Product Governance Risk Disclosure Statement

The Company's Product Governance Risk Disclosure Statement is intended as a general description of the risks associated with specific products or services. There may be other risks that the Company does not identify. **The Client should therefore not rely on the Product Governance Risk Disclosure Statement as covering all possible risks and should always satisfy himself/herself/itself that the Services or transactions are suitable and appropriate for the client in light of the client's specific circumstances. If the Company effects a transaction with or for the client, this shall not be taken to mean that the Company recommends, or concur on the merits of, the transaction or that the transaction is appropriate for the client**. The Client is required to make his/her/its own assessment of any transaction that the client is considering and should not rely on any information or other communication from the Company as being investment advice (unless it is clearly marked as such).

The Company makes no representations or warranties in relation to Financial Instruments. The Company makes no representations or warranties in relation to any information provided, or opinions expressed, to the Client (whether written or oral) in connection with any such Financial Instruments or with investing in general.

The Client should be aware that there are significant risks in investing in the Securities of any Issuer in the securities market as well as market indices and other instruments. Such investments may be highly speculative, involve a high degree of risk and may result in the loss of the entire investment.

All of the following information shall be used for information purposes only, nothing in this document may be interpreted as an advice to invest or to abstain from investment in certain Financial Instruments.

Current version of this Risk Disclosure Statement is placed at the official website at www.pmt.com.cy .

The Company shall notify its Clients of any material change to this document by posting its updated version on the website; however, the Clients would not be expressly notified of any such changes, therefore, it is highly recommended to refer to the current versions of this and other applicable documents regularly.

The client should fully understand the following:

- The need to carefully study the securities proposed by the Company for investing and other provisions of the Portfolio Management Agreement, Advisory Agreement or any other agreement with the Company, and other relevant information on the financial instrument in question and its properties and risks before the Company will perform portfolio management or any other investment activity in relation to financial instruments;
- The need to immediately scrutinize contract notes and submit any complaints regarding any errors;
- The need to regularly monitor changes in the value of holdings of financial instruments.

Most important types of risks:

- ***Market risk***
  The risk of change in the market value of asset due to changes in asset prices, FX rates, interest rates, commodity prices and volatility. This risk includes Price risk, Price volatility risk, Currency risk, Interest-rate risk, etc.
- ***Credit risk***
  The risk that the issuer or a contracting party will fail to meet its obligation when they become due
- ***Tax risk***
  The risk that tax rules and/or tax rates are unclear or may be changed.
- ***Leverage/gearing effect risk***:
  The structure of a derivative instrument which means there is a risk that a change in the price of the underlying asset will have a major negative effect on the price of the derivative instrument.
- ***Legal risk***
  The risk that relevant legislation and rules are unclear or may be amended.
- ***Company-specific risk***
  The risk that a company does worse than expected or that the company is affected by a negative incident so that the financial instruments which are linked to the company may fall in value.
- ***Industry-specific risk***
  The risk that a specific industry does worse than expected or is affected by a negative incident so that the financial instruments which are linked to the companies in the industry in question may fall in value.
- ***Liquidity risk***
  The risk that the client cannot sell or purchase a financial instrument at the current market price at a certain time when the client wishes to do so due to low or restricted marketability of such instrument.
- ***Operational risk***
  Operational Risk is the risk of losses that is connected with the malfunction or inadequate performance of internal systems, processes and people or connected with external events.
- ***Systematic risk***
  Systematic Risk is the risk that is caused by the movements of the economy in general and therefore it cannot be eliminated by the investments diversification.
- ***Country specific risk***
  Country Risk refers to the credit risk in regard of the certain country. The political or economic risks may affect all counterparties having such country as its domicile. Country defaults on its obligations can harm the performance of all other financial instruments in that country as well as other countries it has relations with. Country risk applies to stocks, bonds, mutual funds, options and futures that are issued within a particular country. Country risk varies from one country to the next. Some countries have high enough risk to discourage foreign investments.

  <u>Emerging Markets:</u>
  In addition to the usual risks typically encountered in the major securities markets, others may arise in emerging markets. Some of these markets have undergone substantial political and/or economical changes. The quality and reliability of official data may not always be equivalent to that of the most developed western markets. Emerging securities markets are still developing and volumes traded are sometimes

less than in the major exchanges. This lack of volume and liquidity may sometimes result in increased volatility.

Russian Federation:
External and internal events have served to consolidate the predominant domestic roles of the Russian government, particularly in the economy, but considerable social tensions have developed. Russia still suffers from a business environment that is not very reassuring.
World and European Financial markets have been highly influenced by the continuing instability of the political outlook in connection with the Ukraine crisis. The sanctions being continuously imposed by different governments on the Russian Federation entities and individuals are a significant factor of increasing the market volatility and instability.
Despite having certain weaknesses, such as limited economic diversification, high dependence of economy on raw material prices, excessive private sector foreign debt and deficiencies in the business environment, Russian economy still has many strong advantages, such as abundant natural resources including oil, gas, and metals, World's third largest foreign exchange reserves, reasserted regional and energy power as well as political stability.

