

## Order execution policy

According to the EU's Markets in Financial Instruments Directive (MiFID) which has been implemented into Latvian law through the Law on Financial Instruments Market and regulations of the Securities and Capital Markets Commission, financial intermediaries incl. AS "Swedbank" (hereinafter: the Bank) are obliged to take all reasonable measures in order to achieve the best possible results for its clients when providing the services of executing or transmitting client orders.

The aim of this document is to describe the principles as set out by AS "Swedbank" order execution policy (hereinafter: Execution Policy), based on which the Bank shall execute and transmit the orders in financial instruments of professional and retail clients of the Bank.

The Bank's commitment to provide the clients with "best execution" does not mean that the Bank owes any fiduciary responsibilities over and above the specific regulatory obligations placed upon the Bank or as may be otherwise contracted between the Bank and its clients.

While the Bank will take all reasonable steps based on the resources available to deliver best execution of the clients' orders, the Bank cannot guarantee that it will always be able to provide best execution of every order executed on the clients' behalf.

The clients are strongly advised to thoroughly analyse this Execution Policy and make sure that the rules and principles of the Bank are acceptable to them.

### 1. Consequences of specific instructions from clients

If the client provides specific instructions regarding one or several orders, for example that the Bank shall act as the client's counterparty, or shall execute the order on a certain trading venue or in a particular manner, such instructions will take precedence over the stipulations of this Execution Policy. Therefore, a specific instruction may entail that the Bank, in those parts covered by the instruction, is unable, in whole or in part, to act according to this Execution Policy. However, the Bank is considered to have offered the best execution of an order as long as the Bank has acted in accordance with the relevant instructions.

### 2. Order types and methods for submitting orders

The client can submit orders via specific platforms on the internet, over the phone or in written form at any office of the Bank after having concluded the necessary agreements. These methods involve different procedures before the Bank can begin with the execution of the order, therefore the Bank herewith clearly informs and warns the client, that the order in which orders are placed by the clients using the abovementioned methods is not necessarily the order in which the Bank shall commence executing them.

The Bank will execute primary market transactions (e.g. IPO) in financial instruments by transmitting the client order to the issuer, or the agent of the issuer in accordance with the terms of the specific issuance and/or specific instructions of the client.

The Bank will execute client orders promptly, efficiently and fairly. Comparable client orders are executed immediately and in the temporal order in which they are received, provided this is not rendered impossible by the nature of the order or prevailing market conditions, or

where otherwise dictated by the client's interests. Private client is being informed of any significant difficulties regarding execution of the order.

In certain cases the Bank may consolidate a client's order with other clients' orders. This takes place in such cases in order to benefit the clients and it is thus unlikely that consolidation will generally be to the disadvantage of an individual client whose order is included in the consolidation. It cannot, however, be ruled out that consolidation with respect to an individual order may be to the client's disadvantage.

A consolidated order which in its entirety proceeds to a trade at the same price is allocated in accordance with the volume of the original orders and at the trade price. Where a consolidated order can only be partially executed or where a consolidated order has been executed through several trades and at different prices, the clients' original orders are allocated in accordance with the time priority, i.e. a later original order receives an allocation only in so far as an earlier order has received full allocation and at the price which follows from the time priority. Where a consolidated order can only be partially executed, the Bank may allocate the consolidated order proportionally in accordance with the volume of the original orders and at the trade price only upon the consent or request of all clients whose orders were respectively consolidated.

When providing portfolio management or similar services, the Bank may consolidate client orders in accordance with market practice and the principles of equal treatment of clients and their portfolios. The consolidated orders of clients (whether entirely or partially executed) of portfolio management or similar services are allocated proportionally in accordance with the volume of the original orders and at the trade price.

The Bank has the right to limit the types of orders available for the client (e.g. market orders and limit orders are available), even if the venue on which the specific instrument is traded offers a larger variety of order types.

The Bank may limit the validity period of client orders and effect shorter validity periods as compared to the validity periods allowed by the execution venue where the respective order is sent for execution.

