

General investment risks

This is an overview of the general risks related to various securities and investment services. Please note that this is not an exhaustive list and it is the client's responsibility to analyze and evaluate, based on the circumstances, all the risks and possible consequences of a particular transaction.

Political risk is a risk that in the state, where the securities have been registered or where the issuer of the securities, which the client has invested in, is located or registered, events occur that affect the political or economic stability or further development of the state or region, and as a result thereof, there may be a threat that the client, in part or in full, loses their investments in the state or region, or suffers considerable losses on investments made. Political risks include, for instance, radical changes in the economic and legislative environment (e.g. nationalization processes), social and internal policy crisis situations (e.g. civil disturbances), etc.

Market risk is a risk that the client suffers losses due to overall adverse price movement in the securities market or in a certain segment thereof. Adverse price movement may be caused, for instance, by poor economic indicators of the relevant state or branch of the economy, unstable economic environment, unstable securities market, etc.

Liquidity risk is associated with the market risk and means primarily that the client may suffer losses due to the absence of liquidity in the respective regulated market, which impedes the sale of securities at the time desired by the client or the securities cannot be sold at a price close to the market price or at a price desired by the client.

Currency risk may arise if an investor invests in fixed income in a currency which is not the main currency of the investor. For investors, the smallest risk lies in investing in their base currency, unless they have sufficient knowledge of currency risks.

Price risk is a risk that the client suffers losses on adverse changes in the value of a financial instrument or other asset in which they have invested. The price of securities may decrease as well as increase.

Financial leverage risk is a risk that the value of the asset will change due to leverage at a much larger extent than the market price of the asset. A change in the market price of leveraged assets can thus cause significant damage.

Credit risk is a risk that the client may suffer losses due to the fact that the value of financial instruments acquired by them decreases due to the poor financial performance, economic difficulties, or other similar indicators of the issuer of the securities. The issuer's poor economic performance may cause, among other things, the inability of the relevant issuer to perform obligations arising from the securities before the investors.

Settlement system risk is the possibility that (primarily) technical failures in the systems and accounts or communications channels of registers of securities, stock exchanges, clearing houses, and other institutions or other problems may cause the cancellation of transactions, delay of post-transaction settlements, false transfers, and other events, which may result in losses for the client.

Counterparty risk. Although the managers of venues created for trading in financial instruments (e.g. a stock exchange or another regulated market) have usually precluded the risk by taking various measures, there is a risk that the person who has made a transaction with the client via a bank does not perform its obligations arising from the transaction.

Legal risk. The client may not have a full overview or any overview of the legislation applied to the securities acquired by them (including rules established by the issuer, account administrator, or register; or the legislation of the state where the securities are traded). Foreign legislation may mean that the account administrator or foreign registrar may have a right of bank clearing over the securities held abroad through the account administrator, as well as the right to place encumbrances or disposal restrictions on securities; or require them to be placed. Setting these limits may mean that the client cannot exercise their rights arising from their securities in the full extent. An Estonian registrar may have a similar right. The client's rights regarding securities, which are governed by the legislation of a third state, may differ from those provided for in Estonian or European Union legislation. Thus, the client may not be aware of their obligations and may thereby suffer losses, or sanctions arising from legislation may be imposed on the client. Furthermore, through the amendment of legislation, adverse restrictions or obligations (e.g. a change in legislation or the rules of a competent institution) may be established with regard to the client following an investment. If securities are kept on an account opened in the name of a bank, the client cannot personally exercise its rights and obligations.

Information risk. The client may not have the chance to receive adequate and correct information about the securities or the receipt of such information is difficult, as a result of which the client may not have the opportunity to make reasoned decisions regarding their investments.

Communication channel risk. Although giving transaction orders by phone is an internationally recognized practice and a general practice in the provision of financial services, there is a risk that the level of care and attention exercised by the parties and the security elements are insufficient to prevent a situation where a person taking advantage of the absence of direct contact between the bank and the client may assume, against the will of the client, obligations that are binding to the client.

The interest rate may change the price of fixed income. **Interest risk** is related to the market risk and means that the client may suffer losses from adverse developments on the market,

which may be manifested in changes in interest rates, interest rate volatility, interest rate gap between investment objects of different risk levels, early repayment of loans, etc.

Inflation risk is a risk that the real income of the investment is lower due to the general increase in prices. Negative real income means that even though the investment may be nominally profitable, the purchasing power of the placement has decreased during the investment period.

Tax risk. Depending on the regulation or practice applicable on a specific market or to the services provided by the depository operating on the relevant market, the client may not always be able to use the incentives arising from a double taxation prevention treaty made between their state of residence and the state where the securities are kept. In addition, taxation may be influenced by the fact that the client's securities are kept, with the client's consent, on an account opened in the depository in the name of the bank, as a result of which the client's securities are treated as those of the bank.

Depository risk. Regardless of the fact that upon the selection of persons (depository) who provide securities' custody, registration and/or settlement services used by the bank, the bank proceeds from a procedure established for that purpose and thereby exercises professional diligence, the separation of the securities and other assets of the client kept on nominee accounts in the depository from the securities and other assets of the depository may not, due to deficiencies in legal regulation and/or absence of a respective court practice, be fully ensured in certain states or regions in the event of a possible bankruptcy of the depository. Proceeding from the above, there is a risk that in the event of bankruptcy of the depository or upon taking coercive measures with regard thereto, the client will suffer losses due to a loss or withholding of the securities kept on the nominee accounts opened in the relevant depository.

