

# Classification of securities

SEB assesses whether or not the investment service or security is appropriate for the client when providing the investment service. SEB has classified securities into five risk levels in order to make the assessment process easier.

Classification is based on the nature and general complexity of the securities and the risks associated with investing in them:

- securities with very low risk level are generally the least complex and least risky;
- securities with very high risk level are the most complex and the riskiest.

If SEB decides on the basis of the information provided by the client that a security is appropriate for the client then SEB also considers securities of the same type but with a lower risk level to be appropriate for the client. If based on the assessment the security is considered appropriate for the client, it does not mean that SEB recommends the client to buy or sell such security.

Clients should keep in mind that several types of risk have not been considered in the classification of securities (relevant information is provided below). The risks associated with different securities are described in detail on SEB's investor protection webpage <https://www.seb.ee/eng/investor-protection>. Information on the risks related to a specific security can also be found in the rules, prospectuses of the security, Key Investor Information Document (KIID), Key Information Document (KID) or other materials related to the security.



## Classification based on risk level

**Very low risk level** securities are securities quoted in main currency, mainly short-term and with full capital protection. Under normal circumstances, there is generally a very low risk of loss associated with such security if kept until maturity.

**Low risk level** securities are securities quoted in main currency which carry the risk that the investor may lose part of their investment.

**Medium risk level** securities are securities quoted in main currency which carry the risk that the investor may lose a significant part of their investments.

**High risk level** securities are securities quoted in any currency, which carry the risk that the investor may lose all of the capital invested.

**Very high risk level** securities are securities quoted in any currency, where the investor may lose more than the initial investment and may be required to pay additional amounts. These securities are more complex in their nature and should only be considered only by investors with significant experience.

*Please keep in mind that the risk to lose the initial investment exists for securities with any risk level. The likelihood of it depends simply on the risk level of the specific security: the lower the risk level, the smaller the likelihood.*

## Classification based on complexity

Based on complexity, the securities are classified into two groups:

- complex, and
- less complex.

Less complex securities are defined in Securities Market Act, Subsection 872 (11) and in Commission Delegated Regulation (EU) 2017/565, Article 57.

SEB classifies securities based on their risk level and in compliance with the Securities Market Act and the specified Commission Delegated Regulation based on complexity as follows:

|     | Very low risk level | Low risk level      | Medium risk level   | High risk level     | Very high risk level |
|-----|---------------------|---------------------|---------------------|---------------------|----------------------|
| I   | Bonds**             | Bonds**             | Bonds**             | Bonds**             |                      |
| II  | Structured bonds*** | Structured bonds*** | Structured bonds*** | Structured bonds*** |                      |
| III |                     | UCITS funds*        | UCITS funds*        | UCITS funds*        |                      |
| IV  |                     | Non-UCITS funds**   | Non-UCITS funds**   | Non-UCITS funds**   |                      |
| V   |                     | ETFs**              | ETFs**              | ETFs**              |                      |
| VI  |                     |                     |                     | Equities*           |                      |
| VII |                     |                     |                     | Derivatives***      | Derivatives***       |

\* Mostly includes less complex products

\*\* Mostly includes complex products

\*\*\* Includes only complex products

## Important general information

The classification of securities into specific risk levels may change in time depending on the characteristics of the security. For example, the rating of a bond may vary over time and its risk level may therefore also change.

SEB tries to assess the appropriateness of a security to its client on the basis of the classification of the security at the time of the transaction. Although securities are classified by SEB with the best intentions and as a result of a thorough analysis, SEB cannot be held liable for any inaccuracies that may occur. Also, there may be securities that SEB has not yet classified in any risk level.

## Excluded Risks

In the classification of securities, SEB has excluded the following types of risk:

- **Currency risk**, which exists when a client invests in a currency that differs from their main currency. For investors it is less risky to invest in base currency, unless they have extensive knowledge of currency risks;
- **Liquidity risk** i.e. the risk that the tradability of an instrument on the market may vary over time;
- **Tax risk**, which is related to any tax during investing (e.g. income tax, which is to be paid if profit is earned upon transfer of a security). Clients should independently evaluate all circumstances related to taxes on investments and their return even if in the material provided to the client the bank has indicated only single tax aspects.

The **investment horizon or investment goal** of the specific client is not considered in the classification of securities.

**Clients who invest in a security must understand the following:**

- the investor makes investments only at their own risk;
- the investor should acquaint themselves with the general trading terms and conditions of the intermediaries of the specific securities;
- when trading in securities, the investor should carefully read the transaction confirmations and promptly notify SEB of any possible errors;
- the investor should regularly monitor the changes in the value of their investments;
- the investor should implement appropriate measures whenever necessary to reduce the risk of loss relating to their investment.

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## Main currencies

EUR, GBP, USD, CHF, CAD, AUD, JPY, SEK, DKK and NOK are defined as main currencies.