General Risk

Financial instruments are expected to provide a return in the form of a dividend (shares and fund units) or interest (interest-bearing instruments). In addition, the price of the instrument may increase or decrease compared to the price when the investment was made.
Naturally, the investor is seeking a total return that is positive, i.e. a profit. However, there is also a risk that the total return will be negative, i.e. that the investor will make a loss on the investment.
The risk of loss varies between different instruments.
Normally, the chance of making a profit on an investment in a financial instrument is linked to the risk of loss. The longer the investor intends to keep the investment, the greater an amount of potential profit or loss would be.

There are various ways of investing in financial instruments in order to reduce the risk. It is normally better from a risk point of view to invest in several different financial instruments rather than a single one or only a few financial instruments. These instruments should have properties which mean the risk is spread and should not gather risks that may be triggered simultaneously.

Trading in foreign financial instruments may also involve a **currency risk**. Investments in financial instruments are associated with an **economic risk**.

The client is personally responsible for this risk and must therefore become aware about the terms and conditions of his/her/its Agreement with the Company (Portfolio Management Agreement, Advisory Agreement or any other), prospectuses, etc., governing trading in such instruments and with the instruments' individual risks and characteristics. The client must also regularly monitor the performance of his/her investments in such instruments. This should be the case even if the client has received personal advice from third party in conjunction with the investment. Information required for assets and instruments prices monitoring may be obtained from media number of sources, e.g.

newspapers, the Internet, teletext etc. If necessary the client should, in his/her own interests, react swiftly, for example by selling investments that are developing negatively or by providing additional collateral in conjunction with investments financed through loans where the collateral value has fallen.

There are many different types of risk and other factors that the client should be aware of.

The risk/reward trade-off is the level of risk one assumes in pursuit of a particular return potential. However, there are different kinds of risk. Below, we describe five varieties of risk and suggested ways to deal with each.

Credit Risk

In the case of bonds, credit risk is a probability weighted issuer default, i.e. it may not be able to meet interest or principal payments when they become due. Higher-quality bonds issued by companies with strong financial positions usually pose less credit risk than those issued by companies with less creditworthiness.

Market Risk

This is a risk of change of value of financial instrument due to change in the market environment resulted in change of prices, interest rates, currency rates, commodity prices and volatility.

Market risk also includes several types of risks, such as:

- Business or Event Risk:

A common hazard in investing is business or event risk, which simply means that unforeseen circumstances may adversely affect the value of your investment. This risk can be either company specific or industry wide. For example, a firm's profits may be hurt by a lawsuit, a change in management, or a product failure, or new government regulations (i.e., for drug companies) may cause the price of stocks in a particular industry to drop. In this case, the damage is confined to one industry or one company.
Consider investments that offer diversification across an array of industries.

- Interest Rate Risk:

Changing interest rates can have a major effect on fixed-income (bond or bond fund) investments. Bond prices typically fall when interest rates rise, and they increase as rates decline. Rising interest rates depress the value of existing bonds because investors can buy new bonds paying higher prevailing yields. On the other hand, if rates fall, potential buyers will be willing to pay a premium for an older, higher-yielding bond. Either scenario will affect the current value of your investment. Generally speaking, the longer the bond's maturity, the greater its sensitivity to changing interest rates. Rising interest rates can also make stocks less attractive, though any correlation between interest rate changes and stock prices is less clear. A stock's dividend yield may be less appealing, and a company may face higher borrowing costs if money is needed to develop new products or expand operations.
Consider a diversified bond fund holding fixed-income securities of various maturities.

Purchasing Power Risk (inflation)

In nearly every year, inflation causes a dollar/euro to purchase less than it did the year before. That's because the cost of goods and services tends to rise year to year. The uncertainty over what your dollar/euro will be able to buy in the future is often referred to as purchasing power risk. Even when inflation is relatively low, as it has been over the past few years, its cumulative effect over the long term is significant. An inflation rate of just 4% a year will cause your purchasing power to be cut in half in about 18 years.

Consider selecting investments appropriate to your risk tolerance and time horizon that have provided returns that historically have outpaced the long-term rate of inflation. Stock and bond funds, by their very nature, are diversified, and fund managers invest in securities that they believe will provide good returns at a reasonable risk given the fund's objective. You can also invest in different asset classes and choose investments that can preserve your purchasing power.

Liquidity risk

Many forms of investment may not be readily realisable on the open market (e.g. commercial property) or the market has a small capacity and may therefore take time to sell. Assets that are easily sold are termed liquid.

Shares and limited companies.

