

## INFORMATION ON INVESTMENT SERVICES

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# 1. Background information on LHV Bank

## 1.1. General information on LHV Bank

Business name:	AS LHV Pank
Registry code:	10539549
Address:	Tartu mnt 2, Tallinn, 10145 Estonia
Telephone:	+372 6 800 400
Fax:	+372 6 800 402
E-mail:	lhv@lhv.ee
Web page:	lhv.ee

AS LHV Pank (hereinafter LHV Bank) holds the authorisation of a credit institution, issued with the Resolution No. 4.1-1/37 of the Management Board of the Financial Supervision Authority (Sakala 4, 15030 Tallinn, Republic of Estonia, telephone: 668 0500, e-mail: [info@fi.ee](mailto:info@fi.ee), web page: [www.fi.ee](http://www.fi.ee)) on 6 May 2009. The Financial Supervision Authority conducts supervision over the activities of LHV Bank and the safekeeping of the assets of its customers.

The legal form of LHV Bank is a public limited company (AS). The company's sole shareholder is AS LHV Group (registry code: 11098261).

Information on the members of the **Management Board** of LHV Bank and their tasks, is available on the LHV Bank website and the same applies to the **annual reports**.

In Estonia, LHV Bank also operates through licensed investment agents, with the corresponding information available on the website of the Financial Supervision Authority at [www.fi.ee](http://www.fi.ee).

## 1.2. Language and means of communication

Customers may communicate with LHV bank, and request documents or information from LHV Bank in Estonian or English, unless otherwise agreed upon.

LHV Bank shall communicate information (including declarations of intention) to its customers at its branch offices, on its website, through mass media or other agreed channels (e.g. e-mail, post or Internet bank). If the customer has informed LHV Bank of his/her e-mail address and/or has access to the Internet bank, LHV Bank shall have the right to send all messages (including declarations of intention) to the customer by e-mail or Internet bank, unless otherwise provided in legal acts.

The customer may send information (including declarations of intention) to LHV Bank on a hard copy, by e-mail, through the Internet bank or via other channels agreed upon.

### 1.3. Information on the classification of customers

Prior to the provision of investment services and ancillary investment services, LHV Bank shall gather information on the customer's experience and knowledge, financial position and investment objectives as well as other circumstances related to the investment service and securities, so as to assess the customer's experience in operating on the securities market, and knowledge of the financial market, the planned investment services and securities, and consider the suitability and relevance of the investment service.

All customers to whom LHV Bank provides investment services shall be classified either as "retail client" or "professional client" in accordance with the Securities Market Act (a professional client may, on an occasion specified in the Securities Market Act, also be treated as an eligible counterparty) in order to ensure the level of protection stipulated in the legal acts.

A retail client is a person (e.g. a natural person, small company) who does not necessarily have sufficient knowledge and experience to measure the suitability of the investment decision against the current financial position and investment objectives, or to weigh the risks associated with investment. A retail client is provided the highest level of protection.

A professional client is a large undertaking, a company operating on the financial markets, a state institution or agency, or a similar person competent to make its own decisions with regard to the suitability of the investment decision and the accompanying risks. The level of protection of a professional client is somewhat lower than that of the retail client.

An eligible counterparty is a professional client who is an investment fund, an insurance provider, a credit institution, a central bank, government or an international organisation. Eligible counterparties have the lowest level of protection. The customers of LHV Bank – both private persons and companies – shall, as a rule, be treated as retail clients, with the highest level of protection provided.

A retail client may apply for treatment as a professional client, if the retail client finds that he/she has sufficient experience, knowledge and expertise for making investment decisions and for adequate assessment of the risks related thereto.

The assessment of professional clients:

- shall not include assessment of the customer's financial capabilities in the provision of investment consulting or portfolio management services;
- shall include assessment of the customer's knowledge and experience in the provision of investment consulting and portfolio management services;

- shall not include assessment of the customer's knowledge and experience in the provision of other services.

A professional client may apply for being treated as a retail client or an eligible counterparty.

In order to apply for treatment as a professional client or eligible counterparty, the customer should contact the LHV Bank customer service at the e-mail address [info@lhv.ee](mailto:info@lhv.ee) or the telephone number +372 6 800 400.

## 2. Information on the investment services provided by LHV Bank, and the general risks involved in investing

### 1.4. Information on investment services and ancillary investment services

LHV Bank shall provide investment services and ancillary investment services to its customers in accordance with the [Conditions of Provision of Investment Services](#).