Risks relating to keeping securities on a nominee account

Foreign legislation may result in a situation where the account administrator or foreign registrar may have a right of bank clearing over the securities (including securities kept on a nominee account) held abroad through the account administrator, as well as the right to place encumbrances or disposal restrictions on securities; or require them to be placed. Setting these limits may mean that the client cannot exercise their rights arising from their securities in the full extent. On certain markets, it may be difficult or impossible to participate or vote in the general meeting of shareholders based on securities kept on a nominee account.

Risks relating to keeping securities in a state where there is no regulation on keeping assets on another person's account

With the consent of the client, the bank may hold securities in the securities account opened in the name of the bank, which means that the bank is legally considered the owner of these securities. On such markets, the separation of the clients' assets from the bankruptcy estate of the account holder may be not regulated or be less regulated, when compared to markets

where the regulation on holding the assets in a nominee account (e.g. through a nominee account) is regulated. Therefore, it cannot be excluded that the owners of the securities must participate in the bankruptcy proceedings of the account holder and verify their ownership of the securities. During this, disposal of the securities or exercising of the rights arising from the securities may be obstructed.

By keeping securities of various clients, upon the client's consent, on one account opened in the name of the bank, the client may not have the chance to personally participate in the general meetings of issuers. The client can participate in the general meetings of issuers only in the event that the bank offers such a service. On some markets, there may apply a requirement that the account holder may vote in the general meeting of issuers with all the securities registered in their securities account in the same way (i.e. they may vote only if provided that all clients, whose securities are held together on the account, wish to vote in the same way). Upon keeping the securities of different clients together, there is a risk that as a result of a mistake, securities belonging to the client, which do not constitute the object of the relevant transaction, are transferred. There is also the risk that one client of the account holder fails to perform the legal obligations of the shareholders (e.g. notification of relevant authorities of changes in the qualifying holding). As a result of such violations, the securities account may be seized or blocked, and no client may be able to dispose of or use their securities and the client may also be deprived of the voting right based on these securities. To exercise certain rights arising from the securities or to participate in corporate events, the bank may be asked for documents and/or confirmations, which the bank cannot issue. As a result, the client may have difficulties in exercising certain rights arising from the securities or the client may lose them.

Risks related to currency and OTC derivative instruments

Currency and OTC derivative instruments incur certain risks and trading therewith requires certain knowledge. Risks related to currency derivative instruments and OTC derivative instruments are different, depending, among other things, on the type of the derivative instrument. The client is personally liable for the risks and must therefore examine, through the institution issuing the securities or through its portfolio manager, the characteristic features of the instruments and the terms and conditions applicable to the trading of the aforementioned instruments. The client must observe, on a regular basis, the investments (positions) that they have made in such instruments. Furthermore, in their own interest, the client must be ready to act immediately, if necessary, e.g. provide additional collateral or terminate investment in derivative agreements (repurchase or close its positions). If the client does not provide adequate collateral, the bank will generally have the right to immediately terminate the investment agreement (close the position) without notifying the client thereof in order to keep the loss as small as possible. The client must therefore carefully monitor the effect of price movement on its collateral obligation in order to avoid an involuntary closing of the position.

Unless any precautionary measures are taken for limiting the risks, the holder of the option runs, for example, the risk that the option value may decrease or the option may lose its value by the maturity term thereof. In the latter case, the premium payable upon the

purchasing of the option will be lost. Unless any precautionary measures are taken, the risk borne by the issuer of the option may be unlimited.

The term of derivative instruments may be different and derivative instruments with a very short term, as well as with a term of several years are issued, which affect the leveraged effect and thereby also the risk borne by the client. Therefore, the client must carefully observe the term of derivative instruments.

Risks related to fractions

In this context, we describe risks related with fractions of ETF's that are purchased using our Micro-investments service. A fraction is less than one full unit of security.

Investing in ETF fractions is exposed to the same risks, including profit/loss risk as when investing in full units. The voting rights deriving from fractions are limited – by signing the Micro-investments agreement, the client authorizes the bank to vote on behalf of its clients in the general meetings (if any at all, according to current practice ETFs general meetings are held in rare cases).

When buying fractions, an investor can invest relatively small amounts, smaller than a price of the whole unit. However, the ability to dispose of fractions is more limited compared to trading full ETFs. Fractions of ETFs cannot be traded publicly.

Due to trading limitations, we provide clients with a limited list of ETFs that can be traded in fractions and this option is only available at our bank through the use of the Micro-investments service. The fractions of ETFs are also used when the bank provides a portfolio management service by Roboinvestor.

Selling ETF fractions is only possible using the same method as buying them – via SEB Internet bank using our Micro-investments service. Fractions could be sold only via/to the bank.

Transfer of fractions of ETFs to another account is currently not possible at all. The full units of ETFs purchased via Micro-Investments service, can be sold or transferred to another service provider.

In Micro-investments service all transactions (buy, sell) are executed once a week, unlike regular trades that are executed on spot.