

## INFORMATION ON INVESTMENT SERVICES

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### I Information about AS “Citadele banka” and its investment services and ancillary investment services

#### 1.1. Information about the Bank

Name: AS “Citadele banka”  
Legal address: Republikas laukums 2A, Riga, Latvia, LV-1010  
Phone: +37167010000  
Fax: +37167010001  
e-mail: info@citadele.lv  
SWIFT code: PARXLV22  
Address of the Central customer service office: Republikas laukums 2A, Riga, Latvia, LV-1010  
Website of the Bank: www.citadele.lv

#### 1.2. Information about Lithuanian branch of the Bank

Name: AS “Citadele banka” Lietuvos filialas  
Legal address: Upės str.21, LT-08128 Vilnius  
Code: 304940934  
Phone: +19091 (for clients located in Lithuania), +370 5 221 9091 (for clients located abroad)  
Fax: +37167010001  
e-mail: [info@citadele.lt](mailto:info@citadele.lt)  
SWIFT code: INDULT2X  
Website of the Bank: www.citadele.lt

#### 1.3. Registration data and licences of the Bank

Unified registration No.: 40103303559  
Institution of registration: Register of Enterprises of the Republic of Latvia  
Date of registration: 30 June 2010  
Supervisory institution: Financial and Capital Market Commission, address: Kungu Street 1, Riga, the Republic of Latvia, LV-1050, phone:+37167774800; fax: +37167225755; e-mail: fktk@fktk.lv; website: www.fktk.lv  
Licence: for the activities of a credit institution  
Date of issuance: 30 June 2010  
Financial and Capital Market Commission Licence Registry No.: 06.01.05.405/280

#### 1.4. Language and types of communication

The operation, documentation and communication language of the Bank is Latvian<sup>1</sup> and Lithuanian within its Lithuanian Branch, however, if necessary, the Bank can communicate with its client also in Russian and English language. The clients can communicate with the Bank in person, by the phone or in writing, as well as by using the respective remote account management systems, in accordance with the provisions of concluded contracts. For the performance of transactions with financial instruments are used communication means, specified in the contracts concluded between the Bank and the client.

#### 1.5. Services provided by the Bank

The Bank provides the following investment services regarding transactions in financial instruments:

- reception and transmission for execution of clients’ orders;
- execution of clients’ orders on behalf of clients;
- dealing on own account.

The Bank provides the following ancillary investment services:

- safekeeping and administration of financial instruments;
- granting of credits or loans to clients for carrying out transactions in financial instruments, if the Bank is involved in the transaction with the financial instruments as a party to the transaction;
- currency exchange services, if they are related to the provision of investment services.

<sup>1</sup> The Bank is not obliged to ensure all documents regulating Bank’s operation, policies, processes descriptions, statements etc. in other languages.

The Bank may provide services through the appointed agent. Detailed information on the investment services and ancillary investment services provided by the Bank is available on the home page: [www.citadele.lt](http://www.citadele.lt).

#### **1.6. Reports on the service provided**

The Bank observes the laws and regulations of the Republic of Latvia and the Republic of Lithuania (for services provided through its branch in Lithuania) and regularly, in compliance with the procedure and periods specified in the contracts concluded between the Bank and a client, provides reports to the client on the rendered services.

#### **1.7. Information about the costs of services and taxes**

The commission for the services provided by the Bank is determined according to the Bank's pricelist, except cases, when commission is determined in the contract concluded between the Bank and client or on the basis of a separate agreement. The Bank's pricelist is available on the home page: [www.citadele.lt](http://www.citadele.lt). If the Bank has incurred additional expenses related to the provision of services to the client, then the client compensates them to the Bank in accordance with the provisions of the contract concluded between the Bank and the client.

To the client's transactions with the financial instruments and the income gained from such transactions can be applied taxes in the cases and in the manner prescribed by the laws of the Republic of Lithuania and foreign countries. In the cases provided by the law, the Bank may be obliged to withhold taxes from the payment to be paid to the client. Withholding of taxes may be also performed by a foreign financial institution in accordance with the foreign laws. In case of withholding of taxes, the Bank is entitled to convert the funds according to the provisions of contract concluded between the Bank and the client. The Bank is not obliged to compensate to the client any tax withheld.

### **II Information about the safe holding of client's financial instruments and funds**

#### **2.1. Holding of financial instruments and funds**

When performing holding of client's financial instruments, the Bank holds them separately from own financial instruments, i.e. outside the Bank's balance sheet, and the financial instruments held by the Bank cannot be used for the fulfilment of Bank's liabilities in case of Bank's insolvency. When performing holding of client's funds, the Bank holds them together with its own funds and the funds of other clients, i.e. in the Bank's balance sheet, and they may be used for the fulfilment of Bank's liabilities, including also cases, when the Bank becomes insolvent.