LHV Bank holds an activity licence for the provision of the following investment services and ancillary investment services:

- reception and transmission of orders related to securities;
- execution of orders related to securities in the name of or on the account of the client;
- dealing in securities on own account;
- securities portfolio management;
- provision of investment advice;
- guarantee of securities or guarantee of the offer, issue or sale of securities;
- organising an offer or issue of securities;
- operation of a multilateral trading facility where the interests of different people in acquisition and transfer of securities are brought together under uniform conditions the result of which is the entry into a contract;
- safekeeping and administration of securities for a client and activities related thereto (including receipt of securities transfer and pledge orders and other orders related to the encumbrance of financial securities from clients and forwarding or execution thereof);
- grant of a credit or loan to an investor to conduct securities transactions on the condition that the creditor or lender itself is related to the transaction;
- provision of advice to undertakings on capital structure, business strategy and related matters and advice and service relating to mergers of undertakings and participation therein;
- provision of foreign exchange services where these are connected with the provision of investment services;
- preparation or provision of recommendations on investment and financial analysis or other general recommendations in connection with securities transactions;

- services related to the guarantee of the offer or issue of securities;
- provision of other investment and ancillary services in connection with derivative instruments.

Additional information on securities and their features is available on the LHV Bank website ([Investment school](#)).

At least once a year, LHV Bank shall present the customer, whose funds or securities are safekept by the bank, with a corresponding report on the funds or securities in a durable medium. LHV Bank shall not have the obligation to present the report, if the corresponding information is already included in another periodically published report (including if the information is available to the customer via the Internet bank).

## **1.5. General description of the risks related to investment and securities**

Each investment has two sides: risk and profit. Each person has a different risk tolerance, thus the customer has to choose an investment product in accordance with his/her risk level. LHV Bank can provide advice and share information on investment opportunities and securities-related risks, yet the customer alone shall be responsible for analysing all of the risks involved in investing and for assessing their potential effects and consequences.

LHV Bank recommends that customers:

- exercise caution when choosing an investment product or security and make the investment decision in view of the risks. LHV Bank can provide advice, yet it is up to the customer to make the decision;
- work out the nature of securities or investment products and the risks involved prior to making the investment decision. LHV Bank provides information and gives advice on the nature and risks of the services provided, yet does not verify the information provided by the customer on his/her knowledge and experience.
- monitor the investment portfolio via the LHV Bank's Internet bank with sufficient frequency to keep an eye on the changes in the market price, transaction execution, transfer execution and other such changes. In case of questions, the customers are expected to contact the LHV Bank customer support at the e-mail address [info@lhv.ee](mailto:info@lhv.ee) or the telephone number +372 6 800 400.

The following introduction provides an overview of the principal risks involved in investing into securities, yet it is not an exhaustive list of all risks.

### What is a risk?

Risk is the danger of suffering a loss or a smaller-than-expected profit. It is crucial to first of all be aware of risks and to appreciate that risks related to the fluctuations in the price of a security are unavoidable. The price of a security is affected by the issuer's financial performance, market depth and the liquidity of the security, trends in the general economic environment, the political situation and many other factors. Considering the risk tolerance of the investor concerned, these risks need to be reduced or taken into consideration.

It is prudent to distribute risks, for example, instead of investing in the shares of one issuer, invest in several different shares. In case of an investment fund, a share is being purchased in the distributed portfolio assembled by the fund manager. When investing, it is essential to make sure that the portfolio is not exposed to various risks at the same time; for example, a portfolio is risky if it only includes companies in a single industry, as these companies are exposed to similar risks.

#### Price risk

Price risk is the danger of incurring a loss due to an unfavourable change in the market price of a security. With negative news, a security can lose value quickly and in extreme market conditions it is possible to lose one's entire investment. The price of a security may be affected by the publication of financial results, cessation of contracts vital to the company, departure of employees, issuance of additional shares and other events.

#### Market risk

Market risk is the prospect of incurring a loss due to general price changes in the securities market or unfavourable price changes in a certain sector. Unfavourable price changes may be caused, for instance, by the poor financial performance of a country or sector of the economy, unstable economic environment, unstable securities market and the like.

#### Currency risk

Currency risk is the prospect of incurring a loss due to the price securities being calculated in one foreign currency while purchases and sales are calculated in another. For example, a loss can be incurred due to unfavourable changes in exchange rates between various currencies, devaluation, long-term depreciation, depegging of a pegged currency exchange rate and the like.

#### Liquidity risk

Liquidity risk involves a reduction in or absence of the liquidity of the securities market, for instance, when the sale of securities at the desired time at the desired price is impeded or impossible. In case of considerable drops, there are few buyers in the market and the sale of a sizable position may exacerbate the drop and increase any losses.

