

## POLICY OF AVOIDING CONFLICTS OF INTEREST IN PROVIDING INVESTMENT SERVICES

### 1. GENERAL PROVISIONS

1.1. The Policy of Avoiding Conflicts of Interest in Providing Investment Services (the '**Policy**') sets forth the requirements and procedures intended to establish and control the circumstances related to the investment and ancillary services provided by Luminor Bank AS Lithuanian branch (the '**Bank**') as well as investment activity carried out thereby (the '**Investment Services**'), which cause or may cause conflicts of interest potentially resulting in undermining the interests of one or several clients.

1.2. This Policy has been prepared under Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, as well as the legal acts of the Republic of Lithuania.

### 2. TERMS AND DEFINITIONS

2.1. *Customer* means a natural or legal person to whom the Bank provides or intends to provide Investment Services.

2.2. *Employee* means any employee of the Bank as well as members of the Management Board and of the Supervisory Council.

2.3. *Person* means any employee of the Bank's tied agent, as well as members of the Management Board and of the Supervisory Council, any other private individual whose services are used and controlled by the Bank or its tied agent, and who is involved in the process of the Bank's providing the Investment Services; a private individual who is directly involved in providing contractual services to the Bank or its tied agent to enable the Bank to provide the Investment Services.

2.4. *Conflict of Interest* means the situation where interests of different parties are contradicting to each other. Such conflicts may arise when:

- 2.4.1. The interests of the Bank or Employees or Persons are in conflict with the Customer's interests;
- 2.4.2. The interests of a Customer are in conflict with the interests of another Customer;
- 2.4.3. The interests of the Employees' or Persons interests are in conflict with the Bank's interests.

2.5. *Investment Research* means a research or other information (that is not considered a personal investment recommendation), which directly or indirectly offers or recommends an investment strategy relating to one or several financial instruments or their issuers, including expressed opinions on the current or future value or price of such financial instruments, (offering or recommending an investment strategy relating to a specific industry or market in a way that it offers a relevant view on the financial instruments or classes of assets typical of a particular sector), which is aimed at the Bank's Clients or the general public and is identified as an Investment Research or defined with a similar definition or is otherwise presented as an objective and independent explanation of the matters indicated in the recommendation. For the purposes of this Policy, an Investment Research also includes information other than an independent study (marketing communication) which constitutes the above type of information but is not identified as an Investment Research or defined with a similar definition or is otherwise presented as an objective and independent explanation of the matters indicated in the recommendation.

2.6. Other terms used herein are to be understood as they are defined by the regulations specified in Article 1.2.

### 3. IDENTIFICATION OF CONFLICTS OF INTEREST

3.1. In order to identify possible Conflicts of Interest, consideration must be given as to whether the Bank or an Employee or a Person or a person directly or indirectly related to the Bank through ties of control falls into any of the following situations:

- 3.1.1. The Bank or other persons spelled out above are likely to make a financial gain or to avoid a financial loss at the expense of the Customer;
- 3.1.2. The Bank or other persons spelled out above have an interest in the outcome of a service provided to the Customer or of a transaction carried out on behalf of the customer, which is distinct from the Customer's interest in that outcome;
- 3.1.3. The Bank or other persons spelled out above have a financial or other interest in giving priority to the interests of the Customer or Customer Group at the expense of another Customer or Customer Group;
- 3.1.4. Is engaged in the same business as the Customer;

- 3.1.5. The Bank or other persons spelled out above receive or will receive from a person other than the Customer, as an incentive, a cash or non-cash benefit or services relating to the services provided to the Customer.

3.2. Situations that can trigger Conflicts of Interest (it is not possible to list all actual or potential conflicts of interest, but below are listed situations in which Conflicts of Interest may arise that require particular attention):