#### Order definitions

A limit order is an order submitted to the Bank to buy or sell a specific number of financial instruments at a price specified by the client or at a better price. Limit orders may receive partial execution.

A market order is an order submitted to the Bank to buy or sell a specific number of financial instruments immediately at the best available current price. Market orders may receive partial execution if the market depth is not sufficient to execute the entire order, there are trading venue limitations or other obstacles to executing the entire order.

### 3. Factors of best execution

#### 3.1 Retail clients

For retail clients, the best possible result is determined in terms of the total consideration. Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order, such as trading venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

The Bank herewith informs and warns retail clients that other factors of execution such as speed of execution, likelihood of execution, speed of settlement, likelihood of settlement, size

of the order, nature of the order and other factors are less significant than the factor of total consideration.

The Bank may consider speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs and give them precedence over the immediate price and cost factors if they are instrumental in delivering the best possible result in terms of the total consideration to the retail client. Such implicit costs may be relevant for retail clients with respect to a large order in a relatively illiquid share, orders with specific conditions, etc. The Bank may also take into account that different categories of clients may have different characteristics and thereby different priorities regarding the significance of the various factors.

Likewise, certain factors may be of greater significance than others with regard to execution or transmission of orders in special products or on different venues, among other things due to distinguishing characteristics of the instruments in question or the venues. The assessment may also differ depending on whether the Bank executes or transmits the order.

### 3.2 Professional clients

For professional clients the best possible result is determined in the terms of the size of the order and speed of execution. The Bank herewith informs and warns professional clients that other factors of execution such as total consideration, likelihood of execution, speed of settlement, likelihood of settlement, nature of the order and other factors are less significant than the factors of size of the order and speed of execution. The Bank does, however, agree and acknowledge that total consideration is also an important factor for professional clients.

### 4. Choice of trading venue

The Bank is of the opinion that when a financial instrument is traded on more than one regulated markets or other trading venues the Bank shall choose for execution the regulated market or trading venue where probability of settlement is highest and the Bank has the best access to.

In light of the aforesaid, when executing orders the Bank will normally choose the trading venues ([http://www.swedbank.lv/lib/en/izpildes\\_vietu\\_saraksts\\_ENG.pdf](http://www.swedbank.lv/lib/en/izpildes_vietu_saraksts_ENG.pdf)) where probability of settlement is highest, either to register the order in the trading venue's technical system or, if order execution takes place outside such system, in order to determine a reference price or equivalent.

For specific financial instruments there may be only one trading venue included in the list of venues which the Bank has access to. When executing a trade on the relevant single trading venue it is assumed that the Bank has offered the best possible result .

### 5. General rules of order execution

In connection with order execution the Bank may use one or a combination of the following order execution methods.

#### 5.1 Regulated market or multilateral trading facility (MTF)

The Bank may execute an order directly on a regulated market or on an MTF. In such cases the client's order is matched against another party's order in accordance with the trading venue's trading rules.

#### 5.2 Outside a regulated market or MTF

The Bank herewith informs the client of the possibility that client orders may be executed outside a regulated market or MTF.

The aforesaid does not apply, however, where the client has notified the Bank that the order in question may not be executed outside a regulated market and the instrument is traded on a regulated market or MTF which the Bank has access to (either directly or via broker). In case the client submits a limit order in respect of shares admitted to trading on a regulated market which is not immediately executed under prevailing market conditions, the Bank is obligated to make public such a limit order, unless the client requests the opposite.

## 6. Execution of orders regarding specific financial instruments

The Bank may limit the financial instruments which the clients can trade in (i.e. the client may not be able to trade in all financial instruments which are available on all the venues which the Bank has direct or indirect access to).

