TERMS AND CONDITIONS FOR CURRENCY FORWARD AND SWAP TRANSACTIONS
Valid from 01.02.2011

1. GENERAL PROVISIONS

1.1 The terms and conditions for forward and swap transactions (hereinafter Service Conditions) shall serve as the Service Conditions in the meaning of the Financial Markets Client Agreement (hereinafter Client Agreement) and its annexes, concluded between the Bank and the Client, regulating the relations between the Bank and the Client upon conducting foreign exchange forward and swap transactions, and establishing the procedures for conducting foreign exchange forward and swap transactions.

1.2 The Underlying and Price Currency for the transactions shall only be the currency listed in the Bank's currency list.

2. DEFINITIONS

2.1 In addition to the definitions specified in the Client Agreement, the following capitalised definitions shall apply for the Service Conditions:

2.1.1 Underlying Currency means the currency agreed upon the conclusion of the transaction – the currency which is to be exchanged for the Price Currency of the corresponding Forward Transaction or the primary or secondary Swap Transaction;

2.1.2 Base Price means the exchange rate of the Underlying or Price Currency agreed for the corresponding Forward Transaction or the primary or secondary Swap Transaction;

2.1.3 Base Value means the amount of Price currency of the corresponding Forward Transaction or primary or secondary swap transaction, which shall be paid, in accordance with the negotiated Base Price, for the acquisition of the prescribed amount of Underlying Currency upon conducting the Forward Transaction or primary or secondary Swap Transaction;

2.1.4 Forward Transaction means the transaction on the exchange of Underlying and Price Currency, which shall be conducted on the agreed Banking Day in the future;

2.1.5 Price Currency means the currency agreed upon the conclusion of the Transaction, which shall be exchanged for the Underlying Currency upon the corresponding Forward Transaction or primary or secondary Swap Transaction;

2.1.6 Present Value means the amount of the Price Currency, which shall be paid at the prescribed time in accordance with the Market Price for the amount of Underlying Currency established upon the conclusion of the Forward Transaction or secondary Swap Transaction;

2.1.7 Banking Day means a calendar day, which is not a Saturday, a Sunday, a national or a state holiday in the Republic of Estonia and/or a day-off in the country, which currency represents the Underlying or Price Currency of the Transaction;

2.1.8 Swap Transaction means a Transaction which consists of two chronological and mutually reverse transactions on the exchange of Underlying and Price Currency, of which the first exchange transaction (**primary swap transaction**) is executed on the date of the conclusion of the Swap Transaction or on an agreed Banking Day in the future, and of which the second exchange transaction (**secondary swap transaction**) is executed on the agreed Banking Day following the day of the execution of the primary swap transaction;

2.1.9 Transaction means a Forward or Swap Transaction;

2.1.10 Transaction Account means the Client's current account in the Bank, which is to be used for transaction-related settlements;

2.1.11 Transaction Term means the time interval between the date of the conclusion of the Transaction and the Value Date of the execution of the corresponding Forward Transaction or the secondary Swap Transaction;

2.1.12 Market Price means the market exchange rate of the Underlying or Price Currency of the Forward Transaction or secondary swap transaction in a given moment of time;

2.1.13 Value Date means the Banking Day on which the prescribed money transfer or other operation specified in the Service Conditions is carried out.

3. PROCEDURE FOR THE TRANSACTION

3.1 Material conditions for orders on Forward Transactions are:

3.1.1 specification of the buyer and the seller of the Underlying Currency;

3.1.2 currency and an amount of Underlying Currency;

3.1.3 Base price;

3.1.4 currency of the Price Currency;

3.1.5 Value Date for the execution of the Transaction

3.1.6 specification of Transaction Accounts.

3.2 Upon giving an Order on the Swap Transaction, an agreement must be reached on the terms and conditions specified in Sub-Clauses to Clause 3.1 as regards both the primary and secondary swap transaction.

3.3 For the purposes of providing the collateral the essential conditions of the order or respective agreement are the amount of the collateral, Value Date, repayment day, interest rate, period and repayable total amount if the collateral is released in full.

3.4 On the Value Date of the Forward Transaction or the primary or secondary swap transaction:

3.4.1 if the Bank is the buyer of the Underlying Currency, the Bank shall transfer the corresponding Base Value to the Client's Transaction Account, and simultaneously debit from the Client's Transaction Account the agreed amount of Underlying Currency;

3.4.2 if the Client is the buyer of the Underlying Currency, the Bank shall debit from the Client's Transaction Account the corresponding Base Value, and simultaneously transfer to the Client's Transaction Account the agreed amount of Underlying Currency.

3.5 In case of premature termination of the Transaction, the Bank shall close the position related to the corresponding Transaction by specifying the Present Value of the Forward Transaction or secondary swap transaction to be terminated. If:

3.5.1 the Present Value exceeds the Base Value of the corresponding Transaction, the seller of the Underlying Currency shall compensate to the counterparty the amount by which the Present Value exceeds the Base Value of the corresponding Transaction; or if

3.5.2 the Present Value is lower than the Base Value of the corresponding transaction, the buyer of the Underlying Currency shall compensate to the counterparty the amount by which the Present Value is lower than the Base Value of the corresponding Transaction.

4. COLLATERAL

4.1 The Client shall, upon the request by the Bank, make a collateral deposit to the Bank to guarantee fulfilment of the payment obligation arising from the Forward Transaction or the secondary swap transaction.

4.2 The amount of the collateral deposit is an amount of Underlying Currency or Price Currency determined by the Bank. Unless otherwise agreed by the Parties, the Bank shall debit the collateral deposit from the Client's Transaction Account on the date of the conclusion of the Transaction.

4.3 The Client shall be obliged to increase the collateral deposit, if the Client's calculated loss[1] from the pending Transaction in a given moment of time exceeds 50% of the collateral deposit made for the pending Transaction.

4.4 In cases provided by Clause 4.3, the collateral deposit shall be increased by the amount of the calculated loss for the corresponding Transaction.

4.5 If a calculated loss from a pending Transaction[2] is 75% or less in the given moment or bigger than the collateral given to the pending Transaction, the Bank shall have the right for immediate premature termination of the Transaction. The Bank shall debit available funds of the Client in the amount of the possible loss or set off the amount payable by the Client with the collateral.

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[1] The calculated loss is presumed to exist, if (i) the Present Value of the Transaction where the Client is the buyer of the Underlying Currency, is lower than the Base Value of the corresponding Transaction; or if (ii) the Present Value of the Transaction where the Client is the seller of the Underlying Currency, exceeds the Base Value of the corresponding Transaction.

[2] The Client is deemed to have calculated loss on the basis of the Transaction if (i) the Present Value of the Transaction in which the Client is the buyer of the Underlying Currency is smaller than the Base Value of the corresponding Transaction; or (ii) the Present Value of the Transaction in which the Client is the buyer of the Underlying Currency is bigger than the Base Value of the corresponding Transaction.