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Information about Skandinaviska Enskilda Banken and its investment services

This document is a translation of the Swedish original document. The Swedish version shall be the sole authorised version and, in the event of discrepancies, shall prevail.

Information about Skandinaviska Enskilda Banken

Skandinaviska Enskilda Banken AB (publ), corporate identification number 502032-9081, 106 40 Stockholm, below referred to as "the Bank".

Phone: +46 (0)771-365365 (Customer centre)
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Web site: www.seb.se

The Bank is under the supervision of the Swedish Financial Supervisory Authority, Finansinspektionen, Box 7821, 103 97 Stockholm, www.fi.se

The Bank is authorised to provide banking and financial services in accordance with the Act (2004:297) on Banking and Financing Business. Additionally, the Bank is authorised to provide Individual Pension Savings (IPS) products and is also authorised to provide investment services, i.e:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders concerning financial instruments on behalf of clients;
- Dealing in financial instruments on its own account;
- Discretionary portfolio management concerning financial instruments;
- Investment advice to clients with regard to financial instruments;
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis, and
- Placing of financial instruments without a firm commitment basis.

The Bank is part of the SEB Group.

Language

The language used in documentation and in communication between the Bank and the client is Swedish.

Client categorisation etc.

According to the Securities Market Act, all clients trading in financial instruments shall be placed into one of three categories. The purpose of this is to adapt the client protection to the particular needs of the individual client. Private individuals and companies that are not very active financially are classified as "non-professional". In addition to "non-professional" clients, there are also "professional" clients such as larger companies, credit institutions and other financial institutions as well as public authorities and similar entities, which require less protection. The third category is the so-called "Eligible Counterparties", which is afforded the least protection according to the Act. These are for example other banks, central banks and authorities.

Clients in the category "non-professional" are afforded the highest level of protection according to the Act. This means that the Bank, among other things, will provide the client with information regarding financial instruments and the risks associated with such instruments as well as information concerning fees and other costs associated with trading in financial instruments. When the Bank provides the service of portfolio management or investment advice, the Bank will assess whether a certain service or instrument is suitable to the individual client prior to providing the service or recommending the instrument. The assessment is made with regard to the client´s experience and knowledge about the service as well as the client´s investment objectives and financial standing. Regarding services other than portfolio management and investment advice, the Bank will assess whether the service is appropriate to the client with regard to the client´s knowledge and experience.

If the client on his/her own initiative contacts the Bank solely to execute an order concerning a so-called non-complex financial instrument (for instance listed shares and fund units in securities funds), the Bank will provide the service without assessing whether the service is suitable to the client.

Clients may request to be placed in a different client category. A "non-professional" client may request in writing to be treated as "professional". The Bank must then make an assessment of the individual client´s experience and knowledge about a certain transaction or service and ascertain that the client is able to make his/her own investment decisions and that the client understands the risks that may be associated with the investment. The client will then lose the higher degree of client protection.

Information regarding investment advice provided by the Bank

The Bank provides investment advice via advisors, stockbrokers and portfolio managers. The SEB Group provides investment advice services primarily concerning its own products, such as funds, insurance and equity linked bonds offered by companies within the SEB Group, and with regard to those financial instruments that are traded on the securities market, such as shares, bonds and derivatives. To a certain extent, the SEB Group also provides investment advice services regarding other products such as the funds of other fund management companies.

In order to comply with legal requirements and to be able to provide individually adapted investment advice, an advisor reviews the financial situation of the client where he/she together with the client also goes through the client´s knowledge and experience of financial investments, the client´s objectives with regard to the investments and which level of risk the client is prepared to take in order to enable the Bank to recommend investments that are suitable in the individual case. All individually adapted investment advice services provided are based on the information provided by the client about him/herself. It is therefore advisable that the client continuously informs his/her advisor concerning possible changes that have taken place.

The review is documented in one or more documents, which are handed over to the client after completion of the review.