#### Interest rate risk

Interest rate risk is the prospect of incurring a loss due to changes in interest rates in an unfavourable direction. Unfavourable market changes can generate a loss, for example, due to a change in the interest rate, a change in interest rate volatility, a change in the difference in the interest rates between financial instruments of diverging risk levels, repayment of debts before term or the like. For example, a rapid rise in interest rates in the bond market will entail a drop in the prices of bonds.

#### Issuer risk

Issuer risk is the prospect of a decline in the value of a security due to an issuer's poor financial indicators, financial difficulties or incapacity to meet its obligations toward investors arising from the securities issued by it. For example, filing for bankruptcy protection implies a rapid reduction in the price of shares issued by the company.

## Country risk

Country risk or political risk is the prospect the occurrence of events in the country or region where the issuers of securities are active or registered that will affect the political or economic stability or future development of that country. Due to such events, an investor may partially or completely lose its investments in that country and incur a significant loss on the investments made. For example: changes in the political system (revolution), economic policy (nationalisation, imposition of trade restrictions, changes in the tax system), political crises (popular unrest, political confrontation).

## Tax risk

Tax risk is the prospect that a customer's securities held with the account manager in an account opened on behalf of LHV Bank are for tax purposes treated as if they belonged to LHV Bank. In such a case, for instance, it may happen that the customer will be unable to enjoy the benefits arising from an agreement between his/her country of location and the securities' country of registration to prevent double taxation.

## Legal risk

Legal risk is the prospect of investment in securities without an overview of the legislative acts in the issuer's country of operation and the obligations flowing therefrom. Thereby an investor may incur a loss or be subject to sanctions arising from legislation. In addition, legislative acts in the country may be amended (see Political risk), entailing the creation of an unfavourable restriction or obligation for the investor.

## Information risk

Information risk is the prospect of an investor not receiving adequate and accurate information about securities or an impediment in receiving such information. For instance, certain corporate events may be reflected in the portfolio in the form of a time reference, an investor may misunderstand the conditions of the take-over bid and miss the opportunity to exercise his right to subscribe.

## Systems risk

A systems risk is the prospect of incurring a loss due to technical malfunction in the systems of depositories, custodians, stock exchanges and other settlements of securities transactions. As a result, transactions may fail to be effected, post-transaction transfers may be late and the like. For instance, shares or dividends paid do not reach a customer's account on time. Losses may result from a transaction unaffected or deferred due to the low speed or temporary unavailability of an internet connection.

### Custody risk

A custody risk is the prospect of an incomplete guarantee, that in the event of the account manager's bankruptcy, securities and other assets held in a nominee account the securities and assets of the customer will not be treated separately from the assets of the account manager. Recourse to external managers runs the risk of the investor losing the securities held in the nominee accounts with this manager in case of the manager's bankruptcy or the application of coercive measures by government.

### Short selling risk

In case of short selling, shares which the investor does not have, are sold and these are borrowed from the broker with the obligation of returning them to the broker at a later time. If the prices of the shares sold starts to rise and the assets held in the account as a security are insufficient to meet the obligations, the position must be closed out in any event. This may result in the loss of a sum of money the value of which exceeds that of the original transaction, since the price of a share may rise without limit. Thus, it may happen that the purchase transaction required for the liquidation of a short selling position will take up all the money in the account and, additionally, the securities held as collateral must be sold.

### Loan collateral risk

Borrowing against collateral consisting of securities involves the prospect of a market decline and a decline both in the market value of the financial instruments providing the collateral and in the prices of the securities acquired against the loan. Thus, akin to short selling, the securities providing the collateral in case of leverage (gearing) may have to be sold.

### Trading risks

In the LHV Bank electronic trading system, transactions are effected in a very short time, and as a result thereof, losses may be heavy in case of errors due to a lack of knowledge or experience in trading on a securities market. In trading, it is possible to lose all of the assets invested. Day trading may involve major transaction costs, which may obliterate the entire profit earned. Additionally, prospective disruptions in the functioning of information systems must be allowed for in trading, as these may disrupt the availability of information and the communication, amendment or cancellation of transaction orders. Prior to the commencement of trading, an investor should examine the rules on electronic trading, order types and other particulars.

### Risks involved in trading outside of regular trading time

Securities prices or quotations may diverge considerably, outside the regular trading time of stock exchanges, from what is regular. Prices in this period may fluctuate more violently; the market may be considerably less liquid. When the stock exchange is closed, stock exchange announcements or other information affecting the market may be released and this may amplify the fluctuation of prices.

### What kind of risks are involved in shares?

Traded shares are susceptible to nearly all of the above-mentioned risks. Share profit is not guaranteed; disbursed dividends may change; and a company may terminate its operations due to bankruptcy, resulting a shareholder's loss of the entire investment. In case of the termination of a company's operations, shareholders are the last to have their claims settled. In share purchases, a major risk is concentration on one company, region or sector.