Shares in limited companies entitle their owner to a proportion of the company's share capital. If the company makes a profit, the company usually distributes dividends on these shares. Shares also entitle the holders to voting rights at the company's general meeting, which is the highest-ranking decision-making body in the company. Normally, the more shares the holder owns, the greater the shareholder's proportion of the capital, dividends and votes is.

The share price.

The price of a share is affected to a great extent by the company's prospects. A share price may rise or fall depending on investor analyses and assessments of the company's opportunities to make future profits. Future external developments in the economy, technology, legislation, competition, etc, determine the demand for the company's products or services and, consequently, are also of fundamental importance to developments in the price of the company's shares. The general interest rate level (the market interest rate) also plays an essential role in the pricing. If the market interest rate increases, interest-bearing financial instruments that are issued at the same time may provide a better return. In such cases, the prices of listed shares normally fall, as will those of already traded interest-bearing instruments with a lower interest rate. The reason for this is that the increasing returns on newly issued interest-bearing instruments may be better, relatively speaking, than the return on shares or on already traded interest-bearing instruments. In addition, share prices are negatively affected by the fact that interest payments on the company's debts increase, since this reduces the company's chances of making profits in the future. Other factors directly related to the company, such as changes in the company's management and organisation, disruptions to production, etc, may affect the company's future ability to create profits, both in the long- and short-term. In the worst case, a company may perform so poorly that it must be declared bankrupt. The share capital, i.e. the capital invested by the shareholders, is that which is repaid last from the estate in bankruptcy. The company's other debts must first be repaid in their entirety. This often results in there being no assets left in the company after its debts have been paid, so that the shares in the company are worthless. Players in the finance market often have different opinions on how share prices will develop. These factors, which also include how the company will be valued, contribute to there being both buyers and sellers. If the investors share the same opinion regarding price trends, they will either buy, thereby creating buying pressure from many buyers, or sell, thereby creating selling pressure from many sellers. Prices increase in the event of buying pressure and fall in the event of selling pressure. The turnover, i.e. the quantity of a certain share that is bought or sold, affects the share price. In the event of a high turnover, the difference, also called the spread, between the prices the buyers are prepared to pay (bid price) and the price requested by the sellers (ask price) is reduced. A share with a high turnover, where large amounts can be traded without any major effect on the price, enjoys good liquidity and is thus easy to buy or sell. The framework conditions for industry, both national and international, may also affect share prices. Changes in tax and duty levels nationally and in other countries affect the companies' cost levels and thus their competitive situation. International agreements between countries regarding customs charges and duties on the import and export of goods and services affect the competition situation that exists between companies and thus also share prices. Major events such as disasters, terrorist acts and wars may have major effects on share prices on stock exchanges worldwide.

Regulated markets and OTC market (for shares).

Only shares issued by public limited companies may be listed on a regulated market. In addition, there are requirements regarding the company's size, the company's operations history, spread of owners and publication of the company's finances and other business. Trading in shares that are not listed on a regulated market takes place in the so-called OTC market. In this market, trading takes place to a large extent based on information on prices and interests that the stock broking firms state to each other.

The OTC list is divided into an A list and a B list. Only companies that are registered on the A list must pass price-relevant information of significant importance on to the market. If a share is not listed on either a regulated market or a trading support system, trading will normally take place by the stock broking firm trying to assist the client by contacting potential clients who may be interested in becoming a contracting party. Investments in this type of share entail a considerable liquidity risk.

Trading in a regulated market or other trading systems comprises the secondary market for shares, primary capital certificates and bonds that a company has already issued.

In addition, the OTC list functions as a secondary market for shares. If the secondary market functions well, i.e., it is easy to find buyers and sellers and offer prices from buyers and sellers and the final prices of completed trades are noted continuously, companies benefit from the fact that it is easier to issue new shares and thus raise more capital for the company's activities.

The primary market is the market where newly issued shares, primary capital certificates and bonds are traded in/subscribed for.

Shares registered in a regulated market or other trading system are normally divided into various lists depending on the company's market value or liquidity. These lists are often published on the trading system's home page, in newspapers and via other media. Different shares may demonstrate various levels of stability in their prices (volatility) during the day or over longer periods, i.e., the frequency and size by which the prices change. Shares on lists with high liquidity are normally regarded as entailing a lower risk than shares on lists with lower liquidity.

Various classes of shares

There could be various classes of shares, e.g. class A and class B shares, which usually refer to different voting rights. As an example, Class A shares can entitle the holder to one vote, while class B shares can entitle the holder to a restricted voting right or no voting rights at all. The differences in voting rights may, for example, be due to the fact that, in conjunction with a diversification of ownership, the original founders and the owners of the company have wanted to maintain their influence over the company by holding stronger voting rights.

