of transaction from the option buyer at the rate agreed in the terms of transaction.

A European-style option buyer may exercise their option on the expiration date, whereas an American style option buyer may exercise the option on any business day until and including the option expiration date.

The rights and obligations of the counterparties cease to exist on the option’s maturity date.

Foreign exchange options are used to hedge against an exchange rate risk. They are more flexible than Foreign exchange forwards because since the buyer of the right can decide to exercise the right or not.

In a positive rate evolution the Client can earn an unlimited benefit and the potential loss is limited to the fully paid premium for the seller.

<table>
<thead>
<tr>
<th>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>The buyer of the option will not incur any loss as a result of exchange rate fluctuations however, there is a risk of not earning any profit.</td>
</tr>
</tbody>
</table>

The option seller runs the risk of incurring unlimited loss which can exceed the premium received. There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the option seller, including the risk of losing some or all of the collateral. There is also a risk that the amount of loss may exceed the amount of the collateral provided.

The option seller’s maximum profit is limited to the received premium.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, liquidity risk, interest rate risk, price risk, legal risk, tax risk, leverage risk, and information risk.

**Collateral:**

If the Client is the option seller, the Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of the initial collateral depends on the duration of transaction and the currencies involved in the transaction, normally ranging between 5% and 7% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.
### Execution venue, settlement procedure

The transaction is conducted over-the-counter. Settlements take place in the Client's accounts with the Bank.

### Direct costs and associated expenses of transaction

**Direct costs:**
- The option seller’s direct costs are the costs related to managing the open currency position or the premium for purchasing an equivalent option.
- The option buyer’s direct costs are the option premium paid at the time of concluding the transaction and, as a minimum, depends on:
  - transaction maturity;
  - currency market rate at the time of concluding the transaction;
  - exchange rate volatility;
  - exchange rate at which the buyer wants to buy the currency;
  - interest rates of both transaction currencies.

**Associated expenses:**
- Fee for opening and maintenance of a cash account.
- Currency exchange fee.
- Fee for other operations with accounts.
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

### Complexity

Complex.

## 5. Interest Rate Swap - IRS

### Description of transaction (investment)

An interest rate swap is an arrangement between the Client and the Bank to exchange, for a time period set in the terms of transaction, periodic interest payments calculated in one currency at a fixed or variable interest rate from the principal amount set in the terms of transaction.

The principal amount of the transaction may be a fixed or variable sum, amortised (by decreasing or, in some cases, increasing) it according to a schedule agreed with the Client.

The simplest form of the transaction is a simultaneous exchange of a variable-rate loan for a fixed-rate loan or vice versa.

### Risks inherent in transaction, leverage, contingent liabilities, provision of collateral

The market value of the transaction depends on interest rate fluctuations in the relevant currency. The longer the duration of transaction, the bigger the market value fluctuations.

Interest rate swap transactions are concluded for longer time periods – from over a year to even up to 10 years. Hence, it is important to be aware that after concluding the transaction the Client won’t be able to unilaterally alter the terms of transaction or unilaterally terminate the transaction despite the fact that the Client’s interests in respect of the concluded transaction may have changed since the time of entry into the transaction and it may be not in the best interest of the Client to continue with performance of their liabilities under the transaction. The Client should also be aware that alteration or early termination of the transaction may result in substantial expenses for the Client as
the Client’s future liabilities must be performed all at once and they will be assessed at their present value. Namely, if the Client has concluded a transaction, e.g. for a period of 10 years and the transaction is terminated after a year since its conclusion, then the amount of the Client’s liabilities will be determined based on the present value of the parties’ future liabilities which is assessed with reference to the remaining maturity of the transaction (9 years).

There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral and the risk that the amount of loss may exceed the size of the collateral provided.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the price risk, interest rate risk, legal risk, tax risk, leverage risk.

**Collateral:**
The Bank may ask the Client to provide collateral. The size of collateral will be determined on a case-to-case basis. The size of initial collateral depends on the maturity period of the transaction, normally ranging between 1 – 5% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.

**Execution venue, settlement procedure**
The transaction is conducted over-the-counter.
Settlements take place in the Client’s accounts with the Bank.

**Direct costs and associated expenses of transaction**
Direct costs:
The transaction price is reflected in interest rates.

Associated expenses:
- Fee for opening and maintenance of a cash account.
- Currency exchange fee.
- Fee for other operations with accounts.
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

**Complexity**
Complex.

**6. Foreign Exchange Interest Rate Swap**

**Description of transaction (investment)**
A foreign exchange interest rate swap means an arrangement between the Bank and the Client to exchange periodic principal and interest payments in various currencies for a time period set in the terms of transaction.