#### What kind of risks are involved in debt securities?

The owner of a debt security has given a company a loan and in case of the liquidation of an issuer, the claims of shareholders take priority over the claims of the owners of debt securities. In case of debt securities purchased for the purpose of trading, the reliability of the issuer of the debt security must be considered, which may affect the market value and liquidity of the debt security.

#### What kind of risks are involved in fund shares?

A fund share involves lower than usual risks, since funds distribute their assets amongst various securities. A fund share owner may be affected by all of the above risks, since a fund invests investors' funds in assets exposed to the above risks. Information on risks involved in a specific fund is provided by the fund's prospectus and terms and conditions.

#### What kind of risks are involved in derivatives?

The purchase of options, futures or other derivatives involves the acquisition of a contract, the market value of which is related primarily to the price of underlying assets or the exchange rate of a currency. Derivatives thus involve a risk related to the change in the price of underlying assets. Read further information on the website on risks involved in derivatives.

A customer has to consider at least the above risks involved in investment activity. A customer has to take into account that the risks specified in this overview are not presented in an exhaustive list; thus the customer must also carefully analyse and assess other risks involved.

# 3. Rules for the best execution of a transaction order

These rules for the best execution of a transaction order (hereinafter Rules) set forth the principles proceeding from which LHV Bank forwards and executes customers' transaction orders.

## When do the Rules for the best execution of a transaction order apply?

These Rules apply to all securities mediated by LHV Bank. You will find the selection of securities tradable by LHV Bank's proxy on the LHV Bank [website](#).

## When do the Rules for the best execution of a transaction order not apply?

If the customer gives LHV Bank instructions for the execution of a transaction order that diverge from these Rules, LHV Bank will execute the transaction order proceeding from the customer's instruction and this may diverge from the procedure described in the Rules. If the customer uses automatic trading systems, LHV Bank will be unable to apply the Rules and the transaction order will be executed according to the specific parameters (including market price, quantity, the other party) specified by the customer. Read more on the automatic trading system and recommended order types on the LHV Bank [website](#).

If the customer presents an order and it is executed without the Bank's intervention, e.g. through the trading platforms (LHV Trader and LHV Broker) it shall be deemed that the customer has given a specific instruction and LHV Bank has been guided by the customer's best interests. In such a case, LHV Bank is unable to monitor how each order is executed, and the service provider of the relevant trading platform shall be governed by its rules in executing the order. LHV Bank has established that the best execution rules of the service providers provide equivalent protection of the interests of the customers. Best execution Rules also do not apply in extraordinary market conditions, for example, when there are great market fluctuations and/or external or LHV Bank's systems malfunctions. Disruptions may occur in the IT systems of both LHV Bank and in those of the service providers. Disruptions may occur both in the forwarding of an order to LHV Bank and in LHV Bank's communication with the places of execution. In such an event, LHV Bank will notify the customer of any delay in the execution of an order.

Certain transactions in securities are conducted so that the counterparty of the customer is LHV Bank, a service provider or a third party and the order is not executed on a regulated market (hereinafter "over the counter" or "OTC" transactions). If LHV Bank or a service provider of LHV Bank provides a quote to a client or negotiates the terms of an OTC transaction with LHV Bank or a business partner of LHV Bank as counterparty, then LHV Bank will normally not be acting on the client's behalf and will not be guided by the current Rules.

## What parameters does LHV Bank consider in the best execution of orders?

- Market price of the security
- Peculiarities of the financial instrument (see more on the LHV Bank [website](#))
- Trading hours of markets (see more on the LHV Bank [website](#))
- Speed of execution of the transaction

- Market depth and liquidity
- Likelihood of the transaction or settlement actualisation
- Amount of the transaction order (see section “Sizable orders”)
- Transaction execution costs
- Transaction order types (see more on the LHV Bank [website](#))
- Constraints pre-set by the customer
- Customer information (including classification into retail client or professional client)
- Impact on the market of the disclosure of the transaction order (see section “Sizable orders”)
- Other circumstances affecting the efficient execution of a transaction order (including the current market conditions)

The above factors have not been listed in any order of significance, since, depending on the peculiarities of instruments, the degree of significance of each factor may vary. LHV Bank takes into account that in the execution of a transaction order there may be factors counteracting one another, and in the best execution of transaction orders LHV Bank allows for the joint effect of these factors.

In case of retail customers, the best possible result is determined on the basis of the total cost. Total cost consists of the price of the financial instrument and the costs of execution, comprising all costs which have been borne by the customer and which are directly related to the execution of the order, e.g. trading venue, clearing and settlement fees and other fees payable to third parties participating in the execution of the order.

