Luminor

Effective as of 1 October 2017

POLICY FOR EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS

1. GENERAL PROVISIONS

1.1. This Policy regulates the execution of orders on behalf of non-professional and professional clients in Luminor Bank AB (hereinafter referred to as the "**the Bank**"), determines the order execution factors and their relative importance, defines the order execution ways and venues and specifies the reasons for their choice, establishes the priority principles and timing of order execution and describes the aggregation and split of orders.

1.2. In the course of the execution of orders on behalf of non-professional and professional clients (hereinafter referred to as "**a / the Client**" or "**the Clients**"), the Bank will take all reasonable steps and measures to achieve the best possible result for the Client (hereinafter referred to as "**the Best Execution**"). The Bank will execute the said orders in compliance with the Law of the Republic of Lithuania on Markets in Financial Instruments (hereinafter referred to as "**the MiFI Law**") and this Policy for the Execution of Orders in Financial Instruments (hereinafter referred to as "**the Order Execution Policy**" or "**the Policy**").

1.3. Upon acceptance of a Client order and when there is no specific Client instruction regarding the execution method, the Bank decides how to execute the order to achieve the Best Execution. The said decision is made following the guidelines for the execution of orders as provided herein below. These guidelines apply to the following financial instruments:

- Transferable securities;
- Investment fund units including exchange traded funds (hereinafter referred to as "**ETFs**");
- Derivatives traded on regulated markets and (or) multilateral trading facilities
- Structured financial instruments.

2. EXCEPTIONS FROM THE POLICY

2.1. When the Bank acts as a systematic internaliser and publishes binding bid and ask prices at which the Bank is willing to buy or sell financial instruments, this Order Execution Policy will not be applied. The Bank acts as a systematic internaliser for the orders in financial instruments that are not traded on the regulated markets and multilateral trading facilities, placed via the DNB Trade platform.

2.2. Neither will it be considered an execution of orders (i.e. the Bank will not be acting on the Client's behalf) if non-transferable customised financial instruments are concerned, whereas (i) the Bank and the Client negotiate a price for such Over-the-Counter (hereinafter referred to as "**OTC**") derivative transaction, (ii) the Bank is one of the parties thereto and (iii) it assumes the counterparty's credit risk. The provisions of the MiFI Law relating to the Best Execution will not apply when the Client accepts prices relating to the purchase or sale of such non-transferable customised financial instruments (i.e. currency, interest rate and (or) commodity derivatives).

2.3. If the Client gives specific instructions to the Bank regarding the order submitted, the Bank shall – to the fullest possible extent – execute the order in accordance with those specific instructions. The Bank hereby clearly and explicitly warns the Client that the execution of such specific instructions may prevent the Bank from taking actions established in the Order Execution Policy and applied by the Bank for the purposes of achieving the Best Execution, and, therefore, the provisions of the MiFI Law relating to the Best Execution will not apply. With respect to specific instructions which apply to the parts of an order only, the Best Execution requirement will still apply to the rest of the order.

3. ORDER EXECUTION FACTORS AND THEIR RELATIVE IMPORTANCE

3.1. When the Bank executes an order on behalf of the Client, the following criteria are considered when weighting the relevance of the factors listed in Clause 3.2 herein below:

- the type (non-professional or professional) of the Client;
- the characteristics of the Client order;
- the characteristics of the financial instrument(s) that is (are) the subject of the order (in particular in relation to the OTC financial instruments);
- the characteristics of the execution venues at which that order can be executed.

3.2. When choosing the best execution method for the Client order, the Bank takes into account the following factors:

- the price of a financial instrument;
- the costs of the execution of an order;
- the swiftness of the execution of an order;
- the probability for the execution and settlement of an order;
- the size and content of an order.

3.2.1. **The price of a financial instrument:** the Bank deems this factor to be the most important in the execution of an order, irrespective of the type of the Client. An order will be executed under the prevailing market conditions and in accordance with the time priority principle described in Clause 5.1 herein below.

3.2.2. **The costs of the execution of an order:** these costs constitute a component of the total settlement amount and they are therefore considered to be the second relevant factor by importance. The Bank will select those execution venues where the costs of the execution of an order are the lowest and comparable to each other.

3.2.3. **The swiftness of the execution of an order:** in view of the levels of volatility affecting both price and volume, the swiftness of the execution of an order may have a significant influence on the total settlement amount. This can be especially important when an order is for a large amount, irrespective of whether the Client is professional or non-professional. However, in each case, orders in financial instruments of the same category will be executed in accordance with the time priority principle, irrespective of the category of the Client, the amount and content of the order, and other conditions.

3.2.4. **The probability for the execution and settlement of an order:** the Bank will select those execution venues where the probability of execution and settlement of an order is the highest.