*Holding of financial instruments a third party.* The Bank is entitled to use the services of the third parties (intermediaries) for holding of financial instruments, and the financial instruments owned by a client may be held with the third party (intermediary), particularly, in the cases, when the client has transferred to the holding of the Bank the financial instruments, issued in outside Lithuania. The Bank, when taking a decision on the third party, with whom the client's financial instruments to be held, with due skill and care assesses this person's competence and reputation in the financial market, as well as the provisions of laws in force in the respective country or the market practice in relation to holding of clients' financial instruments, which could adversely affect client's interests. The Bank, once a year, repeatedly assesses the competence of the selected person and the conditions of the holding of client's financial instruments. Holding of financial instruments with the third party may cause to the client the risks of complete or partial loss or unavailability of client's financial instruments, the risks of application of claims of other parties, including, but not limiting to, those that are related to:

- the third party's insolvency;
- holding of client's financial instruments in the nominal account, where financial instruments of several clients are accounted together;
- the fact that the client's financial instruments cannot be identified separately from the financial instruments owned by the third party;
- the fact that foreign laws that are less favourable to the client compared to Lithuanian law can be applied to the holding of financial instruments, and thus, the client's rights in relation to the client's financial instruments may differ from the rights provided by the laws of the Republic of Lithuania;
- the fact that holding of financial instruments is regulated by a contract concluded between the Bank and the third party, which is subject to foreign jurisdiction and in relation to which the laws of foreign country can be applied, including foreign laws that may differ from the laws of the Republic of Lithuania;
- the unpredictable decisions of the respective executive authorities, legislator or judicial power, including legislation changes, decisions of a supervisory institution, decisions of tax administration that may affect the client's rights to the financial instruments owned by the client;
- the third party's unlawful activities or activities that are unfair or not in line with the practice.

In standard cases the Bank holds client's financial instruments with the third party, who is subject to the requirements in effect in the respective country regarding the separate holding of client's financial instruments and who is supervised, however in cases, when

- 1) the nature of the financial instrument or the investment service related to this instrument requires that it should be transferred to the third party for the holding in a particular country, or
- 2) the financial instruments are held in the name of a professional client and the client has in writing requested the Bank to transfer financial instruments to the third party for holding in a particular country,

the Bank is entitled to transfer the client's financial instruments to the third party registered in a foreign country, where there is no regulation for holding of financial instruments in favour of the third parties (including also that the separate holding is not ensured). Holding of financial instruments with the persons registered in such countries in addition to the above mentioned may cause also other risks to the client. As a result of such risks, the client may incur unexpected losses.

The Bank uses the services provided by the third parties for holding of client's financial instruments on the basis of concluded contracts. In some cases, taking into consideration the existing practice or the peculiarities of services offered by the third parties, there may be determined encumbrances in respect of the client's financial instruments, including offsetting rights, pledge rights, or there might be no confirmations given regarding the absence of encumbrances in respect of the client's financial instruments, if the third party (intermediary) uses the services provided by the persons selected by that party. Rights of retention, pledge or set-off regarding the client's financial instruments may be provided to a third party in cases where the foreign law so requires or if such rights are related to the client or provision of services to the client. Therefore the Bank cannot guarantee to the clients that the financial instruments issued outside Lithuania are not encumbered with the third party's rights and liabilities.

*Holding of financial instruments that are registered outside of the EU (the European Union).* Purchasing and holding of financial instruments that have been registered outside of the European Union is connected with additional risks that result from differences of foreign regulations.

For example, in such country as the USA the regulation regarding holding of financial instruments for the benefit of other persons and understanding about separate holding of financial instruments that belong to clients is different from the regulations in Lithuania and can unfavourably impact client's interests.

Although the Bank ensures at financial instrument holder (intermediary) in the USA that the financial instruments of Bank clients are identifiable separately from financial instruments belonging to such intermediary, in the Bank's understanding it doesn't provide sufficient protection of these financial instruments. Such intermediary for holding Bank clients' financial instruments can attract other intermediaries and register financial instruments on their name. In case of insolvency of intermediary or other similar processes there is a risk of not gaining back in full amount the financial instruments belonging to Bank's clients. Clients can be compensated with just a part of financial instruments or their values in accordance with requirements of the USA laws. In this case the Bank will divide between clients only the actually received assets proportionally to clients that the pay-out applies to.

Taking into account that the Bank is not a broker registered in the USA and a member of USA Securities Investor Protection Corporation, the Bank doesn't guarantee that investor protection system of the USA will be applicable to Bank's clients.

When making the decision regarding purchasing or holding of financial instruments that are registered outside the European Union, Bank suggests to evaluate the risks involved, because materializations of those can cause the customer losses and additional costs.

### **III Information about the investors protection and deposit guarantee system**

**The Investor Protection Law shall be applied to the client's financial instruments, which are held with the Bank, provided that the conditions stipulated by legal acts are fulfilled. Deposit Guarantee Law shall be applied to the client's funds, which are held with the Bank (including funds in the accounts for the performance of financial instrument transactions), provided that the conditions stipulated by legal acts are fulfilled.**

#### **3.1. Participation in the investors protection system**

The Bank is a member of the investor protection system of the Republic of Latvia. A client may receive compensation for the irreversible lost financial instruments, as well as for the losses caused by non-fulfilled investment service in a situation, when the Bank cannot fulfil its liabilities towards the client fully and in time. The above mentioned shall not be applied to the cases, when the non-fulfilment of investment service has taken place during the ordinary activities of the Bank. The amount of compensation is 90% of the value of irreversible lost financial instruments or losses caused by the non-fulfilled investment service, but not more than 20,000 euro.