Interest rates can be either variable (e.g. 6-month EURIBOR) or fixed. The principal amount of the transaction may be a fixed or variable sum, amortised (by decreasing or, in some cases, increasing) it according to a schedule agreed with the Client.

The simplest form of the transaction is a simultaneous exchange of a variable-rate loan in one currency for a fixed-rate loan in other currency or vice versa.
Risks inherent in transaction, leverage, contingent liabilities, provision of collateral

The market value of the transaction depends on interest rate fluctuations in the relevant currencies and changes in exchange rates. The longer the period of transaction or the more the currency fluctuates, the bigger are the transaction's market value fluctuations.

Since interest rate swap transactions are concluded for longer time periods – from over a year to even up to 10 years - it is important to be aware that after concluding the transaction the Client won’t be able to unilaterally alter the terms of transaction or unilaterally terminate the transaction despite the fact that the Client’s interests in respect of the concluded transaction may have changed since the time of entry into the transaction and it may be not in the best interest of the Client to continue with performance of their liabilities under the transaction. The Client should also be aware that in case of agreeing with the Bank to alter the transaction, the Client may incur substantial expenses. If the Client fails to perform their transaction liabilities and the transaction is terminated before the maturity date, this may result in substantial expenses for the Client as the Client’s future liabilities must be performed all at once and they will be assessed at their present value. Namely, if the Client has concluded a transaction, e.g. for a period of 10 years and the transaction is terminated after a year since its conclusion, then the amount of the Client’s liabilities will be determined based on the present value of the parties’ future liabilities which is assessed with reference to the remaining maturity of the transaction (9 years).

There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral and the risk that the amount of loss may exceed the size of the collateral provided.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, price risk, interest rate risk, legal risk, tax risk, leverage risk.

Collateral:
The Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of the initial collateral depends on the duration of transaction and the currencies involved in the transaction, normally ranging between 5% and 7% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral, taking into account the remaining maturity of the transaction.

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
<th>The transaction is conducted over-the-counter. Settlements take place in the Client’s accounts with the Bank.</th>
</tr>
</thead>
</table>
| Direct costs and associated expenses of transaction | Direct costs: The transaction price is reflected in interest rates. Associated expenses:  
▷ Fee for opening and maintenance of a cash account.  
▷ Currency exchange fee. |
Fee for other operations with accounts.
If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

| Complexity | Complex. |

### 7. Interest Rate Option

<table>
<thead>
<tr>
<th>Description of transaction (investment)</th>
<th>An interest rate option is a transaction which gives the buyer the right, without imposing an obligation, to pay or to receive a certain fixed interest rate on a specific date or on several dates in the future. The seller of the option has an obligation to reimburse, upon the buyer’s request, for the difference between the agreed market rate (e.g. 6-month EURIBOR) and the fixed interest rate. Interest rates are calculated from the principal amount set in the terms of transaction which may be amortised (decreased or, in some cases, increased) according to a schedule agreed between the Client and the Bank. Interest rate options are used to hedge against an interest rate risk, for yield enhancement or to speculate on the ups and downs of interest.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</th>
<th>The option buyer’s potential loss is limited to the paid premium, while retaining the possibility to earn profit as a result of favourable changes in interest rates. The option seller’s maximum profit is limited to the received premium. The option seller runs the risk of incurring unlimited loss which can exceed the received premium. There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral and the risk that the amount of loss may exceed the size of the collateral provided. The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, interest rate risk, legal risk, tax risk, leverage risk. <strong>Collateral:</strong> If the Client is the option seller, the Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of initial collateral depends on the maturity period of the transaction and the currency, normally ranging between 1 – 5% of the transaction value. In isolated cases, the size of collateral may differ from what indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.</th>
</tr>
</thead>
</table>

| Execution venue, settlement procedure | The transaction is conducted over-the-counter. Settlements take place in the Client’s accounts with the Bank. |
### Direct costs and associated expenses of transaction

**Direct costs:**
- The option seller’s direct costs are the costs related to managing the open position or the premium for purchasing an equivalent option.
- The option buyer’s direct costs of the transaction are the option premium.
- The option premium depends on:
  - transaction maturity;
  - principal amortization schedule;
  - interest market rates in relation to the interest rate selected by the Client upon entry into transaction;
  - interest rate volatility.

**Associated expenses:**
- Fee for opening and maintenance of a cash account.
- Currency exchange fee.
- Fee for other operations with accounts.
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

### Complexity
Complex.

### 8. Swaptions

**Description of transaction (investment)**

A swaption (swap option) is a transaction that gives the buyer the right, without imposing an obligation, to enter into an interest rate swap on a specified future date on terms of swap transaction agreed at the time of concluding the option.