3.2.5. **The size and content of the order:** the Bank will seek markets that provide the greatest liquidity and thus potential for execution of the Clients' orders, and may apply different commissions depending on the size of an order. Furthermore, the Bank may at its own discretion establish the minimum and maximum amount of an order for certain financial instruments, taking into account common market practice and (or) the costs to be incurred. In all other cases, the size and content of an order shall not in any way influence its execution on the terms most favourable to the Client.

3.3. The Bank draws the Client's attention to the fact that the Best Execution is not limited to the price of the financial instrument, but also comprises the costs and swiftness of and probability for the execution and settlement of an order. For non-professional clients, the total settlement amount to be payable by the Client will normally be a decisive factor for the choice of the execution method; this therefore means that other factors such as swiftness of and probability for execution and settlement of an order only take precedence over the price and costs if this contributes to the achievement of the Best Execution. Even in a case where it appears that the price has not been the best, this circumstance should not necessarily mean that the order has not been executed on the terms most favourable to the Client.

3.4. The Bank will disclose the information regarding the total settlement amount payable by the Client for a financial instrument, including all related payments, commissions and costs, as well as other payable charges which are to be paid through the Bank, or if the exact amount of the charges payable cannot be determined, the grounds for the calculation of the total settlement amount payable by the Client, in order to enable the Client to verify the said amount.

4. ORDER EXECUTION WAYS AND VENUES AND REASONS FOR THEIR CHOICE

4.1. The Bank will select order execution venues taking into consideration the following:
- the liquidity and accessibility thereof to other market participants;
- the transparency of pricing for financial instruments;
- the swiftness of the execution of an order;
- the costs of the execution of an order;
- the limitations on the size of an order.

4.2. The Bank may execute orders of the Clients in one of the following ways:
- by executing the order on a regulated market;
- by executing the order in the multilateral trading facility;
- by transmitting orders to other financial brokerage firms;
- by acting as an intermediary for both the purchasing Client and the selling one(s) ("client-to-client trading");
- by becoming one of the parties for part of or the entire transaction ("own-account trading").

4.2.1. Orders in financial instruments (i.e. stocks, futures, options and ETFs) which are admitted to trading and listing on the regulated markets or multilateral trading facilities (hereinafter referred to as "**the MTFs**") will always be routed, either directly by the Bank or with the engagement of third parties, for the execution to the corresponding regulated markets (exchanges) or the MTFs, as specified in the Annex to the Policy. If financial instruments are traded in several trading systems and all these execution venues meet the established requirements and the Best Execution can essentially be achieved in any of them, the Bank will normally execute orders in those regulated markets or MTFs where the Bank has direct access. Trading in the above mentioned financial instruments may take place outside the regulated markets and MTFs if the Clients have given their prior consent.

4.2.2. Orders in debt securities (bonds), which are admitted to listing for regulatory and information disclosure purposes and have little volume on the regulated markets (exchanges), are normally executed OTC.

4.2.3. Orders in financial instruments, which are not traded in regulated markets or MTFs where the Bank is a member, will normally be transmitted by the Bank to other financial brokerage firms for execution. Despite the fact that those orders are transmitted to other financial brokerage firms for execution, the Bank's duty to implement all reasonable measures to generate the Best Execution shall remain.

4.2.4. Orders in investment fund units are executed either with such investment fund manager directly or through the financial brokerage firms acting as intermediaries for such investment funds.

4.2.5. If the Bank receives the Clients' orders regarding both the purchase and sale of the same financial instrument, and these orders can be matched internally, the orders may be executed by the Bank concluding the respective contracts on behalf of the Clients. The Bank will then protect the Clients' interests with the same care as if the orders where automatically matched in a trading system, and determine the price of the financial instruments based on the market price or, if the market price is not available, a price which is reasonable in relation to the situation of the market. The trade will be made public in accordance with the prevailing regulations.

4.3. If a Client's order cannot be executed by any means because of the reasons beyond the Bank's control, the order will not be accepted.

4.4. If a Client's order cannot be executed in the execution venues specified in the Annex to the Policy because of the reasons beyond the Bank's control, the order may be executed in any other execution venue.

4.5. The Bank does not seek to use the maximum number of execution venues; however, their number should be sufficient to ensure the execution of orders on the terms most favourable to the Clients.

4.6. The Bank reviews on a regular basis the list of the selected execution venues considering the requirements to execute orders on the terms most favourable to the Client, and compares them with other potential execution venues.

4.7. Information on the execution venues used by the Bank is provided in the Annex to the Policy.

5. PRIORITY PRINCIPLES AND TIMING OF ORDER EXECUTION

5.1. Similar orders of Clients shall be executed on the basis of the time priority principle, except where such execution is inappropriate taking into consideration the terms and conditions of the relevant order and (or) the prevailing market conditions, and where the breach of the principle can be reasoned. Client orders shall be executed with priority over the Bank's orders.