An application for receiving compensation shall be submitted within a year since the client has become aware that the Bank has not fulfilled its above-mentioned liabilities, but not later than five years since the day of the non-fulfilment of liabilities.

No compensation will be paid:

- 1) to a person for transactions in respect of which a conviction in a criminal case for money laundering has been adopted;
- 2) to investor-protection scheme members, insurance companies, the investment companies or other investors who has informed that he is a professional investor or shall be recognized as such;
- 3) to persons which are in the same group of companies as the scheme member;
- 4) to pension funds;
- 5) to the state and local governments;
- 6) to board and council members of an investor protection scheme member, the head of an audit commission and members of such commission, the head of an internal audit service and members of such service, to persons who are responsible for the audit of the accounting documents of scheme members stipulated by law or persons who act on behalf of these persons other employees of a scheme member who are authorised to plan, manage and control activities of the scheme member and who are responsible therefor, as well as to persons who have directly or indirectly acquired more than 5% of the capital of a scheme member, as well as to persons who are relatives of the first degree of kinship, or spouses of the persons referred to in this clause;
- 7) to persons regarding whom the Financial and Capital Market Commission has established that, under special provisions of a contract concluded individually, they have received high interest rates or financial concessions, or have caused or have taken advantage of circumstances which have resulted in financial difficulties or have led to deterioration in the financial situation of a scheme member.

The protection of investors does not operate in cases, when a client incurs losses due to the changes of the prices of financial instruments or because the financial instruments have become non-liquid or operations with them are limited.

The Investor Protection Law of the Republic of Latvia is available (in Latvian) on the home page of the Financial and Capital Market Commission: <http://www.fktk.lv/lv/tiesibu-akti/finansu-instrumentu-tirgus/likumi/468-iegulditaju-aizsardzibas-likum.html>

More detailed information on the investor protection system is available on the home page of the Financial and Capital Market Commission <http://www.fktk.lv/en/>, in the section "Customer protection".

### **3.2. Participation in the deposit guarantee system**

The Bank is a member of the deposit guarantee system of the Republic of Latvia. Irrespective of the day, when the deposit had been made, the guaranteed compensation to one depositor for the deposit made with the deposit attractor, is in the amount corresponding to the deposit amount, but not more than 100,000 euro. The guaranteed compensation is paid in *euro*.

In addition to the above mentioned, to one depositor may be applied an additional guaranteed compensation in the amount of not more than 200,000 euro within three months since the day, when the initial deposit had been made, and regarding natural persons' deposits: 1) consisting of the amounts of money from the transactions with the person's immovable property designated for living; 2) consisting of social benefits, compensations disbursed to the person and of other deposits envisaged for the social purposes according to the laws and regulations; 3) disbursed as compensation for the criminal harm done or for the wrong conviction of a person in compliance with the procedure provided by laws and regulations.

If the client has several deposits, they are all summed up in order to calculate one covered deposit. The client's right to the guaranteed compensation and its liabilities towards the attractor of deposits, the term for the fulfilment of which would come into existence till the day or on the day, when the deposits have become unavailable, are mutually cancelled with the offset, and it is taken into account, when calculating the guaranteed compensation.

The guaranteed compensation is paid to the depositor, who according to the provisions of the Deposit Guarantee Law of the Republic of Latvia, is entitled to receive the guaranteed compensation. The payments of the guaranteed compensation shall be determined according to the information, which is in the accountancy registers of the attractor of deposits on the day, when the deposits become unavailable, and the payments are made by the Financial and Capital Market Commission or its authorized person.

If the unavailability of deposits occurred till 31 December 2018, the disbursement of guaranteed compensation shall be commenced within 20 working days. If the unavailability of deposits occurred from 01 January 2019 till 31 December 2020, the disbursement of guaranteed compensation shall be commenced within 15 working days. If the unavailability of deposits occurred from 01 January 2021 till 31 December 2023, the disbursement of guaranteed compensation shall be commenced within 10 working days.

The depositor loses the right to claim the deposit guarantee fund regarding the disbursement of guaranteed compensation on the day, when the process of the liquidation of the attractor of deposits has been completed, but not later than five years following the day, when the conditions ceased to exist, which is the basis for the refusal to pay the guaranteed compensation according to the Deposit Guarantee Law.

Unavailability of deposits is the inability of the attractor of deposits to disburse the deposits, if there occurred at least one of the conditions indicated below or several such conditions irrespective of the sequence of their occurrence:

- a) the court has declared the attractor of deposits to be insolvent,
- b) the Financial and Capital Market Commission has annulled the permission (licence) for the credit institution's activities,
- c) the Financial and Capital Market Commission has established that the attractor of deposits cannot disburse the deposit to the depositor, and has taken the decision that the deposits have become unavailable.