If the option buyer expresses such a wish, then the seller has a duty to enter into an interest rate swap on a specified future date on the terms of swap transaction agreed at the time of concluding the option.

Swaptions can be used to manage interest rate risk.

**Risks inherent in transaction, leverage, contingent liabilities, provision of collateral**

The option buyer’s potential loss is limited to the paid premium, while retaining the possibility to earn profit in case of favourable changes in interest rates.

The option seller’s maximum profit is limited to the received premium. The option seller runs the risk of incurring unlimited loss which can exceed the premium received if the market value of the transaction moves in a direction unfavourable for the option seller.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, interest rate risk, legal risk, tax risk, leverage risk.

**Collateral:**

If the Client is the option seller, the Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of initial collateral depends on the maturity period of the transaction and the currency, normally ranging between 1 – 11% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide an additional collateral.
Execution venue, settlement procedure

The transaction is conducted over-the-counter. Settlements take place in the Client’s accounts with the Bank.

Direct costs and associated expenses of transaction

Direct costs:
- The option seller’s direct costs are the costs related to managing the open position or the premium for purchasing an equivalent option.
- The option buyer’s direct costs are the option premium paid at the time of concluding the transaction unless agreed otherwise by the Client and the Bank.

Associated expenses:
- Fee for opening and maintenance of a cash account.
- Currency exchange fee.
- Fee for other operations with accounts.
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

Complexity

Complex.

9. Over-the-counter securities options

Description of transaction (investment)

A securities option transaction is a contract which gives the buyer the right, without imposing an obligation, to buy or sell the underlying security at a certain price on or before a specified date.

A European-style option buyer may exercise their option on the expiration date, whereas an American style option buyer may exercise the option on any business day until and including the option expiration date.

The rights and obligations of the counterparties expire upon maturity of the option.

Risks inherent in transaction, leverage, contingent liabilities, provision of collateral

The option buyer’s total potential loss is limited to the paid premium, while retaining the possibility to earn profit in case of favourable changes in the price of securities.

The option seller’s maximum profit is limited to the received premium. The seller of an option risks incurring an unlimited loss which can exceed the amount of the received premiums and the provided collateral, except when the open position is closed.

The securities option price (premium) is affected by changes in prices and implied volatilities of the securities involved. The option price may change until the option expiration date.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the price risk, issuer risk, market risk, currency risk, interest rate risk, legal risk, tax risk, and information risk.

Collateral:

The option seller needs to post collateral (except in case of closing an existing position). The size of the initial collateral depends on the duration of transaction and the underlying assets involved in the transaction, normally starting from
10% of the transaction nominal value. If the transaction's market value moves in a direction unfavourable for the Client, the Bank may ask the Client to post additional collateral.

If the Client is unable to provide initial collateral or additional collateral upon the Bank’s request, the Bank may close the Client’s position and apply the collateral towards discharging the Client’s liabilities.

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
<th>The transaction is conducted over-the-counter. Settlements take place in the Client’s accounts with the Bank.</th>
</tr>
</thead>
</table>
| Direct costs and associated expenses of transaction | Direct costs:  
- Pasirinkimo sandorio pirkėjo tiesioginės išlaidos yra pasirinkimo sandorio premija, mokama sandorio sudarymo metu.  
- Pasirinkimo sandorio premija priklauso bent jau nuo:  
  - transaction maturity;  
  - the securities’ price at the time of entering into the transaction;  
  - securities’ price volatility;  
  - the price, at which the buyer wants to buy / sell the securities (the “Strike price”).  

Associated expenses:  
- Fee for opening and maintenance of cash and securities accounts.  
- Currency exchange fee.  
- Fee for other operations with accounts. |
| Complexity | Complex. |

10. Repos and reverse repos

Description of transaction (investment) | The object of a repo transaction is securities sold by one party to the other party, at the same time agreeing on repurchasing them within a specified period at the price fixed on the date of entering into the transaction.  
The economic sense behind repo is a cash loan against a pledge on security. The amount of the pledge will be determined on case-to-case basis and depends on the type, quality and liquidity of securities, normally ranging between 110 – 200% of the transaction amount.  
In isolated cases, the amount of the pledge may differ from that indicated here. |
| Risks inherent in transaction, leverage, contingent liabilities, provision of collateral | If the value of securities involved in the repo transaction falls, then, in order to continue the transaction, the Party (Client) will be required, upon the Counterparty’s (Bank’s) request, to provide collateral (the size of collateral will be determined on case-to-case basis) or the Counterparty (the Bank) will have the right to terminate the transaction.  
If the transaction is terminated, the securities will remain in the Counterparty’s (Bank’s) ownership and will be applied towards discharging the Party’s (Client’s) liabilities to the Counterparty (Bank). If the value of such securities does not cover the Party’s (Client’s) liabilities arising from the transaction, the Party (Client) may not only lose those but also the collateral: moreover, the Party’s (Client’s) losses may significantly exceed the value of the collateral provided. |
The Client has a duty to get acquainted with and take account of the most common risks described in the Introduction part. 