LHV Bank forewarns retail clients that other factors of execution, such as the speed of execution, the probability of execution, the speed of settlement, the probability of settlement, the volume of the order and the type of the order are less important than the total cost factor.

In case of professional clients, the best possible result is determined on the basis of the volume of the order and speed of execution.

LHV Bank forewarns professional clients that other factors of execution, such as the total cost, the likelihood of execution, the speed of settlement, the likelihood of settlement, the type of the order and other factors are less important than the volume of the order and the speed of execution. Still, LHV Bank will also consider the total cost as an important factor in case of professional clients.

### Places of execution

For the best execution of a transaction order, LHV Bank may use the following places:

- regulated markets,
- LHV Bank’s partners in regulated markets or multilateral trading systems,
- LHV Bank’s trading portfolio,
- other elements ensuring liquidity or persons performing such functions.

The list of places of execution has been provided in [Appendix 1](#).

In choosing the place of execution LHV Bank considers where the execution of a transaction order is likeliest. LHV Bank does not assess the likelihood of execution anew prior to each transaction execution; rather, LHV Bank selects the place of execution for a given transaction on the prior indicators for transactions of a similar type.

On the Riga, Vilnius and Tallinn stock exchanges, LHV Bank operates as a member of the stock exchange, and on other regulated markets by proxy of its foreign partners who have access to the foreign market where the security

specified in the transaction order is traded. If on the list of prospective places of executions there is only one place, LHV Bank deems itself to have provided the best possible execution and that the transaction order will be executed as well as possible in such a case.

Orders related to initial public offerings (IPOs) are accepted and communicated by LHV Bank to the issuer or its representative in accordance with the terms of the IPO.

#### Communication of a transaction order

Orders may be communicated to LHV Bank via the website or in writing. If LHV Bank needs to communicate transaction orders to a foreign market through the business partners, LHV Bank will be unable to monitor the execution process directly and, because of that, LHV Bank has, in choosing business partners, considered their reliability, stability and professionalism as well as capability in executing orders in accordance with the best execution rules of LHV Bank. LHV Bank assesses choices to date on a regular basis and makes sure, in choosing business partners and places of execution, that the bank would be able ensure the best service to all customers.

#### Time required for the execution of a transaction order

A transaction order communicated by the customer will be processed for execution as soon as possible after the receipt of the order by LHV Bank. In its execution, the specifications related to the securities will be considered, which are available at the LHV Bank [website](#).

#### Amalgamation of transaction orders

Sometimes it makes sense, in the interests of best execution, to consolidate the transaction orders of several customers or of customers and LHV Bank into one order. Though LHV Bank consolidates orders only if an adverse effect from a consolidation is unlikely, this may, however, impair the execution of the customer's order in some instances. If the execution of a consolidated order is affected only in part, LHV Bank will execute customers' individual orders based on the obtained average price and in proportion to the amount executed, allocating the related transactions first to customers and only then to the bank.

#### Sizable orders

If the customer's transaction order clears a certain threshold, LHV Bank will treat it as a so-called sizable order. The execution of a sizable order may cause unwelcome fluctuations on a market, which will prevent the implementation of the procedure for the best execution, and, because of that, LHV Bank may decide autonomously in what proportions to communicate a transaction order to the market.

Sizable orders may diverge based on the type of instrument, place of execution and market conditions. Hence, LHV Bank is unable to specify the amount and execution procedure of a sizable order in the best execution rules.

#### Low-liquidity products

If the customer wishes to place a transaction order for the trading of a financial instrument whose liquidity is low or which is not traded on a regulated market, the customer will have to allow for significant price fluctuation and the fact that the best execution rules cannot be honoured. To perform transactions with low-liquidity financial instruments, LHV Bank advises customers to find their own partner and negotiate the price for the transaction with the partner.

#### Amendments to the best execution rules

LHV Bank reviews the best execution rules at least once a year and updates them if an essential change is found in the arrangements for the execution of transactions.

## 4. Description of possible conflicts of interest and the procedure for avoiding them

### What is a conflict of interest?

Conflict of interest is a situation that may arise in the performance of a contract or work duty, through an action or failure to act, or by performing various roles simultaneously. In the event of a conflict of interest, the financial interests of one party are in conflict with those of the other, and it is difficult to maintain objectivity.

LHV Bank aims to avoid situations where the interests of a customer or LHV Bank are in conflict, and aims to discharge its obligations toward a customer in the best possible manner. It is not always possible to avoid such situations; we will notify the customer of a possible conflict of interest, giving the customer the opportunity to assess its impact on the investment decision.