The Deposit Guarantee Law of the Republic of Latvia is available (in Latvian) on the home page of the Financial and Capital Market Commission: <http://www.fktk.lv/lv/tiesibu-akti/kreditiestades/likumi/476-noguldijumu-garantiju-likums.html>

More detailed information on the deposit guarantee fund is available on the home page of the Financial and Capital Market Commission <http://www.fktk.lv/en/>, in the section "Customer protection".

## **IV Information about the financial instruments and related risks**

### **5.1. Description of risks**

The Bank draws client's attention to the risks related to the investments and transactions with financial instruments and warns on the possible losses, which might incur, when receiving investment services and ancillary investment services. As a result of risks, the client might incur losses (including the loss of initially invested sum or the principle sum) and/or might not achieve the planned investment goals. In some cases the amount of losses might considerably exceed the initially invested assets.

The client shall pay particular attention to all risks related to the financial instruments, as well as he/she shall independently assess their appropriateness to the achievement of his/her goals. The client is aware that he/she assumes all risks related to the financial instruments and to the transactions with them, and the Bank is not obliged to undertake any losses, incurred by the client as a result of above mentioned risks.

The Bank informs that the list of risks provided below is not exhaustive and comprises only the most important risks, and during the performance of transactions the client can incur also other risks. All risks described below can affect the financial instrument and its value directly or indirectly, and these risks shall be assessed by the client, when taking any investment decision.

Country or political risk: the risk that the investor can incur losses, including fully or partially lose all his/her investments due to trade restrictions on currency or financial instruments because of events that affect political, economic stability or further development of a country or region, including corruption in administrative and financial system of the country,

imposition of sanctions on the country as a whole or in respect of any person, including in relation to prevention of terrorism and money laundering. Changes of political situation can be rapid and unpredictable, and may impact investor's rights negatively.

The risk related to the changes in legislation and/or taxation: the risk that the investor can incur losses and other expenses, if changes in tax field, legal acts, fiscal, monetary or other governmental policy negatively affects the financial instruments of investor, their value and holding, taxes to be paid in relation to the financial instruments, profitability of transaction, regulation of property rights etc. or prohibits the investor to act freely with his/her investment.

The risk of the application of foreign law: the risk that the investor can incur losses, including the complete or partial loss of his/her investment, if foreign law and market practice is applied to the investor's transactions, financial instruments, their holding, register (for example, in cases, when the issuer of financial instruments, depository, other holder of financial instruments or the other party to transaction is situated in a foreign country), which can provide different (including less favourable) regulation regarding the investor's protection, holding of financial instruments, order execution etc., might be ambiguous, interpreted differently, as well as might be subject to continuous amendments or restrictions.

The risk of the issuer: the risk that the investor can incur losses, if the value of financial instruments decreases due to the respective issuer's inability to fulfil assumed liabilities, poor financial indicators, economic complications or other similar events, including issuer's insolvency.

The risk of the intermediary: incurring losses as a result of action and/or omission of an intermediary (including fraudulent actions, negligence of the intermediary, improper accounting of financial instruments and/or funds held by the intermediary etc.), as well as due to the fact that the intermediary or his/her attracted person uses investors' assets, including also for the transactions with other persons, pledges the investors' assets (a part of it), applies rights of set-off, or encumbers with the rights and liabilities of the third parties in any other way; as a result, the investor can completely irrevocably lose all assets (or a part of it), or investor's ability to use the assets freely can be considerably encumbered.

The risk of insolvency of the intermediary (and the risk of other special administration regime): total or partial loss, long-term inaccessibility of financial instruments belonging to the investor, difficulties in executing or impossibility in execution of orders, impossibility to execute the rights related to financial instruments or unavailability of information due to the insolvency of the intermediary (or sub-intermediary), who holds the financial instruments or who is involved in the execution of the order or in settlements, or other process that restricts or suspends his/hers activity.

For the holding of financial instruments there can be applied foreign legislation or market practice that may significantly differ from that existing in Latvia, and the investor's rights to the financial instruments may be affected by unpredictable decisions of the legislator, executive bodies and courts of the respective country. The investor may not get back the financial instruments, but during the intermediary's insolvency their value may be compensated (or partially compensated) in money, by setting the value of financial instruments in accordance with the law of the respective country. In this case the Bank shall only divide the assets actually received from the intermediary in proportion to the clients, to whom the pay-out applies to. In the case of intermediary's insolvency and other similar proceedings there is a risk that neither the financial instruments, nor their value in money is recovered.

The risk of holding financial instruments registered outside of the European Union (EU): certain countries outside of the EU (for example, the United States of America, the Russian Federation) may have different or incomplete legal framework for the holding of financial instruments for the benefit of other persons and there may exist no requirements for separate holding of financial instruments belonging to clients, or requirements may differ from that existing in Latvia.