**Collateral:**
If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral. 

**Execution venue, settlement procedure**
The transaction is conducted over-the-counter.
Settlements take place in the Client’s accounts with the Bank.

**Direct costs and associated expenses of transaction**

*Direct costs:*
- Client’s interest payments to the Bank. The amount of interest is included in the securities repurchase price.

*Associated expenses:*
- Fee for opening and maintenance of cash and securities accounts.
- Currency exchange fee.
- Safekeeping fee.
- Fee for other operations with accounts.
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.

**Complexity**
Complex.

### 11. Exchange-traded options

**Description of transaction (investment)**
An exchange-traded option transaction is a contract which gives the option buyer the right, without imposing an obligation, to buy or sell the contract’s underlying asset (securities, goods, commodities, emission quotas, etc.) at a certain price or to make cash settlements without actual delivery of the underlying asset on or before a date specified in the terms of transaction.

A European-style option buyer may exercise their option on the expiration date, whereas an American style option buyer may exercise the option on any business day until and including the option expiration date.

The Client (option buyer) may close the position – sell the option on stock exchange.

Option writer: One who originally sells an option contract. In exchange for the premium, the option writer takes on an obligation to buy or sell (depending on the type of option) the underlying asset at the discretion of the option holder.

**Risks inherent in transaction, leverage, contingent liabilities, provision of collateral**
The exchange-traded option price (premium) is affected by changes in prices of the underlying asset and by volatility of these prices. The exchanged-traded option’s price may change until the option expiration date.

The option buyer’s total potential loss is limited to the paid premium, while retaining the possibility to earn profit in case of favourable changes in the price of securities.

In case the Client is exchange-traded option seller and the transaction is per-
formed with physical delivery of the underlying asset, the Client is obliged to provide necessary funds or financial instruments at term stated by the Bank.

The option seller’s maximum profit is limited to the received premium. The seller of an option runs the risk of incurring an unlimited loss which can exceed the amount of the received premiums and the provided collateral.

The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the price risk, issuer risk, market risk, currency risk, interest rate risk, legal risk, tax risk, and information risk.

**Collateral:**
The option seller needs to post collateral (except in case of closing an existing position). The size of the initial collateral depends on the duration of transaction and the underlying assets involved in the transaction, normally starting from 10% of the transaction nominal value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to post additional collateral.

If the Client is unable to provide initial or additional collateral upon the Bank’s request, the Bank may close the Client’s position and apply the collateral towards discharging the Client’s liabilities.

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
<th>The options are traded on stock exchanges. Settlements take place in the Client’s accounts with the Bank.</th>
</tr>
</thead>
</table>
| Direct costs and associated expenses of transaction | Direct costs:  
- Purchase and sale fees as per Price list  
- The option premium is paid at the time of concluding the transaction and, as a minimum, depends on:  - transaction maturity;  - the underlying asset’s price at the time of entering into the transaction;  - underlying asset’s price volatility;  - the price at which the buyer wants to buy / sell the option’s underlying asset (the “Strike price”);  - Costs related to Option exercise.  
Associated expenses:  
- Fee for opening and maintenance of cash and securities accounts.  
- Currency exchange fee.  
- Fee for other operations with accounts. |
| Complexity | Complex |

**12. Futures**

**Description of transaction (investment)**

A future is a financial agreement for the purchase or sale of an underlying asset (stocks, bonds, indexes, interest rates, currencies, commodities, emission allowances etc.) on a future date.

Futures contracts are standardized and traded on the exchange.
Futures contracts have a maturity date until which the Client must close the opened position with the opposite deal.