### Preparation of investment analyses and Pro ideas

A possible conflict of interest may arise if the team of analysts or an analyst preparing an investment recommendation or analysis with respect to a specific issuer has shares of the same issuer or other such financial interests, which may conflict with the interests of customers. A conflict of interest arising from the preparation of investment analyses is prevented in accordance with the information disclosure requirements specified in legislation and the LHV Bank internal regulations. Additionally, LHV Bank has imposed restrictions on the persons preparing the analyses regarding the performance of transactions with the securities analysed.

### Trading securities

A possible conflict of interest may arise if a broker executes a transaction between customers whose interests diverge or whose coincidental partner is LHV Bank or an LHV Bank staff member. To prevent a conflict of interest related to securities trading and to protect the interests of the customer, strict requirements and rules on proceeding in the execution of transactions have been prescribed through legislation and the internal procedural rules of LHV Bank.

### Credit services

A possible conflict of interest may arise if the company, to whom credit is provided, is also provided other services (e.g. investment banking, portfolio management or other services). To hedge the risks, the functions which may face a conflict of interest shall be vested in different departments, with the functions themselves served by different employees. The employee remuneration principles shall not be based on the preference of certain customer groups.

### Investment consulting and portfolio management

A possible conflict of interest may arise if the customer is given personal recommendations regarding transactions related to financial instruments, or in case of management of a customer's portfolio, where the person recommending the transaction or the portfolio manager has personal interests in the particular financial instruments. The purpose of investment consulting is to give relevant and objective advice, as well as to introduce options appropriate the customer's situation and risk profile. It is the customer's task to pass the final investment decision. A conflict of interest shall be hedged via the principle of separation of the functions, as well as supervision by the investment committee and the internal control department.

#### Employee remuneration principles

A possible conflict of interest might arise if the employee remuneration principles rested on the preference of the interests of certain customer groups. LHV Bank remunerates its employees with a fixed monthly salary and performance pay, the latter being tied to performance over a longer period.

#### Fees for services

A possible conflict of interest might arise if fees are received from or paid to third persons when providing investment services. To avoid conflicts related to the preference of the payer or payee of a fee, LHV Bank accepts the receipt or payment of a fee only if this improves the quality of the services provided to the customer and does not adversely affect the customer's interests. Information on the receipt or payment of a fee is disclosed in [Appendix 2](#).

# 5. Information on the management and protection of the customer's funds and securities

## 1.6. How are the customer's assets managed in LHV Bank?

LHV Bank keeps the assets entrusted to the bank by the customers separately from its own assets and the assets of other customers, unless otherwise agreed upon by the customer and LHV Bank.

The customer's ECRS-registered securities are kept either on the customer's ECRS account opened in the name of the customer, or the ECRS nominee account opened in the name of LHV Bank. Other securities are kept by the custodians selected by LHV Bank. The custodians keep the customer's securities on the securities account (customer account, nominee account, etc.) which has been opened in the name of LHV Bank with the purpose of pooling the securities of the customers of LHV Bank. LHV Bank deposits securities and funds with the custodians in accordance with the legislation of the host country of the custodian, good market practice, the custodian's requirements and the contract(s) entered into with the custodian.

The customer's securities-related rights arising from the legislation of the host country of the custodian may differ from those provided by the legal acts of the Republic of Estonia. If the legal acts of the custodian's host country do not provide for any means to distinguish the customer's securities from the securities of LHV Bank and other customers, LHV Bank shall deposit the customer's securities with the particular custodian only if the nature of the securities or the associated investment services requires that the securities be kept in the custodian's host country, or on the basis of a written permission of a professional client. In this case, the customer's securities will be kept on any of the following accounts, as chosen by LHV Bank:

- on the securities account opened in the name of LHV Bank together with the securities of LHV Bank or other customers of LHV Bank;
- on the securities account opened in the name of LHV Bank, separately from the securities of LHV Bank or other customers of LHV Bank; or
- on the securities account opened in the name of the customer, if LHV Bank obliges the customer to open a separate securities account in the name of the customer.

Countries where the laws on safekeeping and administration of securities do not allow to distinguish the customer's securities held by the custodian from the securities belonging to the custodian or the bank are:

- Bosnia and Herzegovina
- Poland
- Romania

- Slovakia
- Slovenia
- Czech Republic
- Ukraine
- Hungary
- Russia

LHV Bank chooses the custodians in accordance with the LHV Bank in-house criteria, with professional diligence, so as to ensure the reliability of both LHV Bank and the custodian, and the protection of the customer's interests.

The specific terms and conditions, as well as LHV Bank's rights in the administration of the customer's securities are stipulated in the LHV Bank [Conditions for Provision of Investment Services](#).

