

1. Definitions of Terms

- Bank* - Joint Stock Company TRASTA KOMERCBANKA.
- Financial Instruments* - agreements, which create financial assets to one party and financial liabilities or capital securities to another party and which are specified in the law *On Financial Instrument Market*:
- ✓ transferable securities (shares, bonds, depository certificates and other transferable securities);
 - ✓ investment certificates of investment funds and other transferable securities that confirm participation in investment funds or comparable mutual funds;
 - ✓ money market instruments - short-term (with maturity shorter than 12 months) debt instruments (bonds, certificates of deposit, short-term debt instruments issued by commercial companies) and other instruments that are traded in the money markets;
 - ✓ derivative financial instruments:
 - options, futures, swaps, interest rate futures contracts and any other derivative contracts relating to securities, currencies (foreign exchange services if they are related to the provision of investment services), to interest rates, yields or other derivative instruments, financial indices or financial measures and the conditions of which provide for settlements in cash or other financial instruments;
 - options, futures, swaps, interest rate futures, and any other derivative contracts which are related to goods and the conditions of which provide for settlements in cash or a cash settlement option at a party's choice if it does not involve breach of contract due to default or other termination of contractual relations;
 - options, futures, swaps and any other derivative contracts which are related to goods and the conditions of which provide for settlements with physical delivery of goods if they are traded on a regulated market or multilateral trading system;
 - derivative credit risk transfer instruments;
 - financial contract for differences;
 - options, futures, swaps, interest rate futures, and any other derivative contracts which are related to climatic changes, freight rates, pollution rights, inflation rate or other official economic statistics and the conditions of which provide for settlements in cash or a cash settlement option at a party's choice if it does not involve a breach of contract due to default or other termination of contractual relations;
 - ✓ other financial instruments not specified herein.
 - shares, which are included in the member state regulated market or foreign market;
 - money market instruments;
 - bonds or other debt securities (excluding those bonds or debt securities which include derivative instrument (s));
 - investment certificates of investment funds;
 - other simple financial instruments that meet the following indications:
 - they are not derivatives;
 - such financial instruments can be often put into circulation, repurchased or otherwise sold at publicly affordable prices, which are either market prices or prices

- that are available from the rating system independent of the issuer;
- they do not include for the Customer any existing or contingent liabilities in excess of the cost of a financial instrument;
 - information about the characteristics of financial instruments is publicly available, it is easy to understand and it allows an average retail customer to make informed decisions about the transaction to be performed with this instrument.
- Information about simple financial instruments and related risks is available in the Bank's website.
- Simple financial instruments*
- Customer* - An individual or a legal entity to which the Bank renders financial investment services or auxiliary investment services.
- Customer's status* - Classification of Customers applied at the Bank that is based on Customer's competence, experience and knowledge in regard to transactions with Financial Instruments. Customer is assigned one of the following categories: Individual Customer, Institutional Customer or Authorized Business Partner.
- Partner* - A legal entity that has the right to provide intermediary services in transactions with Financial Instruments and which is hired by the Bank for custody of Financial Instruments and execution of Customer Orders in regard to transactions with Financial Instruments, including depositories, banks, brokers, investment companies, intermediaries, agents, etc.
- Order* - Expression of Customer's or his/her fiduciary's will with respect to Financial Instruments (buy, sell, transfer to another account or account of another person, deregister, pledge, etc.) based on which the Bank initiates a transaction with Financial Instruments.

2. General Provisions

2.1. The Bank implements this Policy in compliance with the requirements of the law *On Financial Instrument Market* with the purpose to secure best results for Customer in a transaction with Financial Instruments.

2.2. This Policy applies to all Customers irrespective of the assigned Customer's status.

2.3. This Policy applies:

2.3.1. when the Bank executes Customer Orders;

2.3.2. when the Bank accepts Customer Orders and forwards them to Partners for execution.

3. Transaction Execution Places

3.1. The Bank has access to multiple places where Financial Instrument transactions are executed (stock exchanges, see Appendix No 1). The Bank on a regular basis expands and updates the list of such places. Information about places where Financial Instrument transactions are performed is posted on the Bank Internet home page at www.tkb.lv. The Bank does not notify Customer about changes in said list, it shall be Customer's obligation to keep track of updates to the list.

3.2. The Bank has established direct relationships with local and foreign stock exchanges by becoming a member thereof in order to secure access to the places where Financial Instrument transactions are performed. The Bank is a permanent member of the Tallinn, Vilnius and Riga Stock Exchanges. The Bank also uses services of other Partners (contractors) to provide access to other transaction locations, to which the Bank does not have direct access.

3.3. For execution of Customer Orders the Bank chooses such Partners that, in the Bank's view, are able to execute Orders considering that the Bank's duty is to secure the best transaction result for its Customers.

