

AS DNB banka Conflicts of Interest Policy (for transactions with financial instruments)

1. Introduction

- 1.1 AS DNB banka (hereinafter referred to as the Bank) over the course of its business activities provide services that may cause conflict of interests or coefficient circumstances thereof. The objective of AS DNB banka Conflicts of Interest Policy is to observe the customers' interests and introduce all possible actions to assist in retention and maintenance of an efficient administration structure in order to identify, eliminate and manage material conflicts.
- 1.2 AS DNB banka Conflicts of Interest Policy (hereinafter referred to as the Policy) is implemented under:
- The Markets in Financial Instruments Directive of European Parliament and Council No. 2004/39/EK dated 21 April 2004 and implementation deeds thereof,
 - The Law on Financial Instruments' Market of the Republic of Latvia, and
 - DNB Group Guidelines for Ethics (Group guidelines) and the Group Policy for Ethics (Group Policy).

2. Identification of the conflict of interest

- 2.1 The Policy applies to the conflicts of interest whose presence may impair the interests of the Bank's existing or potential customers with regard to transactions related to investment services and/or ancillary services.

The conflict of interest may arise between:

- The customer and the Bank;
- Two or more customers of the Bank in a situation where the Bank provides services to such customers;
- The Bank employees and the customer;
- The Bank employees and the Bank;
- The Bank and IPAS DNB Asset Management or any other undertaking of DNB Group.

- 2.2. In order to identify types of the conflicts of interest that may arise over the course of provision of investment services and/or ancillary investment services to the detriment of the interests of the customer as minimum criteria the Bank is considering situations when the Bank or the Bank-related person^{1[1]}:
- Might generate profits or avoid financial loss at the customer's expense;
 - Is interested in the outcome of the service provided to the customer or the outcome of the transaction conducted on the customer's behalf, which does not comply with the interests of the customer;
 - Is inclined to act in the interests of another customer or the group of customers;
 - Conducts professional activities that tally with the customer's activities;
 - Is receiving or is going to receive remuneration for the service provided to the customer from another person in the form of cash, goods or services other than standard payment for such service.

3. Reporting duty on the conflict of interest

^{1[1]} In the context of this Policy the Bank-related person is considered:

- The Chairman or member of the Bank's Management Board or Supervisory Council, outsourced agent or another person who on the behalf of the Bank by taking material decisions create civil liabilities thereupon;
- Employee of either the Bank or outsourced agent as well as another private individual involved in provision of investment services conducted by the Bank the latter is exercising due control over;
- Private individual directly involved in provision of outsourced services to the Bank in the course of investment services.

All the Bank employees are obliged to immediately report to the head of the respective structural unit and send an e-mail of the appropriate contents to the address: conflict.of.interests@dnb.lv on any situations the conflict of interest is arising or may arise.

The reporting duty shall apply not only to the all Bank employees, but also to the customers in provisional situations of the conflict of interest.

The Bank's Compliance Service shall monitor the financial instruments transactions that may cause the conflict of interest and shall immediately report in writing any infringements of the stipulated procedure to the Bank's Management Board and Internal Audit.

4. Recording of information

The Bank shall maintain and regularly update the information registry on provided services resulting in an actual and/or provisional conflict of interest implying material detriment risk to the interests of the customers.

5. Inducements and endowments

The Bank employees involved in provision of investment services are explicitly prohibited from taking or giving valuable presents or cash, if such endowment might affect the decision taken by the employee or appropriate performance of one's duties. The Bank employees are explicitly prohibited from taking or giving presents to private individuals or companies related to them either at the present moment or in the future by business relations on behalf of the Bank unless in such case one can doubtlessly prove inexistence of the conflict of interest.

Any gifts accepted by the employee must be reasonable and their acceptance should not cause any conflicts of interests. The above provision shall be complied with also in cases where the direct recipient of the gift is the employee's spouse or offspring.

6. Private transactions

The Bank employees are allowed to conduct private dealings in financial instruments, if such transactions do not contradict the effective regulatory enactments and the Law provisions, do not impede direct office duties of the employees or create unacceptable risk to the Bank's goodwill.

Private transactions should not imply any conflicts of interest of either professional or moral nature.

The Bank employees in the context of private transactions are explicitly prohibited from abuse of confidential or privileged information of the Bank or the Bank's customers, and shall perform appropriate actions in order to avoid any provisional impairment to the interests of the Bank's customers.

The procedure of personal transactions is regulated by the Bank's „Policy on Personal Account Transactions for Specific Employees”.

7. The conflict of interest elimination measures

- The Bank's officer (broker) is not allowed to enter into financial instruments sale or purchase transactions or recommend such transactions in order to collect the commission;
- Any single Bank's officer (broker) is not entitled to enter into transaction on the Bank's behalf and at its expense, at the same time performing the transaction on one's own behalf and at one's own expense, if such financial instrument is specified in the customer's order, before execution of the customer's order, or such transaction may be entered into only in case the conditions (in market aspect) are better than those of the customer. Orders specifying equal conditions received from different customers should be executed in incoming order, i.e. whichever is submitted earlier;
- If the interests of the Bank, the Bank's employee and the customer collide those of the customer should prevail, followed by the interests of the Bank;
- In case of a conflict of interest the officer in charge of investment services shall disclose the contents of such conflict to all involved parties and commence provision of the respective investment service if

- none of the parties has any objection thereto. The Head of the Bank's Financial Market Department shall monitor settlement of the conflict of interest pursuant to the provisions hereof;
- Persons involved in investment services are prohibited from exchange of information on investment services either provided or to be provided to the customer, unless such exchange of information is required to appropriately execute the customer's order;
 - Material or immaterial incentive of one structural unit within the Bank shall not be directly dependent on operational results of other structural units.

8. Management of the conflicts of interests

If the conflict of interests can not be avoided the Bank shall apply to such conflict of interests certain management measures:

- Disclosure of information to the customer;
- Information blockades;
- Refusal to provide service.

Disclosure of information to the customer

Prior to provision of the investment service and/or ancillary investment service the Bank shall inform the customer on the nature and reason of the conflict of interest. Such information shall be revealed to the customer immediately (upon the customer's request - also in writing) and shall be thorough enough to enable the customer to make informed decision on the specific investment service and/or ancillary service the conflict of interest is related to.

Information blockades

The Bank may manage the conflict of interests through development and implementation of information blockades ("China walls") in order to restrict exchange of information among various functions within the Bank.

Refusal to provide service

If the conflict of interest can not be avoided or eliminated the Bank shall be entitled to refuse provision of the respective service.

9. Revision and monitoring of the Policy

The Bank shall revise the Policy and the related organizational documents once a year or reacting to any material circumstances that may affect the Bank's ability to provide investment and/or ancillary investment services without any conflicts of interest.

The Bank is obliged to inform the customer on all material amendments to the Policy for elimination of the conflicts of interest by publicizing the updated version of the Policy on the Bank's website: www.dnb.lv and making it accessible in all banking halls.