- 3.2.1 The Bank or its Employee concludes or intends to conclude a transaction related to a financial instrument at the same time that the Customer's order is received or being executed in relation to the same financial instrument;
- 3.2.2 The Customers' orders related to the financial instruments issued by the Bank are in process of execution.
- 3.2.3 The Customers' orders are in process of execution in relation to buying or selling financial instruments which are publicly or non-publicly distributed by the Bank or which are owned by the Bank under the ownership right.
- 3.2.4 The Bank or its Employees receive financial or other incentives which influence their behaviour in the way that the Customer or Customer Group gains priority over other Customers;
- 3.2.5 The Bank receives cash and non-cash incentives from third parties or provides cash or non-cash incentives to a third party in relation to the service provided to the Customer;
- 3.2.6 The unit that carries out Investment Researches is related to and acts together with the unit that provides investment recommendations and other Investment Services;
- 3.2.7 The Bank provides corporate consulting services to a company whose financial instruments it has acquired or intends to acquire for own account or provides investment recommendations related to these financial instruments to the Customers;
- 3.2.8 The Bank offers investment recommendations regarding financial instruments to Customers and at the same time has any type of agreement with the issuer of the financial instruments that may restrict the Bank's ability to formulate an objective and otherwise compliant investment recommendation;
- 3.2.9 Investment Services are provided to several bank customers whose interests are contradicting;
- 3.2.10 The Customer buys the Bank's financial instruments intended to manage the risks related with the Bank's crediting and financing services;
- 3.2.11 The Bank provides both corporate consulting services and crediting services to the same Customer;
- 3.2.12 The Bank engages in trade in financial instruments at its own expense. In this case, the Bank seeks to maximise return from the positions it assumes and therefore there may be a theoretical Conflict of Interest between this type of business and the Customers entering into transactions with the Bank. This type of situation covers instances when the Bank enters into financial derivative transactions with the Customers (for instance, makes contracts for difference (CFD) or sells its financial instruments to the Customers) between the counterparties thereof. In cases like that, the interests of the Bank and of the Customer are in conflict because a transaction result for the Customer will mean an opposite result for the Bank. The bigger the share of the Bank's dealing in financial instruments at its own expense and the revenue therefrom, the higher the risk of Conflict of Interest. The Bank will also find itself in a Conflict of Interest situation when it determines the price of the transaction made with the Customer at its own discretion rather than on the basis of objective market data, and when the time difference between a transaction made with the Customer and a transaction made for hedging purposes (if any) may cause the Bank to derive additional financial gain for the price difference in time; as a result, the Bank tries to avoid the latter two situations in its operations to the maximum extent possible.
- 3.2.13 Other situations that can trigger Conflicts of Interest.

## 4. AVOIDING CONFLICTS OF INTEREST AND MANAGING MEASURES

4.1. In order to prevent possible Conflicts of Interest, functions of the Employees providing investments services are segregated and these employees are prohibited from exchanging information related with investments services provided to the Customers or with any intentions to provide such services if such exchange of information is not necessary in order to properly provide the services and/or may harm interests of the Customer or the Bank.

4.2. The measures to manage conflicts of interests related to use of the inside information and the Employees' personal account dealings are provided in the Bank's internal procedures.

4.3. The staff incentive and motivation system is developed in view of avoiding direct connection between the salary of related persons mostly engaged in one type of activity and the salary or income received by other related persons mostly engaged in other type of activity in case different types of activities may raise Conflicts of Interest. The Employee remuneration and incentive system must be designed so as to prevent prioritisation of the interests of the Employees or the Bank when this can possibly undermine the interests of the Customer. Remuneration of the employees of the Bank's unit involved in Investment Research may not be linked to a particular transaction or recommendations specified in the process of research.

4.4. The employees may not enter into or recommend any transactions for buying or selling financial instruments which are aimed exceptionally at gaining commissions or at other financial benefit without considering the Customer's best interests. This does not mean that the Bank does not have a right to enter into transactions with Customers as a counterparty to the

transactions, however when the Bank is a counterparty to a derivative Financial Instrument transaction with the Customer, additional precautions must be taken to manage Conflict of Interest situations. The key precautions follow:

- The Bank's market risk must be managed by entering into mirror transactions to the full extent of transactions made with the Customers or by employing other measures to fully hedge the risks of Customer transactions, and by entering into this kind of hedging transactions with entities outside of the Bank's Group. Only when the Bank does not have any unhedged positions will the result of a transaction made with the Customer be insignificant to the Bank and the interests of the Bank relating to the transaction made with the Customer will not be in conflict with the interests of the Customer;
- When, for the purposes of executing Customer orders, the Bank enters into transactions with the Customer at its own expense, in doing so the Bank must make sure that the underlying transaction is made on the best conditions for the Customer, meaning that the Customer will obtain the best possible result. To that end, before executing the Customer's order by entering into a transaction at its own expense, the Bank will evaluate and compare the results the Customer would obtain upon executing the order at each of the possible venues of execution, as well as the commission for and other costs of the Bank that would be incurred in the process of executing the Customer's order at each of the possible venues of execution.

4.5. One Employee has no right to enter into a transaction in the name and for the account of the Bank and personally for own account in case the Customer's order was received regarding the same financial instrument until the Customer's order is fulfilled. Orders received from different Customers must be executed in order of priority according to the receipt date of the customer's order, i.e. orders that were received earlier are executed first.

4.6. In case the interests of the Bank, Employee and the Customer are confronted, priority must be given to the Customer's legitimate interests.

