

Conflicts of Interest Policy (for transactions with financial instruments)

1. Introduction

- 1.1. AS DNB banka (hereinafter - the Bank) over the course of its business activities provide services that may cause conflict of interests or coefficient circumstances thereof. The objective of the Bank Conflicts of Interest Policy (hereinafter - the 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. 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*).

1. 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.
- 2.2. 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 and the customer.
- 2.3. 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 person¹:
- 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.

2. Reporting duty on the conflict of interest

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, tied 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 tied 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.

- 3.1. 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.
- 3.2. 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.
- 3.3. 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.

3. Recording of information

- 4.1. 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.

4. Inducements and endowments

- 5.1. 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.
- 5.2. Any gifts accepted by the Bank 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 Bank employee's spouse or offspring.

5. Private (personal) transactions

- 6.1. 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 reputation.
- 6.2. 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.
- 6.3. The procedure of personal transactions is regulated by the Bank's „Policy on Personal Account Transactions for Specific Groups of Employees”.

6. Management of the conflicts of interests

- 7.1. If the conflict of interests cannot 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 decision on the specific investment service and/or ancillary service the conflict of interest is related to.

The Bank offers to its customer's particular investment products of the Bank-related companies subject to inducement. Purpose of such inducement is to increase the quality of the respective service as provided to the customers and it does not affect the Bank's duty to secure the best result to the Bank's customer when providing investment services. The Bank informs about such inducement on its website as well as includes notification on such inducement in transaction orders. By virtue of the customer's request the Bank provides detailed information on received payments in relation to investments made by the customer.

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 departments/ employees within the Bank. If regardless of set information blockades an existing or potential conflict of interest is identified and such conflict might imperil the interests of one or several customers the Bank's duty is to document the procedure for solving of such conflict. The documentation must include brief description of activities the existing or potential conflict of interests has ensued from and description of actions to eliminate such conflict.

Refusal to provide service

If the conflict of interest cannot be avoided or eliminated the Bank shall be entitled to refuse provision of the respective service. In addition to general guidelines described in standard procedures particular Bank's structural units may adopt more thorough guidelines to manage the potential conflicts of interest.

7. The conflict of interest elimination measures in relation to investment services and ancillary investment services provided by the Bank

8.1. Acceptance, transmission and execution of financial instruments-related orders on behalf of the customers:

Orders are normally initiated by the customer by contacting the Bank and requesting for a financial instruments transaction. Orders are registered with the respective trading system in incoming sequence. With regard to some financial instruments the Bank is trading on its own account. In other situations the Bank will transmit the order to other market participants for execution.

The Bank's officer (broker) after receipt of the customer's order must abide by the prevailing legislation and trade regulations effective in the respective venue. This implies, inter alia, that the broker must seek to avoid conflicts of interest by ensuring that client interests are given priority over the interests of the Bank, and that individual clients are not wrongfully favoured at the expense of other clients.

The Bank's officer (broker) is prohibited from acceptance of the customers' orders or recommendations on their submission to generate personal inducement.

The customers' orders are executed in compliance with the Order Execution Policy that stipulates the procedure for selection of the order execution venue. The Order Execution Policy helps to achieve the best possible result to the customers, where executing the orders on behalf of the customer.

8.2. Trading in financial instruments on behalf of the Bank:

Through trading in individual financial instruments, the Bank could assume the role of counterparty in transactions with clients. This could typically be the case in quoting markets (e.g. the derivatives or bonds/commercial paper markets) where the Bank quotes prices and assumes risk if the customer trades at the quoted price.

The Bank gets involved in trade on own behalf within the framework of investment service provision and market-making activities with other financial institutions. The conflict of interest may arise in case the customer submits to the Bank an order concerning financial instruments the Bank is using when trading on its own behalf.

In order to avoid conflicts of interest in such situations the Bank has stipulated that:

- The Bank's officers involved in provision of investment services are prohibited from exchange of information with regard to investment services that are or will be provided to the customers with other Bank's officers, unless such exchange of information is required to duly comply with the customer's order;
- One and the same Bank's officer (broker) is prohibited from entering into transaction on the Bank's behalf and at its expense, at the same time performing the transaction on behalf of the customer, if the customer's order is placed in the same financial instrument.

8.3. Investment portfolio management:

Investment portfolio management is secured by a separate Bank's structural unit: Wealth Management Unit. The structural unit is not involved in decisions on the Bank's trades on its own behalf. In order to prevent any notional conflicts of interest, remuneration of officers of Wealth Management Unit does not depend on sale of particular products or profitability of the customers' investment portfolios.

8.4. Holding and administration of financial instruments:

The Bank offers financial instruments' custody and administration services. Financial instruments are booked on financial instruments accounts in the name of the customer. According to the Financial Instruments Market Law the financial instruments are held separately from the Bank's own investments in financial instruments.

8.5. Granting of loans:

The Bank grants loans to retail and corporate customers. As the result of the above activity the Bank may obtain the information on its customers that is not publicly accessible. The conflict of interest in such situations may arise in case a sensitive customer's information is disclosed to unauthorized persons.

The Bank has introduced several measures to restrict the flow of information between lending division and other Bank's structural units:

- Lending transactions and financial instruments transactions are arranged by separate organizational structures and executed by different units;
- Officers of Financial Market Department are not members of the Bank's Credit Committees;
- Officers in charge of lending are not involved in discussions and setting of limits for the Bank's own investments in financial instruments.

Should the Bank offer loans in relation to financial instruments transactions such products shall be developed and maintained by the Bank's Product Development Department, which acts independently from Financial Market Department.

8. Revision and monitoring of the Policy

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

9.2. The Bank informs the customers on all material amendments to the Policy for elimination of the conflicts of interest by publishing the updated version of the Policy on the Bank's website: www.dnb.lv and ensuring the availability of it in places where the Bank provides investment and ancillary services.