Nominal value, splits and reverse share splits

A share's nominal value is the amount of the company's share capital represented by each share. The sum of all the shares in the company multiplied by the nominal value of each share constitutes the company's share capital. Occasionally, companies wish to change the nominal value, for example because the market price of the share has risen significantly. By dividing the share into two or several shares, a so-called split, the nominal value is reduced at the same time as the price of the shares is reduced. However, after a split the shareholder's capital remains unchanged but is divided into a greater number of shares, each of which has a lower nominal value and a lower price. Conversely, a reverse share split may be carried out if, for example, the share price has fallen dramatically. In such case, two or more shares are merged to form one share. Following a reverse share split, the shareholder's capital remains unchanged but is divided into fewer shares, each of which has a higher nominal value and a higher price.

Stock exchange introduction, privatization and acquisitions

A stock exchange introduction means that shares in a limited company are listed in are regulated market (including a stock exchange). The general public may then be invited to subscribe for (buy) shares in the company. This usually involves an existing company that has not previously been listed on a stock exchange, whose owners have decided to increase the number of shareholders and facilitate trading in the company's shares. If a state-owned company is introduced on the stock exchange, this is called privatization or part-privatization, depending on the size of the stake in the company that the state is offering to sell to the general public. An acquisition normally involves an investor or investors inviting the shareholders of the company to sell their shares on certain terms. If the buyer obtains 90% (exact share depends on national regulations) or more of the share capital and votes in the company, the buyer can petition for the compulsory purchase of the remaining shares from those shareholders who have not accepted the acquisition offer.

Share issues

If the company wishes to expand its operations, additional capital is often required. The company raises this by issuing new shares through a share issue. The existing shareholders usually receive subscription rights giving them a pre-emptive right to subscribe for shares in the new issue. The number of shares that may be subscribed for is established in relation to the number of shares previously held by the shareholder. The subscriber must pay a price (issue price) for the newly issued shares that are often lower than the market price. Immediately after the subscription rights - which normally have a certain market value – are detached from the shares, the price of the shares normally declines. Shareholders that have subscription rights but do not subscribe for shares may sell their subscription rights in the marketplace where the shares are listed during the subscription period (which often lasts for a few weeks). Upon the expiry of the subscription period, the subscription rights lapse and thus become useless and worthless. If the share premium account in a limited company has greatly increased in value, the company can transfer part of the value to its shareholders through what is commonly referred to as a bonus issue. In a bonus issue, consideration is given to the number of shares already held by each shareholder. The number of new shares offered to the shareholders through the bonus issue is established in proportion to the number of shares the shareholder already holds. However the shareholder's proportion of the company's share capital remains unchanged. A limited company can also carry out a so-called private placement, which is carried out as a share issue but is directed solely at a limited group of investors. In a private placement, the existing shareholders' proportion of the shares and share capital in the company is diluted, but the number of owned shares is not affected and the market value of the invested capital is also not normally affected.

Share-related instruments

Some instruments such as convertible bonds/debentures, share-index bonds/index bonds, warrants, share options, share-index options and depository receipts are closely connected to shares. These instruments are normally traded in a regulated market (including a stock exchange) but are also traded in the OTC market.

Convertible bonds/debentures

Convertible bonds/debentures are interest-bearing securities, which may be exchanged for shares within a certain period of time or under certain conditions. The return on the convertible bonds/debentures, i.e., the coupon interest, is normally higher than the dividend on the shares to be received in exchange. The price of convertible bonds/debentures normally follows the share price and is expressed as a percentage of the nominal value of the convertible bond/debenture.

Share-index bonds/index bonds

Share-index bonds/index bonds are bonds whose yield normally depends on how a share index develops. If the index develops positively, so does the return. In the event of a decline in the index, there may be no return. However, the nominal value of the bond is always repaid on the maturity date so the risk of loss is limited compared to shares and fund units.

Apart from any share premium, the risk of investing in a share-index bond may be defined as the alternative interest income, i.e., the interest the investment could have achieved if the amount had been invested differently.

Warrants

Certain call (purchase) and put (sales) options with a longer term to maturity than the standardized call options, normally called warrants, are also traded. Warrants may be used to buy underlying shares or to provide cash settlement if a gain has been achieved as a result of the price of the underlying share being higher than the agreed future purchase price/selling price.

Share options and share-index options

There are various types of share options. Acquired (bought) purchase options (call options) entitle the owner to purchase already issued shares at a predetermined price within a specific period of time. Acquired (bought) sales options (put options) entitle the holder to sell shares at a predetermined price within a specific period of time. There is an issued/written (sold) option corresponding to each acquired option. The risk borne by the party that acquires an option is that the option will decline in value or become worthless by the expiry date. Unless special precautionary measures are taken, the issuer (writer) of an option runs a risk which may be unlimited in scope. Index options produce a gain or loss linked to the development of the underlying index. The price of options (premium/price) normally follows the developments in the price of the corresponding underlying shares or index.