The Bank on a regular basis, but at least once a year, assesses the quality of services provided through mediation of Partners and their conformity with the possibility to ensure the best result from execution of Orders. The Bank assesses:

- payment speed and reliability;
- convenience,
- pricing policy,
- used trading places,
- understanding of Customer needs and priorities,
- Partner's experience and reputation.

3.4. Other provisions related to the Partner. The Bank chooses an execution place for every separate Order regarding a transaction with a certain type of Financial Instruments, which, in the Bank's view, is appropriate and will help achieve the best results of the transaction for Customer. To secure more favourable transaction results for Customer, the Bank may execute a Customer's Order outside the regulated market by closing a deal with another market participant, other Bank Customer, another bank or concluding a transaction for its own account. The Bank has the right to execute Customer Orders outside the regulated market and the multilateral trading system, upon receipt of Customer's prior consent for each individual transaction, or if such an option is stipulated in the Agreement on investment services and auxiliary investment services. If a Customer by signing the Agreement on rendering of investment services and auxiliary services has not given his consent to execute Orders outside the regulated market and the multilateral trading system, record on the consent of Customer to execute a transaction outside the regulated market or the multilateral trading system is made in the Order for operation of the respective financial instrument.

3.5. There is a possibility that separate Financial Instruments may be transacted only in one place. It shall be understood that fulfilling Customer Order regarding such Financial Instruments the Bank has secured the best transaction result for Customer.

4. Securing Best Result

4.1. When fulfilling Customer Orders regarding transactions with Financial Instruments or accepting Customer Orders and forwarding them for execution, the Bank shall act in such a manner as to secure the best possible transaction results for Customer. Ensuring of the best result does not mean that the Bank assumes more obligations than it is required by applicable law or agreement with the Customer.

4.2. When fulfilling of Customer Orders, the Bank shall take into consideration the following factors:

- 4.2.1. transaction price and costs;
- 4.2.2. how fast the transaction may be performed;
- 4.2.3. feasibility of transaction and payment settlement;
- 4.2.4. transaction size;
- 4.2.5. any other factors that affect efficiency of execution of the Customer Order;
- 4.2.6. transaction specifics or other circumstances concerning execution of the Order.

4.3. To determine the importance of other factors in execution of Orders, the Bank shall consider the following additional criteria:

- 4.3.1. Customer's characteristics, including Customer's status;
- 4.3.2. types of Customer Orders;
- 4.3.3. characteristics of Customer Orders;
- 4.3.4. characteristics of financial instruments that are subject of Customer's Order;

4.3.5. characteristics of the execution place of Customer's Order.

4.4. The Bank values the aforementioned factors and prioritizes them at its discretion to secure the best transaction results for Customer. Transaction price and costs are considered to be one of the most important factors of transaction performance. Nonetheless, in separate situations, other factors may be given the upper hand over transaction price and costs. Sometimes specific circumstances of a Customer's Order (e.g., a large scale of the transaction, non-liquid market, etc.) are taken into account.

5. Customer's Special Instructions

Where Customer submits Order regarding a transaction with Financial Instruments with special instructions, the Bank fulfils the Order if possible. Customer understands and agrees that if Order with special instructions is submitted to the Bank for execution, it may not be possible for the Bank in separate situations to achieve the best result by fulfilling the Order in compliance with Customer's special instructions.

6. Orders for Transactions with Financial Instruments Traded in Regulated Markets

The Bank executes Orders regarding transactions with Financial Instruments mentioned herein at a market price or a special transaction price indicated in Customer's Order, securing the best possible transaction result in compliance with principles set forth in this Procedure. If Customer in Customer's Order defines special terms for execution of the transaction, the Order shall be executed according to the principles mentioned in chapter 4 herein.

7. Orders for Transactions with Financial Instruments Normally Traded Outside Regulated Markets

7.1. The Bank executes the following Customer Orders outside regulated markets: trading with debt securities, monetary market instruments, derivative instruments traded outside stock exchanges, financial contracts for difference and other Financial Instruments.

7.2. Financial Instrument price in transactions outside a regulated market depends on the market value and the value of the underlying asset. The Bank may quote price of mentioned Financial Instruments upon demand if the Bank is ready to execute transactions with respective Financial Instruments at specified prices. When executing Orders on behalf of Customer, the Bank closes a transaction with Customer. The Bank secures the best transaction result for Customer to the extent that is reasonably possible. However, in some situations, it may not be possible to achieve the most favorable transaction result for Customer through trading of Financial Instruments outside regulated markets.

8. Orders for Transactions with Investment Certificates of Investment Funds

The Bank fulfils Orders on transactions with investment fund investment certificates by forwarding Orders for execution to the investment fund management company or Partner pursuant to regulatory documents regarding activities of investment funds.

