

Inducement Policy for the Provision of Investment and Ancillary Services

1. General provisions

- 1.1. The objective of this Inducement Policy for the Provision of Investment and Ancillary Services (hereinafter - the **Policy**) is to ensure that while providing investment and/or ancillary services to the clients and performing investment activities (hereinafter - the **Investment Services**), Luminor Bank AS, acting in Latvia through its Latvian branch and in Lithuania through its Lithuanian branch, (hereinafter - the **Bank**), acts honestly, fairly and professionally, in accordance with the best interests of its clients, avoids conflicts of interest and implements all necessary measures to identify conflicts of interest arising due to the monetary or non-monetary benefits received from third party or in the course of the provision of the Investment Services to the client.
- 1.2. An inducement is usually considered as a commission and/or fee or other benefit given by one party to another in relation to the services provided to the client. For example, inducement can be a payment made by a company providing Investment Services to another party who brought a client to that company. In this situation, there is a risk that such inducement may affect the receiving party so that it will not act in accordance with the best interests of its clients.
- 1.3. For the purpose of this Policy, inducement is considered to be any benefit received from the third party by the Bank, i.e. reward, commission, fee and other monetary or non-monetary benefits related to the provision of Investment Services to the clients (hereinafter - **Inducement**).
- 1.4. Before receiving any monetary or non-monetary benefit from a third party in relation to provision of Investment Services to the clients of the Bank, Bank's Structural Unit that provides Investment Services considers whether the subjected benefit could be qualified as an Inducement, and, in case of any doubt, consults the authorised unit of the Bank responsible for the governance of provision of Investment Services.
- 1.5. Management of the minor non-monetary benefit is described in section 7 of this Policy.
- 1.6. Inducements received in relation to the distribution and/or custody of investment funds and provision of independent investment advice and/or portfolio management services are always paid out by the Bank to the particular clients according to section 2 and section 3 of this Policy. As for minor non-monetary benefits, the Bank may retain such Inducement only in cases when it conforms with the arrangements stipulated in section 7 of this Policy.
- 1.7. The Bank does not pay any Inducements to third parties in relation to Investment Services provided to the clients.

2. Inducements related to distribution and/or custody of investment funds' units/share classes

- 2.1. When providing Investment Services related to distribution and/or custody of investment funds' units/share classes, the Bank ensures due implementation of the following principles:
 - 2.1.1. Where it is possible the Bank distributes investment funds' units/share classes free of Inducements, i.e. investment funds' units/share classes which are free of possible management company payments or kickbacks associated with the sale of investment funds' units/share classes;
 - 2.1.2. The Bank aims to fully transfer to the client all Inducements that are paid or provided by a third party to the Bank for distribution of investment funds immediately after reception of such Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Inducements. The Bank implements the processes described in designated internal regulations when defining the amount that will be paid-out to particular client in cases when received Inducements should be attributed and refunded to multiple clients;
 - 2.1.3. On annual basis the Bank informs its clients on individual basis on the Inducements received and paid-out by specifying such information in the report on costs and charges.

3. Inducements related to independent investment advice and/or portfolio management services

- 3.1. The Inducements received in relation to provision of independent investment advice and/or portfolio management

services, are subject to the following arrangements:

- 3.1.1. The Bank aims to fully transfer to the client all Inducements that are received by the Bank immediately after reception of such Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Inducements to respective clients. For this purpose, the Bank implements the process for Inducement allocation to the particular client in cases it should be attributed and paid-out to multiple clients.
- 3.1.2. On annual basis the Bank informs the clients on individual basis on Inducements received and paid-out by disclosing such information in the report on costs and charges.
- 3.1.3. The Bank may receive and accept only minor non-monetary benefits which are designed to enhance the quality of the services provided to the clients as it is described in section 7 of this Policy.
- 3.1.4. To receive and/or retain any non-monetary benefit, the Bank's unit providing investment advice and/or portfolio management services must assess whether such non-monetary benefit conforms with: a) the requirements stipulated in section 4 of this Policy and b) the requirements for minor non-monetary benefit defined in section 7 of this Policy. The authorised unit of the Bank responsible for the governance of provision of Investment Services is contacted with request to assess and decide whether the subjected Inducement conforms with the conditions described in section 4 of this Policy. Where necessary, the authorised unit of the Bank responsible for the governance of provision of Investment Services may engage other units of the Bank to conduct proper evaluation. If the assessment of non-monetary benefit results in conclusion that the subjected benefit does not conform with aforementioned conditions, the Bank must decline and cease to use such benefit, return it to the provider and request to cease provision of such non-monetary benefit in the future.