Depository receipts

Depository receipts are proof that shares are stored by a depository and give the owner the same rights as if he/she owned the actual share. Depository receipts are traded as shares and their prices normally follow the price trends in the foreign regulated market where the share is traded.

FIXED-INCOME FINANCIAL INSTRUMENTS (BONDS)

An interest-bearing financial instrument is a right to claim against the issuer of a loan. The return is normally provided in the form of interest (coupon). There are various types of interest-bearing instruments depending on the issuer of the instrument, the security provided for the loan by the issuer, the term until the maturity date, and how interest is paid. The interest (coupon) is normally paid as a fixed or floating rate. For fixed-interest loans, the interest is normally stipulated (fixed) for one year at a time. For floating interest loans, the interest is normally stipulated (fixed) four times a year for three months. On certain types of loans, no interest is payable and only the nominal amount is repaid on the loan's maturity date (zero coupons). The purchase of zero coupon bonds takes place at a considerable discount, which means that the effective interest rate is the same as for bonds on which a regular coupon interest is paid. The risk associated with an interest-bearing instrument consists in part of the price changes that may occur during the term of the instrument due to changes in market interest rates, and in part that the issuer may be unable to repay the loan. Loans for which satisfactory security has been provided for repayment are thus less risky than loans without security. However, in purely general terms, it can be stated that the risk of loss associated with interest-bearing instruments may be deemed lower than it is for shares. Market interest rates are established every day both for instruments with short terms until maturity (less than one year), e.g., certificates, and for instruments with longer terms until maturity, such as bonds. This takes place in the money market and bond market. If the market interest rate increases, the price of already issued interest-bearing financial instruments will fall if they provide a fixed interest rate. This is because new bonds are issued bearing rates of interest that follow the current market rate of interest and thereby provide a higher rate of interest than the already issued instruments. Conversely, the price of already issued instruments increases when the market interest rate declines. Bonds issued by the State, county council and municipalities (or guaranteed by such bodies) are deemed to be more or less risk-free with respect to redemption at the predetermined value on the due date.

Regulated markets and OTC market (for bonds)

A number of bonds are listed on a stock exchange, so trading in these financial instruments, like trading in listed shares, takes place in a regulated market. Trading in bonds normally takes place in a different way to trading in shares. In practice, the interest and currency market is regarded as a quoting or price-driven market, unlike the stock market, which is an order-driven market. In the case of trading in standardized options, bonds and currency/interest derivatives, the investment firm normally stipulates prices as a market maker and publishes purchase and sales prices based on its own assessments of the market conditions.

Fixed Income Risks relate to securities

Investment in debt securities (or fixed income securities like bonds, notes, bills, synthetic debt instruments and asset-backed securities) is subject to various market risks. These risks include, but are not limited to, the loss on investments in asset-backed and other fixed income securities, the lack of liquidity of these investments and the impact of fluctuating interest rates.

The prices of debt securities fluctuate in response to perceptions of the issuer's creditworthiness and also tend to vary inversely with market interest rates. The value of such securities is likely to decline in times of rising interest rates. Conversely, when rates fall, the value of these investments is likely to rise. The longer the time to maturity, the greater are such variations.

Investments in debt securities are subject to credit risk (i.e., the risk that an issuer of securities will be unable to pay principal and interest when due, or that the value of a security will suffer because investors believe the issuer is less able to pay). This is broadly gauged by the credit ratings of the securities. However, ratings are only the opinions of the agencies issuing them and are not absolute guarantees as to quality.

Not all government securities are backed by the full faith and credit of the United States or other national government in the case of foreign government securities. Some are backed only by the credit of the issuing agency or instrumentality. Accordingly, there is at least a chance of default on these U.S. government securities, as well as on non-U.S. government securities, which may subject investors to credit risk.

The most significant market risk for investing in fixed income securities is that the securities experience severe credit downgrades, illiquidity and declines in market value during periods of adverse market conditions.

Investors that invest in debt securities are exposed to liquidity risk and interest rate risk. Liquidity risk has become more pronounced because of the deterioration in worldwide economic conditions. Even in the absence of a credit downgrade or default, the price of fixed income securities may decline significantly due to a reduction in market demand. In addition, a principal risk run by each investor that holds investments in fixed income securities is that an increase in prevailing interest rates will cause the value of its investments to decline. The extent to which a security's value moves with interest rates is referred to as interest rate duration. Longer-maturity investments generally have longer interest rate durations because the investment's fixed rate is locked in for longer periods of time. Floating-rate or adjustable-rate securities, however, generally have shorter interest rate durations because their interest rates are not fixed but rather float up and down with the level of prevailing interest rates.

Investments in fixed income securities paying no interest can be exposed to additional interest rate risk.

The ratings of **rating agencies** represent the opinions of those agencies. Such ratings are relative and subjective, and are not absolute standards of quality. Unrated debt securities are not necessarily of lower quality than rated securities, but they may not be attractive to as many buyers. The rating agencies may change, without prior notice, their ratings on particular debt securities held by a Fund, and downgrades in ratings are likely to adversely affect the price of the relevant debt securities.