Information regarding conflicts of interest

The Bank offers a complete range of financial services comprising many different business activities. This means on the one hand that the Bank is able to provide complete financial services in all areas, but on the other hand that conflicts of interest may arise. Conflicts of interest means conflicts of interest between the Bank (including its management, Board, staff etc.) and its clients, as well as conflicts of interest between different clients of the Bank. Additionally, it refers to conflicts of interest between different businesses within the Bank as well as between the Bank and other activities of the SEB Group. The Bank has identified those areas where potential conflicts of interest may arise. Among other things, the Bank´s analyses, advisory and corporate finance activities may be mentioned as examples of areas where conflicts of interest may arise. The Bank´s Instruction for handling of Conflicts of Interest describes the potential conflicts of interest that have been identified and how they should be handled and avoided in order to prevent the interests of the clients from being negatively influenced. To avoid that conflicts of interest arise, the Bank has taken measures such as, for example, to keep the Group´s different businesses between which conflicts of interest may arise, separated from each other in such a way that information cannot be unduly used in any other part of the Bank. The Bank has also adopted instructions, which secure that the line of reporting and the compensation arrangements protects the independence of the employees and has also adopted rules to the effect that employees may not handle transactions where the employee or a next-of-kin has interests that could result in a conflict of interest. Employees should always primarily act in the interests of the client, which is described in the Bank´s Instruction for handling of Conflicts of Interest. At the request of the client, the Bank will provide further details of the instructions.

Information about inducements

The Bank's Instruction for Conflicts of Interest also covers inducements i.e. payment of or receipt of fees, commissions and fringe benefits in connection with the provision of investment services. Inducements that are provided to or received from a third party must be intended to improve the quality of the specific service provided to the client, and must not operate against

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the interest of the client. Inducements may not be provided or received where they are not in accordance with the Bank's obligation to conduct its business in a manner that is honest, fair and professional. You, as a client of the Bank, are entitled to receive information, prior to the provision of an investment service, about the compensation the Bank receives from, or provides to, a third party. Below, please find a brief description of the kinds of compensation that will typically be involved in the Bank's provision of certain products.

Fund units
The Bank distributes funds managed by various fund management companies and is compensated by the respective fund management company for fund units sold. Such compensation is normally calculated as follows:

- one-off compensation upon the initial investment in the form of a percentage of the invested amount,
- annual compensation in the form of a percentage of the managed capital, or
- a combination of these alternatives.

The compensation arrangements may vary between fund management companies and funds managed by the same company. Furthermore, the Bank may receive free-of-charge training or other support from fund management companies to support its sales activities. Funds managed by fund management companies within the SEB Group are in certain cases distributed by other financial institutions than the Bank. For such distribution the institution receives a commission calculated as set out above.

Structured products
Structured products distributed by the Bank may be issued by other issuers than the Bank. In such case the Bank receives compensation for the distribution of the structured products from the respective issuer. The compensation may be calculated as a percentage of the invested amount and may vary between issuers, or between structured products issued by the same issuer. Structured products issued by the Bank are in certain cases distributed by other financial institutions than the Bank. For this distribution the Bank pays a commission to the institution. The commission is calculated as a one-off compensation based on the invested amount.

Lottery bonds
The Bank receives compensation from the National Debt Office for distribution in connection with the issuing of lottery bonds. The compensation is calculated as a percentage of the distributed volume.

The interest rate market
The Bank may receive compensation from issuers of bonds or money market instruments when we participate in transactions in the primary or secondary market. Such compensation is normally calculated as:

- a fixed compensation
- a variable compensation based on turnover, or
- a combination of these alternatives.

New Issues
The Bank sometimes provides assistance in connection with new issues, quotations and other company events. For such assistance, the Bank receives payment, which is normally calculated as:

- a fixed compensation,
- a one-off compensation in the form of a percentage of the amount for which the clients of the Bank have subscribed shares, or
- a combination of these alternatives.

Portfolio management
The Bank cooperates with certain portfolio management institutions, which place their clients' accounts with the Bank. The Bank and the portfolio management institution may in such case have reached an agreement whereby the brokerage that the investor pays to the Bank is divided between the Bank and the institution.

Referral of clients
The Bank may also provide or receive compensation upon referral of a client from or to a third party. Such compensation is normally calculated as:

- a one-off compensation,
- an annual compensation in the form of a percentage of the assets under management,
- an annual compensation based on a share of paid commissions, or
- a combination of these alternatives.

Additional information
If you wish to receive additional information, please contact your advisor or your nearest SEB office. You may also call us at 0771-365 365.

Information about investor protection according to the Act (1999:158) on Investor Compensation Scheme.

The Bank holds clients´ financial instruments separated from the Bank´s assets. According to the Act (1999:158) on Investor Compensation Scheme, the client has, if he/she in case of the Bank´s bankruptcy is unable to retrieve his/her financial instruments from the Bank, a right to a special compensation up to a total of SEK 250,000. The said compensation may also include funds that the Bank has received subject to a reporting obligation. A client, who wishes to claim compensation must, within one year of the date of the bankruptcy declaration, present the claim to the Swedish National Debt, which will assess the claim and make any subsequent payment.

Individual Pension Savings (IPS) products are not covered by the Investor Compensation Scheme.