## 1.7. How are the customer's assets protected in LHV Bank?

The customers' assets held by LHV Bank are comprehensively protected through three measures:

- the internal control system of LHV Bank, ensuring the highest level of asset management and the associated risk hedging;
- the equity capital of LHV Bank, held at a level higher than required by law in order to secure the claims of customers and partners;
- the state system for protection of investors and depositors, implemented by the state through the Guarantee Fund established for the purpose.

Detailed information on the protection of the customer's assets in LHV Bank is available on the LHV Bank [website](#).

## 6. Information on expenses and fees

The customer shall pay LHV Bank a fee for the provision of investment services or ancillary investment services (including commission fee, service fee or other fees charged by LHV Bank for the transaction related to the investment service or ancillary investment service) in accordance with the **price list** available on the LHV Bank website, unless otherwise agreed upon by the customer and LHV Bank. The LHV Bank price list is changed pursuant to the procedure stipulated in the LHV Bank's General Conditions.

LHV Bank shall have the right to charge a service fee upon acceptance of the transaction order for execution, and the right to demand compensation for the expenses incurred in connection with the provision of the service upon incurrance of the expenses. LHV Bank shall debit the service fee and the compensation from the customer's account on the transaction date in accordance with the LHV Bank **Conditions for Provision of Investment Services**.

LHV Bank shall have the right to charge, from third parties (management companies), including LHV Bank group companies, a **fee** for the intermediation of investment funds to customers. These fees allow to enhance the quality of the service provided to the customer, and do not damage the interests of the customer.

## 7. Appendix 1 – List of places of execution of transaction orders

LHV Bank has direct access to the following regulated markets:

Tallinn Stock Exchange  
Riga Stock Exchange  
Vilnius Stock Exchange

LHV Bank uses partners for accessing other regulated markets. LHV Bank provides customers with access to the following exchanges and trading venues:

Finland	Helsinki Stock Exchange
Serbia	Belgrade Stock Exchange
Hungary	Budapest Stock Exchange
Slovenia	Ljubljana Stock Exchange
Denmark	Copenhagen Stock Exchange
Norway	Oslo Stock Exchange
Russia	Moscow Interbank Currency Exchange
Poland	Warsaw Stock Exchange
Czech	Prague Stock Exchange
Croatia	Zagreb Stock Exchange
United States	American Century Funds American Stock Exchange (NYSE AMEX) Arca (NYSE) ArcaEdge Automated Trading Desk (ATD) Baron Funds BATS Bloomberg Tradebook (BTRADE) Boston Options Exchange (BOX) CBOE Futures Exchange (CFE)

CBOE Stock Exchange  
(CBSX)  
CBOT (ECBOT)  
CBOT (Floor-Based)  
Chicago Board Options  
Exchange (CBOE)  
Chicago Stock Exchange  
(CHX)  
CME (Electronic-Globex)  
CME (Floor-Based)  
Direct Edge  
Direct Edge Dark Pool  
Dreyfus  
EDGEA  
ELX  
Evergreen Investments  
Fidelity Funds  
IB VWAP Dealing  
Network (VWAP)  
INET (Island)  
ISE Options Exchange  
ISE Stock Exchange  
Janus  
Knight Securities  
LAVA  
Liquidnet  
NASDAQ  
NASDAQOM  
National Stock Exchange  
(NSX)  
New York Board of Trade  
New York Mercantile  
Exchange (NYMEX)  
New York Stock  
Exchange (NYSE)  
NYSE Arca Bonds  
NYSE Liffe  
OneChicago (ONE)  
Pacific Exchange (PSE)  
Philadelphia Stock  
Exchange (PHLX)  
Pimco Funds  
Pink OTC Markets

	State Street Global Advisors
	T. Rowe Price
	Timber Hill Auto-Ex Bonds
	Timber Hill Auto-Ex Stocks
	TrackECN
	Tradeweb
	Tradeweb for US
	Government Securities ValuBond
	ValuBond for US Government Securities
	Vanguard Funds
Canada	Alpha ATS
	Chi-X
	Montreal Exchange
	OMEGA ECN
	PURE
	Toronto Stock Exchange
	TSX Venture
Mexico	Mexican Derivatives Exchange
	Mexican Stock Exchange
Austria	Vienna Stock Exchange (VSE)
Belgium	CHI-X Europe LTD
	Clearnet (CHIXEN)
	Euronext Brussels (Belfox)
	Euronext Brussels Stocks
	Nasdaq OMX Europe (NUROEN)
France	CHI-X Europe LTD
	Clearnet (CHIXEN)
	Euronext France (MATIF)
	Euronext France (MONEP)
	Euronext France (SBF)
	Nasdaq OMX Europe