4.7. In cases where payments from third parties are executed or received in relation to Investment Services, such payments will be subject to the Bank's Policy on Incentive Payments.

4.8. When preparing Investment Research, Conflicts of Interest may occur in situations when:

- The Bank's Customers seek to issue their financial instruments at the highest possible price;
- The Employees or Persons trading in financial instruments and managing the Bank's investment portfolio seek to obtain the highest possible benefit for the portfolio;
- The Bank acts as an issuer/distributor of financial instruments;
- The timing of presenting the results of Investment Research is wrong, because a person obtaining the results of the Investment Research before everyone else might act before the price of the financial instrument is affected by the information presented;
- Investment Research results in a recommendation or offer of an investment strategy for the Customer in relation to financial instruments that, at the time of making the recommendation, are managed, distributed, or used in transactions by the Bank or the Persons making the recommendation.

4.9. To avoid Conflicts of Interest, the following requirements must be observed in preparing Investment Research:

- 4.9.1. The Bank, the Employees, and other Persons who participate in preparing Investment Researches are banned from personal account dealing or trading in financial instruments covered by the Investment Research or in other related financial instruments in case these persons are aware of the likely time of publishing the Investment Research or its content which is not known publicly or not available to the Customers. The ban provided herein is applicable until the receivers of the Investment Research have a real access to the Investment Research;
- 4.9.2. The Employees and other Persons who participate in preparing Investment Research are banned from personal account dealing in financial instruments covered by the Investment Research and other related financial instruments when such dealing is contradictory to the existing recommendations, except for the cases where exceptional circumstances occur and a prior written consent is received from the management of the Bank or their authorised person(s) as established by the Bank's internal procedures regulating personal account dealing;
- 4.9.3. The Employees and other Persons who participate in preparing Investment Research are banned from accepting any incentives from persons who are directly interested in the subject of the Investment Research;
- 4.9.4. The Bank, the Employees, and other Persons who participate in preparing Investment Research are banned from giving any promises that the result of the Investment Research will be favourable to the issuer;

- 4.9.5. In case the draft Investment Research includes a recommendation or likely future price of the financial instrument, then the issuers and other persons (except the employees who prepare the Investment Research) have no right, until the Investment Research is published, to look through the draft Investment Research in order to check the correctness of the factual data in the Investment Research or to look through the draft investment project for any other purposes.
- 4.9.6. Independence of the Employees who prepare the Investment Research must be ensured, including their segregation from other structural units and ban on taking managing positions in companies about which the Investment Research is carried out or any other participation in the activity of these subjects which could harm objectiveness of the research. To that end, the Bank must only have one unit preparing and conducting Investment Research, which unit must be separated from other units providing the services of the Bank. The Employees of other units of the Bank may not be executives of the Bank's unit conducting Investment Research. Generally, steps must be taken to ensure that the Employees of the Bank's unit conducting Investment Research only work with preparing Investment Research and do not have access to information about the Bank's available financial instruments that the Bank may deal in. The Employees of this unit of the Bank may not disclose any information about Investment Research to the Employees of other units of the Bank, or exchange with other units information relating to the Investment Services provided to the Customers or any intentions to provide such services, if such exchange is not required for the purposes of providing adequate services and/or may undermine the interests of the Customer and of the Bank. The Bank's unit preparing Investment Research may request and obtain from other units of the Bank available and objective information about the market prices and conditions that may exist at any given time. The receipt of this information will be subject to the procedure outlined in the Bank's internal documents.

4.10. For the purposes of providing consultations on corporate financial strategies as well as financial instrument subscription and distribution services, the Bank observes the following requirements:

- 4.10.1. The Bank registers all potential and existing services of financial instrument subscription or distribution to be able to identify potential Conflicts of Interest as defined under the criteria set forth herein well in advance. Once potential Conflicts of Interest are identified, the Bank implements measures prescribed to avoid and/or manage them.
- 4.10.2. In the event the measures specified in Article 4.10.1 are not efficient with respect to a particular service and the Conflict of Interest cannot be contained in that manner, the Bank must not engage in that type of financial instrument subscription or distribution service.
- 4.10.3. The Bank must always assess and manage, using its available measures, potential Conflicts of Interest that may arise as a result of execution of orders, Investment Research, offering financial instrument subscription or distribution services to different Customers.
- 4.10.4. In the process of offering financial instrument subscription or distribution services, special emphasis must be placed on preventing potential Conflicts of Interest due to the determination of a too-low financial instrument issue price or the involvement of interested parties in this process. To that end, when it comes to offering financial instrument subscription or distribution services, only the interests of the Customer issuing and/or selling the financial instruments must be observed first and foremost. Second, when it comes to offering corporate financial consultations on financial instrument distribution prices to issuers, the Employees of the Bank and other Persons who hold executive positions and provide services to the Bank's Customers investing in the underlying financial instruments may not be involved in this process and in the making of any decisions relating thereto.
- 4.10.5. In providing financial instrument distribution and subscription services, the Bank must provide the Customer with information of how the recommendations of the offering price and the offering time of the underlying financial instruments were formulated. The Bank must notify the Customer of and have the Customer approve any risk hedging and stabilisation strategies the Bank intends to employ at the time of financial instrument subscription/distribution, including how such measures could affect the Customer's interests. At the time of financial instrument subscription/distribution, the Bank must take every reasonable step to notify the Customer of the process/development of determination of the financial instrument offering price.
- 4.10.6. In acting as a promoter of financial instrument issue/distribution, the Bank must separately identify its Customers to whom the Bank provides Investment Services where the Customer is involved in the financial instrument issue/distribution organised by the Bank. In offering independent investment recommendation services to such Customers, the Bank must identify and manage Conflicts of Interest appropriately in the manner stipulated herein, and must observe every requirement applied to such services.
- 4.10.7. In acting as a distributor for financial instruments issued by itself or the Bank's Group and in distributing such instruments to any Customers of the Bank (including deposit holders or investment funds managed by any of the Bank Group companies), the Bank must identify and manage Conflicts of Interest appropriately in the manner stipulated herein. In certain cases when Conflicts of Interest cannot be managed appropriately, to prevent damages to the Customers, the Bank must refrain from offering such services to the Customers.

4.10.8. In organising financial instrument issue/distribution when the financial instruments are issued by issuers who are debtors of the Bank or any of the Bank Group companies, where the repayment of the loan or credit is to be financed with revenues from such financial instruments, the Bank must identify and manage Conflicts of Interest appropriately in the manner stipulated herein. In this case, whenever necessary and without prejudice of the Customer's interests, the Bank should notify other of its Group companies who are creditors of the issuer about the issuer's the financial situation.

4.11. Measures of managing Conflicts of Interest in the process of providing individual Investment Services are outlined in separate internal procedures of the Bank that regulate the providing of the services.

## 5. DISCLOSING CONFLICTS OF INTEREST

5.1. If a Conflict of Interest arises and only when none of the Bank's measures to avoid Conflicts of Interest is efficient to make sure that the Customer's interests will not be breached, the Bank before rendering Investment Services must disclose the content of the Conflict of Interest to the Customer on a durable medium and against signature. In disclosing the content of the Conflict of Interest, the Customer must be clearly notified that the Bank's measures to prevent Conflicts of Interest are insufficient to make sure that the Customer's interests will not be breached. Furthermore, a description of the particular arising Conflict of Interest must be presented, stating the general nature and sources of Conflicts of Interest, as well as the resultant risks for the Customer and actions taken to mitigate the risks. The explanations must be sufficiently detailed for the Customer to be able to make an informed decision regarding the particular Investment Service provided to him/her/it. The Investment Service can be rendered only in case the client clearly expresses his consent to the provision of the Investment Service amid the Conflict of Interests.

5.2. The employee must immediately inform the unit in charge in the following cases:

5.2.1. The employee notices circumstances which in his/her opinion may trigger a Conflict of Interest;

5.2.2. The Customer or Employee intends to buy or sell a financial instrument that is on the list of Conflicts of Interest indicated in Article 5.3;

5.3. The unit in charge must prepare and the Country Head of the Bank must approve the list of financial instruments which may cause conflict of interest in the course of providing Investment Services or entering into transactions. All Employees providing Investment Services to the Customers or entitled to dealing for Bank account must be familiarised with this list. Furthermore, the unit in charge must be separately notified on any financial instrument subscription or distribution services that the Bank is launching or intends to launch. The unit in charge must give notice of such services to the Employees providing other services to the Customers that may be affected and give rise to a Conflict of Interest as a result.

## 6. FINAL PROVISIONS

6.1. The unit in charge constantly observes the deals with financial instruments which can cause a Conflict of Interest and immediately informs the CEO and the Internal Audit Department of the Bank in writing about any recorded breaches of the procedure.

6.2. The unit in charge keeps and regularly updates information about the types of Investment Services provided by or in the name of the Bank that have caused or, in the event of continuous service or operation, may cause a Conflict of Interest potentially threatening to undermine the interests of one or several Customers, and prepares and reports written information about any such situation to the CEO and the Internal Audit Department of the Bank at least once per year.

6.3. The Policy of Avoiding Conflicts of Interest in Providing Investment Services is subject to review at least once per year to identify any flaws herein. Any flaws found must be remedied by making an addition or amendment to this Policy.