The Bank, its intermediary or another person (sub-intermediary) attracted by the intermediary may be deemed to be the owner of the financial instruments rather than the client of the bank, and the financial instruments belonging to the client of the Banka may be encumbered or alienated, as if they were the property of the person in whose name they are registered in a foreign country, although the Bank has informed the intermediary that financial instruments placed in his/her holding are owned by clients of the Bank.

Even if the legal acts of such countries provides the option for foreign professional market members, such as the Bank, to open nominal accounts for holding of financial instruments owned by clients, due to specifics of certain countries or issuers of financial instruments not always such accounts are opened, for example, in the Russian Federation. Inadequate tax rates may also be imposed on transactions, income from transactions or events of financial instruments as a result of shortcomings in the financial instrument holding system, an act on the part of intermediary or issuer of financial instruments.

Risk of the default of obligations: the risk that the investor can incur losses, if the participant of financial market, who is liable towards the investor or the Bank in favour of the investor, does not fulfil assumed obligations, is insolvent or his operation is suspended or limited.

Market risk: the risk that the investor can incur losses due to the revaluation of financial instruments as a result of the change of their market price. The market price may change due to the change of currency rate, interest rate or as a result of the influence of other factors. The market risk includes: the price risk, the currency risk, the interest rate risk and the liquidity risk.

Price risk: the risk that the investor can incur losses due to the fluctuations of the price of financial instruments.

Currency risk: the risk that the investor can incur losses due to the fluctuations of the market currency rate, which might both increase and decrease profit or losses obtained in foreign currency.

Interest rate risk: the risk that the investor can incur losses due to the unfavourable market fluctuations, as a result of which the interest rates of financial market change.

Liquidity risk: the risk that the investor can incur losses due to the insufficient market liquidity, as a result of which it is difficult or impossible to sell or buy financial instruments, including also selling or buying at the time and for the price desirable to the investor.

Information risk: the risk that the investor can incur losses due to the fact that there is no true, complete and detailed information available on the currency rates, prices of financial instruments, market tendencies, events, issuer's financial conditions and other factors.

The risk of inefficiency of order placement: not always the market situation will allow to execute investor's orders aimed at the limitation of loss for the prices specified therein.

The risk related to the trading performed beyond the trading session time: the risk that the investor can incur losses, if the order, submitted after the end of trading session, is lost, not executed or is executed with delay or for an inadequate price.

The risk related to the transactions performed outside the exchange: the risk that the investor can incur losses, because the transactions performed outside the exchange are not subject to particular normative criteria (like at the exchange) and the respective regulation; as a result, performance of such transactions can be suspended or does not take place constantly, it may be difficult or impossible to liquidate the particular position and/or to determine the values of financial instruments objectively, as well as to determine and acknowledge all risks related to the transaction.

The risk related to trading with leverage: the risk that the investor can incur considerable losses, which might exceed the amount of initial investment, including the investor can lose any other additionally invested means for maintaining of the open position, because in the margin trading the mechanism of financial leverage is used, which enables not only to conclude transactions for a greater sum than the provided collateral (premium, deposit), but also considerably increases the possible losses, in case of adverse change of financial market situation.

Systems risk: the risk that the investor can incur losses due to the actions or omissions of financial instruments holding system and depositories, exchanges, settlement performers, holders of financial instruments and other institutions, as a result of which these institutions do not fulfil their liabilities towards the investors, the performance of settlements or transfers is encumbered, or the financial instruments held by these institutions are irrevocably lost.

"Bail-in" risk: the risk related to credit institutions and investment firms, subject to European Union Directive No.2014/59/ES establishing a framework for the recovery and resolution of credit institutions and investment firms. In times of financial distress of a credit institution or an investment firm acting as an issuer, the respective shareholders and creditors, including bondholders, will be the first who may be forced to bear certain burden and absorb losses of failed credit institution. The impact on investors and creditors, in a resolution scenario, depends on the rank of the liability in the creditor hierarchy, which may change due to the introduction of depositor preference. In the event of the resolution of the credit institution, the holders of unsecured bonds will find themselves in a less favourable situation than depositors or the holders of secured bonds. Where write-down or conversion powers are exercised by the member state competent resolution authority: i) any outstanding amount of the obligations of the credit institution may be reduced, including to zero, debt securities may be converted into shares or other instruments of ownership, ii) the maturity of the debt securities, the interest rate and the due date can be altered and the payments may be suspended for a certain period, iii) a transfer of assets to a bridge bank or in a sale of business may limit capacity of the credit institution to meet its repayment obligations.

Electronic trading risk: the risk that the investor can incur losses, because the electronic trading can differ from the ordinary trading, as well as from the electronic trading in different systems – it is exposed to the additional risks related to the possible breakdowns or failures of devices and software, the incorrect disclosure of information, as a result of which the submitted orders can be executed improperly, with delay or not executed at all.