Compared to higher quality debt securities, **Below Investment Grade Securities** offer the potential for higher investment returns but subject holders to greater credit and market risk. The ability of an issuer of Below Investment Grade Securities to meet principal and interest payments is considered speculative. The market for Below Investment Grade Securities may be more severely affected than other financial markets by economic recession or substantial interest rate increases, changing public perceptions, or legislation that limits the ability of certain categories of financial institutions to invest in Below Investment Grade Securities. In addition, the market may be less liquid for Below Investment Grade Securities than for other types of securities. Reduced liquidity can affect the values of Below Investment Grade Securities, make their valuation and sale more difficult, and result in greater volatility. Because Below Investment Grade Securities are difficult to value, particularly during erratic markets, the values realised on their sale may differ from the values at which they are carried. Securities in the lowest investment-grade category (BBB or Baa) also have some speculative characteristics.

As discussed above, Below Investment Grade Securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. In addition, the market for Below Investment Grade Securities and/or securities that have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

Mortgage-backed securities are subject to varying degrees of credit risk, depending on whether they are issued by agencies or instrumentalities of a government (including those whose securities are neither guaranteed nor insured by the government) or by non-governmental issuers. Securities issued by private organisations may not be readily marketable, and since the deterioration of worldwide economic and liquidity conditions, mortgage-backed securities have been subject to greater liquidity risk. These conditions may occur again. Also, government actions and proposals affecting the terms of underlying home loans, changes in demand for products (e.g., automobiles) financed by those loans, and the inability of borrowers to refinance existing loans (e.g., subprime mortgages), have had, and may continue to have, adverse valuation and liquidity effects on mortgage-backed securities. Although liquidity of mortgage backed securities has improved recently, there can be no assurance that in the future the market for mortgage-backed securities will continue to improve and become more liquid. In addition, mortgage-backed securities are subject to the risk of loss of principal if the obligors of the underlying obligations default on their payment obligations, and to certain other risks common for Asset-Backed Securities. The risk of defaults associated with mortgage-backed securities is generally higher in the case of mortgage-backed investments that include sub-prime mortgages.

Prepayments occur when the mortgagor on an individual mortgage loan prepays principal before a scheduled payment date under the terms of the loan. Unscheduled prepayments of the underlying mortgage loans may result in early payment of the applicable mortgage-backed securities. A Fund may be unable to invest prepayments in an investment that provides as high a yield as the mortgage-backed securities. Consequently, early payment associated with mortgage-backed securities may cause these securities to experience significantly greater price and yield volatility than traditional fixed income securities. Many factors affect the rate of mortgage loan prepayments, including changes in interest rates, general economic conditions, further deterioration of worldwide economic and liquidity conditions, the location of the property underlying the mortgage, the age of the mortgage loan, governmental action, including legal impairment of underlying home loans, changes in demand for products financed by those loans, the inability of borrowers to refinance existing loans (e.g., sub-prime mortgages), and social and demographic conditions. During periods of falling interest rates, the rate of mortgage loan prepayments usually increases, which tends to decrease the life of mortgage-backed securities. During periods of rising interest rates, the rate of mortgage loan prepayments usually decreases, which tends to increase the life of mortgage-backed securities.

Since the deterioration of worldwide economic and liquidity conditions that became acute in 2008, **asset-backed securities** have been subject to greater liquidity risk. Payment of interest on asset-backed securities and repayment of principal largely depends on the cash flows generated by the underlying assets backing the securities and, in certain cases, may be supported by letters of credit, surety bonds, or other credit enhancements. The amount of market risk associated with asset-backed securities depends on many factors, including the deal structure (i.e., determination as to the amount of underlying assets or other support needed to produce the cash flows necessary to service interest and make principal payments), the quality of the underlying assets, the level of credit support, if any, provided for the securities, and the credit quality of the credit-support provider, if any. Asset-backed securities involve risk of loss of principal if obligors of the underlying obligations default in payment of the obligations and the defaulted obligations exceed the securities' credit support. This risk is particularly acute when funds are invested in securities, which occupy the lower-rated tranches of an issuer and are subordinated to the more senior tranches in an issuer's capital structure in terms of priority for principal, interest and other payments.

Those lower rated securities may therefore be subject to greater credit risk than the more senior securities of that issuer.

Mutual funds

A fund is a "portfolio" of different financial instruments, such as shares and/or bonds. The fund is owned jointly by all those who save in the fund, the unit holders, and is managed by a management company. When investing in a fund, unit holders receive the number of units in the fund that equals to his/her invested capital's percentage of the fund's total assets under management. There are various types of mutual funds with different investment strategies and risk profiles. Below is a brief description of the most common types of funds.