9. Limit Orders

9.1. Customer may submit to the Bank an Order that is restrictive in terms of its execution. Types of Orders:

By price:

- MARKET, MKT (Orders that should be executed on the market immediately at the current market price)
- LIMIT (Orders that should be executed on the market at a better price than the current market price)
- STOP (Orders that should be executed at a market price that is worse than the current market price)
- STOP LIMIT (Orders that should be executed at a market price that is worse than the current market price but does not exceed the LIMIT price);

By duration:

- GTC, Good Till Cancelled (is valid as long as the order is fully fulfilled or is cancelled)
 - Day (is active and valid during the trading day)
 - GTD, Good Till Date, (is active and valid until a specific date)
- If the period is not specified, it is taken as one-day period (DAY ORDER).

By activity type:

- OCO, One Cancels the Other (if any of the related deferred orders is executed, the other order is automatically cancelled)
- IFD, IF Done (if one of the deferred orders is executed, the other order automatically activates).

9.2. If Customer has submitted limit Order regarding stocks that are listed in the regulated market, and the Order is not executed immediately due to a current market situation, the Bank shall take measures, unless another option was explicitly indicated by Customer, to secure as promptly as possible execution of the Order, and disclose the information about the Order to the market, i.e., forward the limit Order to the place of its execution.

10. Acceptance and Execution of Orders

10.1. The Bank notifies on time (within a reasonable time) individual customer of any significant difficulties in proper execution of the Order.

10.2. After execution of a Customer's Order (upon conclusion of the respective transaction and settlement of payments), the Bank shall immediately (within a reasonable time) transfer the received financial instruments or cash to the Customer's account.

10.3. Bank is entitled to execute Customer's orders outside regulated markets where it has received Customer's consent thereof in the signed Agreement on investment services and auxiliary investment services or in the Order.

10.4. The Bank has the right to execute Customer's Orders in full or in part using another Customer's Order or other third party's Order. In such a case the order is executed at a price that reflects the prevailing market conditions and the Bank is seen as the place for execution of the Customer's Order. In such event, the Bank shall inform the Customer that his/her order will be executed using another Customer's Order or other third party's Orders, and the Bank will be the execution place of the Order, and the Customer has provided his/her consent to execute the Order on the such terms.

10.5. Orders in connection with the initial issue of financial instruments are executed by transferring them to the Partner in accordance with the terms of the respective issue and in accordance with the Customer's Order.

10.6. If the Customer on its own initiative has provided the Bank with an order for a transaction with financial instruments, which are considered as simple financial instruments, the Bank does not assess the suitability of the investment service or offered instrument for the Customer and the Bank has no duty to notify the Customer if a specific instrument and/or investment service is not suitable for the Customer.

10.7. By accepting Customer Orders and forwarding them to the Partner for execution the Bank makes sure that the best transaction results for Customer are achieved. The Bank hands over Customer Orders only to those Partners who have an approved policy that secures getting the best results for Customer's transaction.

11. Combining, Execution and Distribution of Orders

11.1. The Bank may at its discretion combine one Customer's Order with transactions for its own account or combine Orders of several Customers. The Bank shall combine orders only in the event that there is slight probability that combining Orders or transactions may impair interests of those Customers whose Orders are combined. Prior to combining Orders or transactions, the Bank shall inform Customer, whose Order is planned to be combined with another Customer's Order, that such combining may cause losses in regard to a separate Order.

11.2. Combining an Order for the Bank's account with one or several Customer Orders, the Bank distributes or re-distributes a respective Customer's transaction without impairing Customer's interests. In case where the Bank combines Customer transaction Order with a transaction, which the Bank executes for its own account, and the combined Order is fulfilled partially, the Bank, when distributing respective transactions, shall act in such a way that Customer's Order is first fully executed and afterwards, to the extent possible, Bank's transactions.

11.3. In regard to transactions for its own account, the Bank may apply prorated income distribution if without combining of Orders it could not have executed the Order on such favorable terms or could not have executed it at all.

11.4. By dividing a combined Order, which contains the Customer's Order, the Bank shall proceed as follows:

- obtained funds or financial instruments shall be distributed among Customers as specified in the Instruction which the Bank receives from the organizer of the issue or the issuer (in case of initial issue);
- If a combined order is fully met, a separate result for each Customer is determined by multiplying the amount of financial instruments specified in the Customer's Order by the average order execution price.
- If a combined order is partially executed, a separate result for each Customer is determined proportionally, ie. by multiplying the ratio of financial instruments in the total combined order specified in the Customer's Order by the combined order result.

The Bank may apply any other procedure for division of a combined Order having notified the Customer thereof in advance.

12. Policy Updating and Supervision

Amendments to the Policy are posted on the Bank's website. Any amendments to the Policy take effect on the day when they are posted on the Bank's website at www.tkb.lv.

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