The risk of use of trade platforms: use of the trade platform, including use of it for submission of orders, is characterised by additional risks that may occur due to an error, disruptions in the operation of the platform, connection, operation breakdown, platform's speed of reaction, shortcomings etc. circumstances, order transmission/receipt error, loss, delay, non-execution, untimely execution, unauthorized by third parties, data distortion etc. The operation of the trade platform and terms of its use are determined by the platform owner (which isn't Bank), and who may restrict or terminate the operation of the platform without warning.

Errors or disruptions in the operation of the platform may also be caused by damages to the platform, shortcomings of software and viruses. The information on the client and orders stored in the platform may become available to third parties as a result of damages to or errors of the platform. All conclusions and activities made on the basis of the information available on the platform are carried out solely subject to the client himself undertaking all risks, and the Bank assumes no liability for losses that occur due to use of such information.

Risk of communication means: the risk that the investor can incur losses due to interruptions, damages or errors in the informative, electronic or remote servicing systems, as well as due to unauthorized access by the third parties. As a result, orders may not be submitted, fulfilled or may be lost, and the investor will not be able to realize intended trading strategy to buy or sale financial instruments or to open or close opened positions, and will not make expected profit. Information may be inaccessible or become known to the third parties. Out of working hours of the Bank's brokers the investor may not be able to trade in financial markets working hours of which exceeds working hours of the Bank (e.g. U.S., Canada or Japan, as well as FOREX available 24/7). The investor can incur loss if the investor has no communication mean to sell financial instruments or close opened positions after working hours of the Bank and the market situation deteriorates. Even if the investor uses trading platform the Bank does not guarantee that the platform is always available and provides trading services without interruption.

Risk associated with the title transfer – in a REPO transaction, the client transfers his/her ownership rights of the securities to the Bank. Client's ownership rights are replaced by a claim for the return of the same amount of securities. The title transfer may result in loss of the client's rights deriving from the relevant security. Securities sold to the Bank are not held in accordance with the segregation obligation. In the event of insolvency of the Bank the client may not be able to receive the same amount of securities or income, e.g. dividends, and may not be able to recover the full value of the securities.

Other risks: the risk that the investor can incur losses due to *force majeure* (for example, natural disasters, war operations, strikes, etc.), false or incomplete information about issuer, sanctions imposed by the state and court decisions against the issuer or any of the counterparties, and occurrence of similar events, which might considerably decrease the value of invested assets.

## 5.2. Description of financial instruments and risks related thereto

Title	Brief description of the financial instrument (FI)	Basic risks of the respective FI
<b>Bonds / Debt securities</b>	<p>Bonds (debt securities) are securities that certify the issuer's commitment, within the set period (periods) to pay to the owner of bonds a voucher (income), which is a fixed per cent from the nominal value of a bond, as well as at the end of the bond circulation period, to pay off the bond (to pay the nominal value of the bond).</p> <p>The issuer publishes in the prospectus the periods, interest rates, security and other important conditions or individually agrees with the buyer.</p>	<p>Issuer's risk, risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, electronic trading risk, systems risk, intermediary's risk, the risk of the application of foreign law, the risk of intermediary's insolvency risk of holding financial instruments registered outside of the European Union, <i>bail-in</i> risk, risk of using trade platforms. There is possible also a risk that the bonds will be paid off before the end of the term according to emission conditions, etc.</p> <p>The risk, related to the investments into the subordinated bonds that can occur in case of issuer's insolvency. The claims of subordinate bonds are satisfied after the satisfaction of the claims of other creditors, but before the satisfaction of shareholders claims. Thus, in case of issuer's insolvency or liquidation, the holders of subordinate bonds are less protected against the adverse consequences than the holders of ordinary bonds and other creditors.</p>
<b>Shares</b>	<p>A share — a capital security certifying the shareholders participation in the company's share capital. The share entitles their owner to receive a part of the profit of the company (dividends) or liquidation quotas, if the company is liquidated. The income of shares is formed by dividends, the amount of which is mostly determined by general meeting of shareholders, when taking a decision regarding the distribution of the profit of the company.</p>	<p>Issuer's risk, price risk, market risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, risk of the default of obligations, electronic trading risk, systems risk, intermediary's risk, risk of intermediary's insolvency, risk of holding financial instruments registered outside of the European Union, <i>bail-in</i> risk, risk of use of trade platforms, risk of order placement inefficiency etc.</p>
<b>Investment certificates of investment funds</b>	<p>An investment certificate — a security certifying the participation of investor in the investment fund.</p> <p>The investment funds are the collective investment institutes, which accumulate investments made by each individual investor. The means accumulated in the investment fund are managed by an investment management company according to the fund's prospectus, management conditions and other founding documents of the fund. The assets of investment fund may be invested into the shares, bonds or other financial instruments, as well as into the immovable property and other objects depending on the type of the fund.</p> <p>There can be closed investment funds. Most often the closed investment funds differ from typical investment funds by the fact that the companies managing the closed investment funds are not allowed to repurchase the investment certificates and/or the closed investment funds only once issue certain amount of investment certificates. The investment certificates of closed investment funds may be not traded at an exchange.</p>	<p>Issuer's risk, risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, electronic trading risk, systems risk, intermediary's risk, the risk related to the transactions performed outside the exchange, risk of intermediary's insolvency, risk of holding financial instruments registered outside of the European Union, risk of use of trade platforms.</p> <p>The risk of investment fund depends on the financial instruments and assets bought by the fund, and on the investment policy described in the founding documents of the fund.</p>
<b>Exchange Traded Funds (ETF)</b>	<p>Exchange Traded Fund — financial instrument, which reflects the value dynamics of identified asset pool, for example, the value of identified share index. The Exchange Traded Fund may purchase this asset pool or ensure exposition in</p>	<p>Issuer's risk, risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign legislation, the risk related to the trading</p>