An **equity fund** invests all or most of the capital paid in by the unit holders in shares. **Combination fund**: a mutual fund that is not defined as a pure unit trust/equity fund or interest fund. A combination fund may have a more or less permanent preponderance of shares or interest-bearing securities, but the proportion of various securities may also change during the fund's lifetime.
Interest funds: a mutual fund that is to invest in securities other than shares. These funds are divided into bond funds (or fixed income funds) and money market funds.
Index funds: a mutual fund that is managed relatively passively in relation to the fund's benchmark index.
A **fund-in-fund** is a fund which invests in other funds; A fund-in-fund can be seen as an alternative to investing in several different funds yourself. Therefore, you may obtain the spreading of risk, which a well-considered personal fund portfolio could have. There are fund-in-fund with various investment focuses and risks levels.
Hedge funds (specialist funds): there is no exact definition of the concept of a hedge fund, and individual hedge funds may vary greatly as regards investment choices and risk profiles. A hedge fund normally takes much more risks than a normal mutual fund and is therefore a product for professional investors that are willing to accept a large amount of risk. The fund can usually raise loans and is normally quite free to use various derivatives. A hedge fund can also trade "short" in securities, which means that the fund sells borrowed securities and then buys the borrowed securities at a later date.

Funds can also be divided into **UCITS (Undertakings for Collective Investments In Transferable Securities)** and **Alternative Investment Funds**.
UCITS are funds, which meet the so-called UCITS Directive's requirements (EU directive), mainly in relation to the investment rules and spreading of risk. Alternative Investment Funds or Special funds (for example, so called hedge funds) are funds which in some manner deviate from the rules in the UCITS Directive and it is therefore particularly important for you as a client to find out which investment rules that apply for a special fund in which you intend to invest. This will be stated in the fund's prospectus and fact sheet. The units may be bought from and redeemed (sold) to the management company. The units' actual value is calculated daily/regularly by the management company and is based on developments in the prices of the financial instruments in which the fund has invested. There are also fund units that can be traded in a regulated market (Exchange Traded Funds ("ETF"). One of the purposes of a unit trust/equity fund is to invest in several different shares and other financial instruments. This means that the risk run by the unit holders is less than the risk run by shareholders who only invest in one share or a few shares. Unit holders do not have to select, buy, sell or monitor the shares or carry out other management work related to this.

Risks associated with transactions in derivatives

Derivative instruments, such as options, forward/futures etc, are issued with various types of underlying assets, such as shares, bonds, commodities and currencies. Derivative instruments may be utilized in order to reduce the risks associated with an investment. One special risk that investors must be aware of when investing in derivative instruments is that the instrument is put together in a way, which means that changes in the price of the underlying asset affect the price of the derivative instrument, the so-called "leverage (gearing) effect". The price effect is often stronger in relation to the amount invested than the change in the value of the underlying asset. The price effect is therefore referred to as the leverage/gearing effect and can lead to a larger profit on the invested capital than if the investment had been made directly in the underlying asset. On the other hand, the leverage/gearing effect may result in a greater loss on the derivative instrument compared to the change in the value of the underlying asset if the price of the underlying asset does not develop as expected. The leverage/gearing effect, i.e., the chance of making a profit or risk of suffering a loss, varies depending on the derivative instrument's structure and scope. Monitoring developments in the prices of the derivative and underlying asset is therefore of the utmost importance. The client should, in his/her own interests, be prepared to act swiftly, often that same day, should the derivative instrument start develop in an unfavourable direction.

Transactions in derivatives involve the risk of adverse or unanticipated market developments, risks of illiquidity and other risks, including without limitation, principal, interest rate, currency, credit, political, liquidity and market risk. In addition, such products are always treated as complex financial instruments under MiFID and MiFID II regulation.

Company's actions for risk reduction

As a consequence of that treatment the qualification as a retail client under the relevant provisions of the Law 87(I)/2017 implies that the Client is not expected to trade in highly complex, specialized and risky financial instruments without prejudice to its right to request the application to its case of the provisions applicable to professional clients provided that the Client satisfies the requirements imposed by the mentioned Law. Therefore, the Client acknowledges that the Company may request more additional information regarding the Client's knowledge and experience in the investment field relevant to the specific type of product or service, its financial situation and its investment objectives. The Company emphasizes that it works only with professional clients, but it reserves the right to request additional information, as stated above.

In cases where the Client elects not to provide the requested information or where the Client provides insufficient information regarding its knowledge and experience, the Company will warn the Client that such a decision will not allow the Company to determine whether the service or product envisaged is suitable for it and therefore under provision to act in the best interests of the Client the Company reserves the right not to proceed with the deal.

Where, when providing the investment service of investment advice or portfolio management, the Company does not obtain the information required, it shall finally not recommend investment services or financial instruments to the client or potential client.