Germany	(NUROEN)
	CHI-X Europe LTD
	Clearstream
	EUREX (DTB)
	Frankfurt Stock
	Exchange (FWB)
	Nasdaq OMX Europe
	(NURODE)
	Stuttgart Stock Exchange
	(SWB)
Italy	Turquoise DE (TRQXDE)
	XETRA (IBIS)
	Borsa Italiana
Netherlands	Borsa Italiana (IDEM)
	CHI-X Europe LTD
	Clearnet (CHIXEN)
	Euronext NL Derivatives
	(FTA)
	Euronext NL Stocks
	(AEB)
Spain	Nasdaq OMX Europe
	(NUROEN)
	Turquoise NL (TRQXEN)
	Bolsa de Madrid
	Spanish Futures &
Sweden	Options Exchange
	(MEFF)
	SIBE
	Stockholm Derivatives
Switzerland	Exchange
	Swedish Stock Exchange
	CHI-X Europe Ltd Swiss
	EUREX (SOFFEX)
	NASDAQ OMX Europe
	(NUROCH)
	Swiss Exchange (SWX)
	Turquoise CH
(TRQXCH)	
United Kingdom	VIRT-X (VIRTX)
	CHI-X Europe Ltd Crest
	(CHIXUK)
	Intercontinental
	Exchange (ICE/IPE)

	LIFFE Commodities
	LIFFE Options & Futures
	LIFFE Single Stock
	Futures
	London Stock Exchange
	(LSE)
	Nasdaq OMX Europe
	(NUROUK)
Australia	Australian Stock
	Exchange (ASX)
	Sydney Futures
	Exchange (SNFE)
Hong Kong	Hong Kong Futures
	Exchange (HKFE)
	Hong Kong Stock
	Exchange (SEHK)
India	National Stock Exchange
	of India (NSE)
Japan	Osaka Securities
	Exchange (OSE.JPN)
	Tokyo Stock Exchange
	(TSE.JPN)
Singapore	Singapore Exchange
	(SGX)
South Korea	Korea Stock Exchange
	(KSE)
Greece	Athens Stock Exchange

LHV Bank may use other places of execution, in accordance with the chapter “Rules for the best execution of a transaction order”.

## 8. Appendix 2 – Fund manager fees

LHV Bank has concluded the agreements for distributing the fund units with the following fund managers and receives the distribution fees as stipulated in the respective agreement.

### 1. LHV Varahaldus

LHV Bank distributes the funds of LHV Varahaldus and receives up to 100% of the subscription fees and up to 40% of the management fees as distribution fee.

### 2. JPMorgan Funds

LHV Bank distributes the funds of JPMorgan Funds and receives 100% of the subscription and redemption fees as distribution fee.

### 3. JPMorgan Investment Funds\*

LHV Bank distributes the funds of JPMorgan Investment Funds and receives 100% of the subscription and redemption fees as distribution fee.

### 4. East Capital Asset Management

LHV Bank distributes the funds of East Capital Asset Management and receives 50% of the subscription fees and 30% of the management fees as distribution fee.

### 5. HSBC\*

LHV Bank distributes the funds of HSBC and receives 100% of the subscription and redemption fees and 50% of the management fees as distribution fee.

### 6. Pictet Funds\*

LHV Bank distributes the funds of Pictet Funds and receives 100% of the subscription and redemption fees as distribution fee.

### 7. Prudentis UAB\*

LHV Bank distributes the funds of Prudentis UAB and receives 100% of the subscription fees as distribution fee.

### 8. Trigon Funds

LHV Bank distributes the funds of Trigon Funds and receives 100% of the subscription and redemption fees and 1/3 of the management fees as distribution fee.

### 9. Avaron Asset Management

LHV Bank distributes the funds of Avaron Asset Management and receives 100% of the subscription and redemption fees and up to 40% of the management fees as distribution fee.

### 10. Swedbank Investment Funds

LHV Bank distributes the funds of Swedbank Investeerimisfondid AS and receives 100% of the subscription fees and up to 30% of the management fees as distribution fee.

### 11. SEB Varahaldus

LHV Bank distributes the funds of SEB Varahaldus and receives up to 100% of the subscription and redemption fees and 40% of the management fees as distribution fee.

12. SEB Asset Management S.A.

LHV Bank distributes the funds of SEB Asset Management and receives 100% of the subscription and redemption fees and 40% of the management fees as distribution fee.

13. EfTEN Capital AS

LHV Bank distributes the funds of EfTEN Capital AS and receives 100% of the subscription and redemption fees as distribution fee.

14. Redgate Asset Management AS

LHV Bank distributes the funds of Redgate Asset Management AS and receives 100% of the subscription and redemption fees as distribution fee.

*\* The funds have not been registered for public distribution and are only mediated to the portfolio management customers.*