Title	Brief description of the financial instrument (FI)	Basic risks of the respective FI
	<p>relation to it, using derivative financial instruments. The structure of some Exchange Traded Funds provides for the possibility of a leverage or FI short positions. ETF shares are sold/bought at the regulated markets similar to shares.</p> <p>It is the investor's obligation to study carefully all conditions, rights and liabilities in respect to each particular Exchange Traded Fund.</p>	<p>performed beyond the trading session time, electronic trading risk, systems risk, intermediary's risk, risk of use of trade platforms etc.</p>
<b>Option contract (Options)</b>	<p>Option contracts are contracts that grant its purchaser the right, but do not bind to buy or sell the set underlying asset in the set amount on the set date in future or within a period of time for a set price. The seller of the option contract is obliged to fulfil the determined liabilities. The buyer of the option contract pays a premium to the seller of the option contract for an opportunity to exercise the rights in future.</p>	<p>The risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, electronic trading risk, systems risk, intermediary's risk, risk of intermediary's insolvency, risk of holding financial instruments registered outside of the European Union, risk of use trade platforms, risk of order placement inefficiency etc.</p> <p>After the end of the validity period, the non-executed options become invalid and thus they lose value. FI that serves as a collateral for an option may be written off without any prior notice. In some cases, if an option is sold without collateral, the amount of loss may be unlimited.</p>
<b>Forward contracts</b>	<p>Forward contracts are currency exchange contracts on purchase or sale of agreed amount of currency on the particular date in future for the exchange rate which was fixed at the moment of the conclusion of a transaction. Forward contracts are concluded mainly to hedge currency risk, associated with adverse fluctuations of currency rates.</p> <p>In order to secure the obligation of the Client to deliver currency for the settlement of the transaction on the settlement date, the bank is entitled to request the Client to provide a collateral, the amount of which is established unilaterally by the Bank and communicated to the Client before entering into the transaction.</p>	<p>Issuer's risk, risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, electronic trading risk, the risk related to the transactions performed outside the exchange, systems risk, intermediary's risk, risk of use of trade platforms, <i>bail-in</i> risk, risk of order placement inefficiency, etc.</p> <p>In case the market value of a transaction changes adversely for the Client at any time before the transaction settlement date and the Client fails to increase the amount of the collateral previously provided to the Bank, the Bank may be entitled to perform an opposite transaction at the existing market price. Thus the Client may suffer unexpected losses, which even may exceed the amount of the collateral; as well the Client loses any benefits from the concluded transaction.</p>
<b>SWAP</b>	<p>SWAP – a transaction on the purchase/sale of particular currency on the date of settlement for the currency rate determined upon conclusion of transaction, with the duty to sell/repurchase this amount of currency later on another particular date for the currency rate determined upon the conclusion of transaction. SWAP is reflected as two currency exchange transactions.</p> <p>In order to secure the obligation of the Client to deliver currency for the settlement of the transaction on the settlement date, the bank is entitled to request the Client to provide a collateral, the amount of which is established unilaterally by the Bank and communicated to the Client before entering into the transaction.</p>	<p>The risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, electronic trading risk, the risk related to the transactions performed outside the exchange, systems risk, risk of use of trade platforms, <i>bail-in</i> risk, risk of order placement inefficiency, etc.</p> <p>In case the market value of a transaction changes adversely for the Client at any time before the transaction settlement date and the Client fails to increase the amount of the collateral previously provided to the Bank, the Bank may be entitled to perform an opposite transaction at the existing market price. Thus the Client may suffer unexpected losses, which even may exceed the amount of the collateral; as well the Client loses any benefits from the concluded transaction.</p>