4. Retention of Inducement and quality enhancements of Investment Services

- 4.1. The Bank may receive and retain Inducements in relation to the provision of Investment Services, other than indicated in paragraph 1.6 of this Policy, only in cases where the respective Inducements conform with all conditions described in section 4 of this Policy: (a) are designed to enhance the quality of the relevant services provided to the client; (b) proportional to the level of Inducements received; (c) do not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients; and (d) do not, by their nature or proceeding from their function, create a conflict of interest between the Bank and the client.
- 4.2. To fulfil the requirement indicated in paragraph 4.1(a) of this Policy, the Inducement can be considered as designed to enhance the quality of services provided to the client in case such provision of services is not biased or distorted as a result of the Inducement and when the following conditions are satisfied on an ongoing basis:
 - 4.2.1. It is justified by the provision of additional or higher-level services to the relevant client in the proportion to the level of the Inducement received, such as: (i) the provision of non-independent investment advice on and access to a wide range of suitable financial instruments including an appropriate number of instruments from third party product providers having no close links with the investment firm (ii) the provision of non-independent investment advice come together with: an offer for the client to evaluate at least once in a year the future suitability of the financial instruments wherein the client has invested; or together with another regular nature service which may bring value to the client, e.g. consulting on the offered optimal allocation of the client's assets; or (iii) the possibility to receive various financial instruments for a competitive price that may correspond to the client's needs, including the acceptable number of instruments provided by third parties that do not have close relations with the investment company by also providing either value-added tools (instruments) such as objective information provision tools (instruments) helping the client to make investment decisions or enables the client to monitor, simulate and adjust the range of financial instruments wherein the client has invested, or by providing periodic reports on the results, costs and fees relating to the financial instruments;
 - 4.2.2. The Inducement does not bring direct benefit to the Bank as the receiver, its shareholders or employees without material benefit to the respective client;
 - 4.2.3. The Inducement is justified by the fact that the respective client receives an on-going benefit for an on-going Inducement.
- 4.3. By receiving Inducements, the Bank ensures that such Inducements enhance the quality of the respective Investment Services provided to the client and provision of such services is not biased or distorted, and Bank collects and stores evidence thereof. For such purpose the Bank:
 - 4.3.1. keeps the Inducement journals of all Inducements received from the third parties for the provision of Investment Services; and
 - 4.3.2. registers how the Inducements received by the Bank or those that the Bank intends to use to enhance the

quality of the Investment Services and what actions were taken so as not to impair compliance with the Bank's duty to act honestly, fairly, and professionally in accordance with the best interests of the Bank's clients.

- 4.4. The Bank can only receive and retain Inducements and minor non-monetary benefits if the Bank properly discloses information on such Inducements to the clients as provided in this Policy, excluding cases mentioned in sections 2 and 3 of this Policy.
- 4.5. If the Bank receives Inducements that do not conform with the requirements specified above in the section 4 of this Policy, the Bank transfers them to the respective clients immediately after reception of such Inducements, but no later than within 10 (ten) business days after the receipt of all the necessary information needed to perform allocation of received Inducements.
- 4.6. To receive and retain an Inducement, the Bank's unit providing Investment Services to the clients, in order to use or receive any Inducement provided by other party than the Bank, must evaluate whether such Inducement conforms with the requirements provided in section 4 of this Policy. For this purpose, the authorised unit of the Bank responsible for the governance of provision of Investment Services must be contacted. The authorised unit of the Bank upon evaluation of the available information decides whether such Inducement conforms with the conditions described in section 4 of this Policy. Where necessary, the authorised unit of the Bank may involve other units of the Bank to ensure proper assessment of Inducements received. If upon evaluation it appears that the Inducements do not conform with the requirements provided in section 4 of this Policy, the Bank must not accept and use such Inducements. In addition, any such non-monetary benefit shall be returned to the provider which must be requested to cease provision of such Inducement in the future.