The description of special considerations and risks herein does not purport to be exhaustive.

The Company disclaims any responsibility to advise its Clients of such risks as they exist at the date of this document or as they change from time to time.

The Client should understand the risks involved and should reach an investment decision after careful consideration with its tax, Accounting and legal advisors of the suitability of the transaction in light of its particular financial circumstances and financial objectives.

Professional Clients can have complex financial instruments in its portfolio, if they pass Suitability Test (assessment) successfully. Eligible Counterparties are assumed to have enough qualification to manage additional risks related with complex financial instruments.

On the basis of the provided responses to the questionnaire (KYC, appropriateness and/or suitability test), the Company will be able to analyse the Client's knowledge, experience, ability to financially bear losses, financial situation, risk tolerance, needs, objectives, purposes of the requiring services.

Please note that the Company will not building a client portfolio from the financial instruments that are non-suitable for the Client.

When providing investment advice adopting a portfolio approach and portfolio management to the client, the Company can use products for diversification and hedging purposes. In this context, products can be included into the portfolio outside of the product target market, if the portfolio as a whole or the combination of a financial instrument with its hedge is suitable for the client.

The Company should ensure that both Company's respective responsibilities towards the Client and Company's product governance obligations are met.

The Company is required to assess and define a target market for the investment products distributed or sold to Clients.

Note:

It should be noted, that the Company is a distributor and not a manufacture of the financial products/instruments.

The Company may not be able to make certain investments products available to the Client, depending on the classification as a client and depending on the service that the Company is providing to the Client.

Risks associated with all financial instruments offered by the Company

Financial Instrument ("FI")	Key Risks of FI	Colour Risk Indicator of FI*
Shares traded on a regulated EU market or an MTF and they do	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number	**1**

not embed a derivative of any kind and they issued by a company and they are not shares in non-UCITS collective investment schemes	of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Bonds (or other forms of securitized debt) on a regulated EU market or an MTF and they do not embed a derivative of any kind and they issued by a company and they do not incorporate a structure which makes it difficult for the client	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading	**1**

to understand the risk involved.	price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Money-market instruments (treasury bills, certificates of deposit, commercial paper) that do not embed a derivative and do not incorporate a structure which makes it difficult for the client to understand the risk involved	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete	**1**

	technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: <u>Issuer risk</u> - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; <u>Counterparty risk</u> - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
UCITS (shares or units)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: <u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual,	**<u>1</u>**

	contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
American Depositary Receipts (**ADR**)/ Global Depositary Receipts (**GDR**)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss	**2**

	arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Structured Deposits (That do not incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	**2**

Shares that are traded outside a regulated EU market or equivalent 3rd country or MTF Non-UCITS undertakings	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	**3**
Convertible shares	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss	**3**

	arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Perpetual Bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called	**3**

	undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Depository receipts (non-ADR/ GDR)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk**	**4**

	(the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security.	
Money Market Instruments (that embed a derivative or incorporates a structure which makes it difficult for the client to understand the risk involved) are financial products that links the performance of the clients deposits with certain underlying assets.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the	**4**

	risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
OTC Bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties	**5**

	• **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Eurobonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	**5**
Share-index bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number	**5**

	of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Index Bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading	**5**

	price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Subordinated bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete	**5**

	technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Shares that embed derivative	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's	7

	willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Bonds (or other forms of securitized debt), that embed a derivative or Bonds that incorporate a structure which makes it difficult for the client to understand the risk involved.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss	7

	arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Convertible bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	7

Options	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	7
Share options	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their	7

	volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Share-index options	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk;	7

	Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Asset Backed Securities	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any	7

	counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Warrants	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged	**7**

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Forward Rate Agreements (FRAs)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk**	7

	The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Forward Contracts	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	7
Future Contracts	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security;	7

	Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Credit Link Notes (CLNs)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called	7

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Credit Default Swaps (CDS)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual,	7

	contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Collateralized Debt Obligation (CDO)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged	7

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FX swap	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely	7

	illiquid and the client faces difficulties buying or selling this security	
Structured FI	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	7

Risk Indicator of FI*:

1	2	3	4	5	6	7

Low risk

High Risk

It should be noted that the presented risk classification is providing just a general overview of relative risk level of various types of FI. It can not be applied directly to any particular FI, as risks can vary considerably across the FI of the same type.
For example, shares that are traded outside a regulated EU market or equivalent 3rd country or MTF have risk indicator 3, as they are rather simple financial instruments. However, the risk can be considerably higher for shares in newly established venture companies without stable incoming cash flow.

It is noted though that the above list includes instruments that the Company can potentially offer to clients' portfolios. The Company currently offers services in respect to bonds, equities, money market instruments (including units/shares of money market funds) and FDIs. The Company shall carefully investigate any new instruments, define their specific risks and target markets prior to any operations with such instruments.