Title	Brief description of the financial instrument (FI)	Basic risks of the respective FI
<b>FX margin transaction</b>	FX margin transaction is a transaction concluded by a client with the purpose to gain profit as a result of the fluctuations of currency rates by submitting the margin and performing settlement only in relation to the sum of profit or loss, which shall be calculated by offset and after closing of client's open position (by concluding the opposite transaction). Physical delivery of currency is not envisaged within the framework of transactions.	The risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign law, electronic trading risk, the risk related to the transactions performed outside the exchange, systems risk, the risk related to trading with leverage, risk of use of trade platforms, <i>bail-in</i> risk, risk of order placement inefficiency, etc.
<b>Repo transaction</b>	<i>Repo</i> transaction is a transaction, when a client sells to the Bank a set number of financial instruments on a set date for a set price and set sum for a set period of time and in conformity with set conditions, with the Client's duty to buy back the financial instruments on agreed date in future for the preliminary coordinated price and sum.	Issuer's risk, risk of the default of obligations, market risk, price risk, liquidity risk, the risk related to the changes in legislation and/or taxation, the risk of the application of foreign legislation, electronic trading risk, the risk related to the transactions performed outside the exchange, systems risk, the risk related to trading with leverage, risk of intermediary's insolvency, risk of holding financial instruments registered outside of the European Union, <i>bail-in</i> risk, risk associated with the title transfer, risk of use of trade platforms, etc.

The information on the financial instruments is also available (in Latvian) at the resource "Klientu skola" ("Client School") maintained by the Financial and Capital Market Commission, on the home page <http://www.klientuskola.lv/lv/>.

#### V Applicable law. Consideration of claims

To the contract on financial instruments accounts and transactions concluded between the Bank and the client, including the case when a contract is concluded via online banking, is applied the law of the Republic of Latvia. The client acknowledges that, when concluding transactions with the financial instruments, the foreign law and international market practice can be applied to the client and his/her transactions.

Submission of complaints and settlement of disputes. If the client is not satisfied with the services provided by the Bank, the client is entitled to submit a complaint to the Bank, via online banking or at any branch or customer service centre of the Bank.

Any dispute between the Bank and the client shall be settled through negotiations. If it is not possible, the disputes shall be settled according to the provisions of the concluded contract on financial instruments accounts and transactions, by the Riga International Arbitration Court in Riga, according to the legal acts of the Republic of Latvia in effect and the Arbitration Rules of the above mentioned arbitration court or upon decision of the Bank in the court of the Republic of Latvia where the first instance court shall be Riga City Ziemeļu District Court, but, if the client is a natural person who is a consumer, disagreements shall be settled in the court of the Republic of Lithuania according to the jurisdiction, however if the client has lost his/ her declaration of domicile in the Republic of Lithuania, the jurisdiction of Vilnius City District Court as the court of first instance is applicable.

Claims regarding services of the Bank the clients can also submit to the Financial and Capital Market Commission (address: Kungu street 1, Riga, Republic of Latvia, LV-1050, telephone: +37167774800; e-mail: [fktk@fktk.lv](mailto:fktk@fktk.lv); home page: [www.fktk.lv](http://www.fktk.lv)), as well as, if the client is a consumer, to the Consumer Rights Protection Centre (address: Brīvības street 55, Riga, Republic of Latvia, LV-1010, telephone: +37165452554; e-mail: [ptac@ptac.gov.lv](mailto:ptac@ptac.gov.lv); homepage: <http://www.ptac.gov.lv>). Claims are considered, if they are subject to the competence of the relevant institution and in a manner prescribed by the law of the Republic of Latvia.

#### VI Remote conclusion of contracts via online banking and right of withdrawal

Conclusion and termination of a contract. A contract on financial instruments accounts and transactions, which is concluded with the Bank remotely, using the online banking, comes into effect on its conclusion date, unless the client and the Bank agree otherwise, and the client is entitled to terminate this contract according to the procedure and in cases stipulated by this contract.

Before the conclusion of the contract on financial instruments accounts and transactions, the client is obliged to acquaint with all provisions of the particular service and contract, as well as with other documents that are specified in the contract on financial instruments accounts and transactions. The provisions of the contract on the financial instruments accounts and transactions are available in Lithuanian, English and Russian. The Bank communicates with the client in Lithuanian, unless agreed otherwise.

Right of withdrawal. If the contract on financial instruments accounts and transactions is concluded via online banking, a client – a natural person, who is a consumer, is entitled to exercise the right of withdrawal and within 14 (fourteen) days following the conclusion of this contract to withdraw from it by giving a notice to the Bank via the online banking or in person

at any branch or customer service centre of the Bank (the information on their addresses and working hours is available on the home page [www.citadele.lv](http://www.citadele.lv)). The client is not entitled to exercise the right of withdrawal and to withdraw from the transactions, which had been already concluded within the framework of the contract on financial instruments accounts and transactions, including to withdraw from the execution of concluded transactions. The client is obliged to pay the Bank the commission for the services already provided according to the Bank's pricelist, which is available on the home page [www.citadele.lv](http://www.citadele.lv).

If the client has not exercised the right of withdrawal within 14 (fourteen) days, the contract on financial instruments accounts and transactions is in effect from the date of its conclusion.

## **VII Recording of telephone conversations and communication**

The Bank informs new and existing clients that:

- conversations and communications relating to the reception, transmission and execution of orders to new and existing clients are being recorded by the Bank even if it is not mentioned before any particular telephone conversation or communication;
- a copy of such recording of conversations with the client and communications with the client will be available on request for a period of five years and, where requested by the competent authority, for a period of up to seven years.