### 6.1 Financial instruments primarily traded on external trading venues

This section is applicable to the execution of orders regarding such instruments which are primarily traded on a regulated market (e.g. Nasdaq OMX Tallinn), MTF or another trading venue. Thus, most of the instruments admitted for trading on a regulated market or MTF are covered, for example:

- shares (e.g. shares admitted to trading on Nasdaq OMX Riga);
- standardised derivatives (e.g. options and futures admitted to trading on OMX);
- and such units in collective investment instruments which are admitted to trading on a regulated market or MTF. (Regarding units in collective investment instruments that are not admitted to trading on a regulated market or MTF, see 6.c.).

The Bank usually processes orders regarding these instruments:

- as soon as possible after receiving the order, by sending the order to the trading venue which, in the Bank's opinion, provides the client with the best result in accordance with sections 3 and 4 above;
- consolidating the client's order with other orders in accordance with section 2 above and thereafter sending the order to the venue which, in the Bank's opinion, provides the client with the best result in accordance with sections 3 and 4;
- executing the order through several separate transactions on the venue, (e.g. where a relatively large order is involved);
- executing the order against the Bank or against another client's order at a price which corresponds to the market price;
- as soon as possible after receiving the order by transmitting it to the relevant broker for execution. In certain cases the Bank quotes a price – indicative or fixed – directly to the client, for example a risk price.

In these cases, a purchase agreement is entered into between the parties, either when the client accepts a fixed price quoted by the Bank or, in the case of indicative prices, when the Bank confirms the price to the client and the client accepts the price. Since in such a case an agreement is concluded between the Bank and the client, the Bank does not then execute or transmit the order on the client's behalf or use its discretion when executing the client's order. Consequently, this Execution Policy is not applicable in such situations. However the Bank

shall still be required to act in the best interests of the client and avoid any conflicts of interests.

#### 6.2 Financial instruments which are not primarily traded on external trading venues

This section is applicable to the handling of orders in such instruments as are primarily traded directly against a sole counterparty (OTC), for example:

- Debt securities;
- Money market instruments;
- Fixed-income derivatives, currency derivatives and other OTC traded instruments.

In these cases the Bank normally quotes prices – indicative or fixed – directly to the client. Afterwards the parties conclude a purchase agreement – either when the client accepts a fixed price quoted by the Bank or, in the case of indicative prices, when the Bank confirms the price to the client and the client accepts the price. Since in such a case an agreement is concluded between the Bank and the client, the Bank does not then execute or transmit the order on the client's behalf or use its discretion when executing the client's order. Consequently, this Execution Policy is not applicable in such situations. However, after agreement on the price of a financial instrument the Bank shall still be required to act in the best interests of the client and avoid any conflicts of interests. If the client approaches the Bank with the intent to enter into a specific agreement with or relating to financial instruments (for example, but not limited to, securities financing transactions). In such cases the Bank may, after negotiations, decide to enter into the relevant agreement with the client on the negotiated terms and conditions.

If the Bank is to execute the order on the client's behalf, the Bank will normally execute the order against the Bank at a price which corresponds to the market price, which is calculated based on external reference prices for corresponding underlying assets, in so far as appropriate and such prices are available, plus a mark-up for a commercial profit margin and costs for use of capital and counterparty risks.

#### 6.3 Units in collective investment undertakings not admitted to trading on a regulated market or MTF

The Bank will execute orders regarding units in collective investment undertakings that are not admitted to trading on a regulated market or MTF by sending the order to the relevant collective investment undertaking's management company (or equivalent) for execution in accordance with the collective investment undertaking rules (or equivalent). For more information regarding the pricing, reference is made to the relevant collective investment undertaking's management company.

### 7. Execution venues

For a list of the trading venues which the Bank currently primarily uses for execution of orders, see [http://www.swedbank.lv/lib/en/izpildes\\_vietu\\_saraksts\\_ENG.pdf](http://www.swedbank.lv/lib/en/izpildes_vietu_saraksts_ENG.pdf). The list of the execution venues is updated where necessary. The Bank recommends referring to the list of execution venues at [http://www.swedbank.lv/lib/en/izpildes\\_vietu\\_saraksts\\_ENG.pdf](http://www.swedbank.lv/lib/en/izpildes_vietu_saraksts_ENG.pdf) from time to time. Clients will not be notified separately of any changes to those venues. The Bank does not discriminate the execution venues by using different fees.