5. Limitations related to investment research

- 5.1. In case an investment research prepared by a third party is required by the Bank for the provision of Investment Services, the Bank acquires such research by paying directly for the research from own funds allocated in dedicated account.
- 5.2. In case investment research or any other similar service is received free of charge and, based on the arrangements stipulated above, is considered to be an Inducement, the Bank includes such Inducement to the designated non-monetary benefit journals as described in paragraph 4.3.1 of this Policy and ensures that both, the investment research received and the information prepared individually by the Bank on the basis of such research will not be submitted to the Bank's unit responsible for the provision of independent investment advice or portfolio management services to the clients.
- 5.3. To avoid situations where the services provided by the Bank are considered to be Inducements by the Investment Services providers that received such services, the Bank will separately price the services provided thereby, including transaction processing and investment research services and will offer such services for a separate fee set to each of such services.
- 5.4. To avoid potential conflict of interest, the Bank does not provide the individually prepared investment research to other Investment Services providers free of charge.

6. Disclosing information on Inducements

- 6.1. To ensure sound disclosure of the Inducement to clients the Bank:
 - 6.1.1. prior to the provision of Investment Services to the client, discloses information to the client about the Inducement received and in case the amount cannot be precisely defined, then discloses information on the calculation method. In respect of minor non-monetary benefit, the information is disclosed in the form of a summary. Other non-monetary benefit which the Bank receives in relation to the provision of Investment Services, except independent investment advice or portfolio management service, is priced and specified separately in the designated summary on the Bank's website. Where applicable, the Bank also notifies the clients on the process for transferring Inducements received by the Bank in course of the provision of Investment Services to the clients;
 - 6.1.2. discloses the precise information in the designated summary on the Bank's website about received Inducements after such Inducement was received in case the Bank was not able to disclose the precise information in advance;
 - 6.1.3. at least once a year, indicates the precise amount of the received and paid Inducement to each client as long as the Bank on an on-going basis receives Inducement in respect of the provided Investment Services. In respect of minor non-monetary benefit, the information is disclosed in the form of a summary.
 - 6.1.4. On annual basis the Bank informs the clients on individual basis on Inducements received and paid-out by disclosing such information in the report on costs and charges.

6.2. In order to comply with the abovementioned requirement to disclose to the clients information on the received Inducements in relation to the services provided to the clients prior to the provision of Investment Services, the Bank prepared the description of the Inducements received which is provided as Annex 1 to this Policy.

7. Minor non-monetary benefits

7.1. The Bank may receive minor non-monetary benefits in relation to the provision of Investment Services that conforms with the criteria described in paragraph 7.3. if before accepting such benefit the Bank's unit providing Investment Services carried-out assessment of Inducements based on the internal processes and such minor non-monetary benefit (a) is designed to enhance the quality of the relevant services to the client; (b) proportional to the level of Inducements received; (c) does not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients; and (d) does not, by their nature or proceeding from their function, create a conflict of interests between the Bank and the client.

7.2. Minor non-monetary benefits shall be reasonable and proportionate and of such a scale that they are unlikely to influence the Bank's behaviour in any way that is detrimental to the interests of the relevant client.

7.3. Minor non-monetary benefits can be:

- 7.3.1. Information or documentation relating to a financial instrument or an investment service. Such information or documents are generic in nature or personalised provided to reflect the circumstances of an individual client;
- 7.3.2. Written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third-party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public;
- 7.3.3. Participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- 7.3.4. Hospitality of a reasonable *de minimis* value, such as food and drink during a business meeting or a conference, seminar or other training events;
- 7.3.5. Other minor non-monetary benefits which are capable of enhancing the quality of service provided to a client and having regard to the total level of benefits provided by one entity or group of entities of the Bank, are of a nature and scale that are unlikely to prevent the Bank from providing services honestly, professionally and in the best interests of the client.

Annex No. 1

PRIOR NOTIFICATION ON INDUCEMENT

The Bank hereby informs the client about Inducements received by the Bank which have been evaluated by the Bank as (a) designed to enhance the quality of services provided to the clients; and (b) not impairing compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

INDUCEMENT RECEIVED

The Bank receives partner commissions from Saxo Bank A/S for the Bank's intermediation for the clients who use Saxo Bank A/S services (trade platform). Following the agreement signed with Saxo Bank A/S, the Bank introduces clients wishing to use the trade platform, signs agreements with them, provides practical, methodological assistance and market information. The partner commissions are considered as Inducements. The partner commissions paid by Saxo Bank A/S to the Bank amount to:

Object	Commission type	Part of commission received as inducement
Forex Rolling spot and forwards	Spread	25 - 50%
	Position rollover: Mark-up on interbank swap rate	Up to 25% from mark-up
	Position rollover: open Profit/Loss position financing	62.5%
Futures	Commission	25-83%
CFD commodities	Spread	8-46%
Futures options	Commission	20-50%