5.2. In cases where a Client does not give specific instructions, the Bank shall commence the execution of the order immediately after the receipt of the order from the Client.

5.3. If Client orders are received outside the marketplace's opening hours, the orders will normally be executed when the marketplace reopens.

6. AGGREGATION AND SPLIT OF ORDERS

6.1. The Bank shall execute an order of each Client separately except in the case specified in Clause 6.2 herein below.

6.2. Where any contract(s) in financial instruments entered into by a Client via the DNB Trade platform (e.g. future contract(s) or contract(s) for difference (CFD)) expire(s) and the Client does not close and does not give the Bank any instruction(s) to close such contract(s) within the time stipulated by the Bank for the closing of open positions, the Bank may close such contract(s) of the Client by means of aggregation of such contracts with other similar orders regarding the closing of such contracts of other Clients, if the Bank believes such aggregation will not prejudice the interests of any Client. An aggregated order fully executed at a single price is allocated pro rata to the volume of primary orders at a single price of such aggregated order. An aggregated order executed in several transactions and at different prices is generally allocated pro rata to the volumes of primary orders at the weighted average price of such aggregated order. An aggregated order executed partially may be allocated by the Bank pro rata to the volume of primary orders at the price of such aggregated order executed partially.

6.3. The Bank may split an order of a Client regarding the financial instruments traded on a regulated market or a multilateral trading facility.

6.4. Orders may be aggregated or split where the Bank reasonably believes that the Client is unlikely to suffer any loss due to such aggregation or split. However, in some case the aggregation or split of orders may result in the Client obtaining a less favourable price than that at which the Client's order would have been executed if it had not been aggregated or split.

6.5. The Bank shall not aggregate the Clients' orders with its own orders under any circumstances.

6.6. The Bank is obliged to disclose the additional information about the aggregation and (or) split of the Client's order within 15 (fifteen) business days from the date of Client's written request. The Client may submit a written request for the detailed information in person at any branch of the Bank or via the internet bank.

7. FINAL PROVISIONS

7.1. The Bank monitors and evaluates the effectiveness of the Order Execution Policy on an ongoing basis, and if any defects are detected – corrects them without any delay. The Bank monitors and analyses on an ongoing basis whether the execution venues indicated in the Order Execution Policy provide for the Best Execution and whether the Order Execution Policy needs improvement.

7.2. The Order Execution Policy must be reviewed at least once per year or in connection with the important changes in the financial instruments markets or whenever a material change occurs that affects the Bank's ability to achieve the Best Execution. The Bank will notify its Clients about any material changes in the Order Execution Policy. Information on the changes in the execution venues is published by updating the list thereof on the Bank's website at the following address – www.dnb.lt/mifid.

7.3. Amendments of the Order Execution Policy are approved by the Head of Markets Division.

ANNEX TO POLICY FOR EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS

ORDER EXECUTION VENUES

1. Orders in financial instruments submitted by the non-professional and professional clients will be executed in the execution venues specified below:

1.1. Orders in shares of companies of the Baltic States – on NASDAQ OMX stock exchanges in Vilnius, Tallinn and Riga;

1.2. Orders in financial instruments that are traded on the regulated markets and (or) multilateral trading facilities, placed via the DNB Trade platform, – on the regulated markets and (or) multilateral trading facilities specified on the Bank's website at the following address – www.dnb.lt/mifid;

1.3. Orders in exchange traded funds (ETF) other than those placed via the DNB Trade platform, – via BNY Mellon Capital Markets EMEA Limited, HSBC Trinkaus & Burkhardt AG and Nordea Bank AB (publ);

1.4. Orders in shares of companies that are traded on the regulated markets and (or) multilateral trading facilities, other than those placed via the DNB Trade platform - via Nordea Bank AB (publ);

1.5. Orders in investment fund units – via Luminor Bank AB, HSBC Trinkaus & Burkhardt AG and Nordea Investment Funds S.A.;

1.6. Orders in debt securities:
1.6.1. Orders in government debt securities of the Baltic States issued locally – via Luminor Bank AB, AB SEB Bankas and "Swedbank", AB;
1.6.2. Orders in government debt securities of the Baltic States other than those specified in Clause 1.6.1 herein above – via Luminor Bank AB, AB SEB Bankas, "Swedbank", AB, Citigroup, Merill Lynch, Societe Generale SA;
1.6.3. Orders in non-Baltic debt securities – via Luminor Bank AB, Citigroup, Merill Lynch and Societe Generale SA;

1.7. Orders in structured financial instruments – via Nordea Bank AB (publ).

2. The Client orders can also be executed in the execution venues other than those specified in Clause 1 of this Annex to the Order Execution Policy provided that such order execution does not prevent the Bank from obtaining the best possible result for the Client in accordance with the terms and conditions of the Order Execution Policy.