### 8. Evaluation of the Execution Policy

Regularly, and at least once per year, the Bank assesses whether the Bank's choice of trading venues and trading methods and this Execution Policy should be changed so as to achieve a better result for the client. In the process of the evaluation, factors mentioned in sections 3 and 4 above are taken into account. In addition, the Bank assesses, among other things, whether a better result for the clients can be achieved through:

- the clients' orders being executed on other or additional trading venues;
- the clients' orders being transmitted to other or additional brokers;
- the Bank's trading methods or other aspects of this Execution Policy being changed, with a better result for the client.

### 9. Transmission of orders

Transmission of orders means situations where the Bank handles the client's order, but where the actual purchase or sale is executed by an institution other than the Bank.

For the execution of orders in instruments traded on trading venues other than those which the Bank has direct access to (participates in trading directly), the Bank transmits the order to a broker – usually a foreign bank, securities institution, investment firm or similar undertaking – which in turn generally executes the order in accordance with its own rules and policies on a regulated market or MTF or executes the order itself as a systematic internaliser or transmits the order to a third party broker for such execution.

When the Bank transmits orders to other parties for execution, the Bank cannot control the execution process nor guarantee execution on the terms, conditions and principles stipulated in this Execution Policy. However, the Bank shall adhere to the terms, conditions and principles set out in this Execution Policy when transmitting orders to third parties and when deciding which third party would carry out the order in a manner most favourable to the client. The Bank shall act on a best effort basis to receive order execution as close as possible to best execution from its brokers, but cannot guarantee best execution for each individual brokered trade.

### 10. The Bank's brokers

For a list of the brokers to which the Bank currently transmits client orders, see [http://www.swedbank.lv/lib/en/brokeru\\_saraksts\\_ENG.pdf](http://www.swedbank.lv/lib/en/brokeru_saraksts_ENG.pdf).

### 11. Evaluation of the Bank's brokers

The Bank's choice of brokers in conjunction with the transmitting of orders takes place through a regular evaluation, at least once per year, of the relevant firm's ability to offer order execution that is most favourable for the Bank's clients. Here consideration is given, among other things, to the factors stated in section 3 above as well as the following criteria:

- which trading venues the broker participates in trading;
- the broker's awareness and understanding of the wishes and priorities, of the Bank's clients;
- which other services, such as advice and analysis activities, the broker is able to offer to the Bank's clients;
- the Bank's familiarity with the broker and the confidence that the Bank has in the broker;
- and how the broker's order execution policy is formulated and how the clients are informed of the policy.

## 12. Disturbances, disruptions and difficulties of execution

In the event of disturbances or disruptions in the market or the Bank's own systems (including telephone connection) or the systems of brokers or other systems which the Bank uses or the normal business activities of the Bank, e.g. due to outages or deficient access in technical systems or force majeure, it is the Bank's opinion that it may be impossible or inappropriate for the clients to submit orders or for the Bank to execute orders in any of the ways stated in this Execution Policy. The Bank shall notify the client of such disturbances or disruptions as soon as possible on its internet banking website or individually or otherwise. The Bank shall inform retail clients about any material difficulty relevant to the proper carrying out of orders as soon as possible upon becoming aware of such difficulties. It is therefore in the best interests of the client to keep all contact data which it has submitted to the Bank up to date and accurate. If the material difficulty does not stem from the individual order of a client but rather from events unrelated to the specific order which are described in the first paragraph of this section, the clients shall be notified via the Bank's internet banking website.

## 13. Amendments

The Bank will review this Execution Policy regularly (at least annually) and make changes where necessary. Any amendments will be made available on the website [http://www.swedbank.lv/lib/en/rikojumu\\_izpildes\\_pol\\_apraksts\\_ENG.pdf](http://www.swedbank.lv/lib/en/rikojumu_izpildes_pol_apraksts_ENG.pdf). Amendments will be applicable from the date of publication on the website.