<table>
<thead>
<tr>
<th>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of losses is unlimited. The Bank may apply other assets held by the Client with the Bank towards discharging the Client’s obligations.</td>
</tr>
<tr>
<td>There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or the entire collateral and the risk that the amount of loss may exceed the size of the collateral provided.</td>
</tr>
<tr>
<td>The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the currency risk, market risk, price risk, system risk, legal risk, tax risk, leverage risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collateral:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collateral must be provided for execution of transaction. The size of collateral will be determined on case-to-case basis. The size of the initial collateral depends on the duration of transaction and the underlying assets involved in the transaction, normally ranging between 8% - 20% of the transaction value. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Execution venue, settlement procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures are exchange- traded instruments.</td>
</tr>
<tr>
<td>Settlements take place in the Client’s accounts with the Bank.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct costs and associated expenses of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct costs:</td>
</tr>
<tr>
<td>Pirkimo ir pardavimo mokesčiai.</td>
</tr>
<tr>
<td>Associated expenses:</td>
</tr>
<tr>
<td>▶ Fee for opening and maintenance of a cash account.</td>
</tr>
<tr>
<td>▶ Currency exchange fee.</td>
</tr>
<tr>
<td>▶ Fee for other operations with accounts.</td>
</tr>
<tr>
<td>▶ If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank.</td>
</tr>
</tbody>
</table>

Complexity: Complex.

### 13. Commodity Swaps

**Description of transaction (investment)**: A commodity swap is a transaction where one party undertakes to pay the other party a certain fixed price for a certain quantity of goods and the other party undertakes to pay a variable price, calculated according to the mechanics set out in the terms of transaction, of the same quantity of commodities. One mutual payment or periodic mutual payments may be made under the transaction.

<table>
<thead>
<tr>
<th>Risks inherent in transaction, leverage, contingent liabilities, provision of collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is risk of incurring substantial loss if the market value of the transaction moves in a direction unfavourable for the Client, including the risk of losing some or all of the collateral and the risk that the amount of loss may exceed the size of the collateral provided.</td>
</tr>
</tbody>
</table>
The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, price risk, legal risk, tax risk, leverage risk.

**Collateral:**
The Bank may ask the Client to provide collateral. The size of collateral will be determined on case-to-case basis. The size of initial collateral depends on the maturity period of the transaction, normally ranging between 8% and 20% of the transaction value. In isolated cases, the size of collateral may differ from that indicated here. If the transaction’s market value moves in a direction unfavourable for the Client, the Bank may ask the Client to provide additional collateral.

<table>
<thead>
<tr>
<th><strong>Execution venue, settlement procedure</strong></th>
<th>The transaction is conducted over-the-counter. Settlemnets take place in the Client’s accounts with the Bank.</th>
</tr>
</thead>
</table>
| **Direct costs and associated expenses of transaction** | Direct costs:  
The transaction price is reflected in the fixed price of the commodity involved in the transaction.  
Associated expenses:  
- Fee for opening and maintenance of a cash account.  
- Currency exchange fee.  
- Fee for other operations with accounts.  
- If execution of transaction requires that collateral or additional collateral is provided - the costs associated with the restriction on freely operating with the collateralized asset for as long as the asset remains pledged with the Bank. |

**Complexity**
Complex.

14. **Over-the-counter commodity options**

| **Description of transaction (investment)** | An over-the-counter commodity option transaction is a contract which gives the option buyer the right, without imposing an obligation, to buy or sell the contract’s underlying asset (a future, etc.) at a certain price or to make cash settlements without actual delivery of the underlying asset on or before a date specified in the terms of transaction.  
Over-the-counter commodity options take place without actual delivery of commodities.  
A European-style option buyer may exercise their option on the expiration date, whereas an American style option buyer may exercise the option on any business day until and including the option expiration date.  
Asian style commodity options payoff is determined by the average underlying price over some pre-set period of time.  
The rights and obligations of the counterparties cease to exist on the option’s maturity date. |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
### Risks inherent in transaction, leverage, contingent liabilities, provision of collateral
The Client also has a duty to get acquainted with the description of the most common risks (see the Introduction part), especially the market risk, price risk, system risk, legal risk, tax risk, leverage risk.

**Collateral:**
Over-the-counter commodity option transactions can be concluded by the Client only as the option buyer. The amount of Client’s loss is limited to the paid premium. In these transactions, the Client is not required to provide collateral for execution of transaction.

### Execution venue, settlement procedure
The transaction is conducted over-the-counter.
Settlements take place in the Client’s accounts with the Bank.

### Direct costs and associated expenses of transaction
Direct costs:
- The option seller’s direct costs are the costs related to managing the option currency position or the premium for purchasing an equivalent option.
- The option buyer has to pay the option premium. The premium is paid at the time of concluding the transaction and, as a minimum, depends on:
  - transaction maturity;
  - the commodity’s price at the time of entering into the transaction;
  - commodity’s price volatility.

Associated expenses:
- Fee for opening and maintenance of a cash account.
- Currency exchange fee.
- Fee for other operations with accounts.

### Complexity
Complex.