Information about the Deposit Guarantee Scheme according to the Act (1995:1571) on Deposit Guarantee

The account is covered by the state deposit guarantee. This means that if a bank is declared bankrupt, each customer is guaranteed compensation for their total balance with the bank in accounts which are covered by the deposit guarantee. The maximum amount of compensation is SEK 500,000 or, if greater, the amount in kronor which is equivalent to EUR 50,000 on the date on which the right to compensation arises. The compensation will be paid out by the Swedish National Debt Office within three month of the date on which the bank was placed into insolvent liquidation.

Uninvested (liquid) funds held in a fund account are covered by the Deposit Guarantee Scheme. Holdings of units in funds are protected by other rules.

Individual Pension Savings (IPS) products are not covered by the Deposit Guarantee Scheme.

Information according to the Personal Data Act (PuL) on the bank´s processing of personal data, etc.

Personal data provided in applications/notification of interest/agreements or that is otherwise registered in connection with the preparation or administration of an assignment (e.g. credit information or business assessments) are processed by the Bank for administration and fulfilment of concluded agreements and for the taking of measures requested before and after an agreement has been reached. Data will also be processed in order for the Bank to perform its statutory obligations. In addition, personal data may form the basis for the Bank´s market and client analysis, business and method development as well as statistics and risk management e.g. in risk measurement models that the Bank uses in order to comply with capital requirement regulations. The Bank may also, provided that direct mail advertising stop has not been requested, use the data for marketing purposes.

In the case of banking business conducted via the telephone, such as the purchase and sale of securities, personal data is also processed by recording of telephone calls.

In order to provide good client care and file maintenance, the Bank may supplement your personal data by obtaining information from private and public records, e.g. updating address information with the aid of the National Person and Address Register, SPAR. Personal data may for specified purposes – with consideration given to Bank secrecy – occasionally be provided to other companies in the SEB Group or with companies co-operating with the SEB Group, e.g. the Swedish Credit and Information Centre (UC) and Bankgirocentralen. In some cases, the Bank is also in certain cases under a statutory obligation to provide information, e.g. to the Financial Supervisory Authority, tax authorities and regional social insurance offices.

If you wish to obtain information about the personal data relating to you that is processed by the bank, please submit a written request, signed by you, to SEB, PuL, 106 40 Stockholm. You can at the same address give notice that you do not wish to receive direct advertising from the Bank or request the Bank to delete or correct data that prove to be incorrect or incomplete.

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Information pursuant to the Distance and Doorstep Sales Act (2005:59)

The Distance and Doorstep Sales Act includes rules which apply to agreements regarding financial services and financial instruments which are entered into at a distance between a consumer and a trader. "Distance Agreement" means an agreement entered into without a bank and the consumer meeting in person, such as via the Internet, telephone, or in response to an advertisement/direct mailing. In conjunction with a distance agreement, prior to entering into the agreement, a consumer is entitled to certain information regarding the terms and conditions of the agreement – in addition to that which is provided for in the terms and conditions and common provisions above.

Information about Skandinaviska Enskilda Banken, please see above

Information about the Bank's services and products
Information about the Bank´s services and products is available at www.seb.se under "Offerings".

Trading in securities takes place at the bank branches or via telephone. Via the Internet Office, the consumer may trade in Nordic shares, warrants, bonds, convertibles and equity-linked bonds. Additionally the consumer has the possibility to subscribe for new equity-linked bonds, shares and premium bonds.

Information about prices, taxes and fees
Prices for the Bank´s Services are payable pursuant to tha Bank´s price list applicable from time to time.

The current price list is available at www.seb.se under "Offerings/Prices & interest rates" or at our bank branches.

In addition, further taxes, fees or costs may accrue which are neither imposed nor paid by the Bank.

Risk
Trading in financial instruments always entails assuming a risk. The consumer´s invested capital may both appreciate and depreciate and there is no guarantee that the consumer will get the invested capital back. For more detailed information regarding these risks, see the section below, entitled "Information regarding characteristics and risks relating to financial instruments".

The right of withdrawal and termination of agreement
A consumer has a right of withdrawal, which entails that the consumer is entitled to withdraw from a distance agreement which has been entered into within 14 days calculated from the date on which the agreement was entered into. Regarding distance Individual Pension Savings (IPS) agreements, the consumer is entitled to withdraw from the agreement within 30 days after entering into the agreement.

The right of withdrawal only applies to the initial agreement and not to the separate agreements entered into or services carried out during the term of the initial agreement. Nor does a right of withdrawal arise regarding such separate agreements, services, withdrawals, purchases, payments, transactions, transfers etc. or suchlike which the Bank has executed at the consumer's request prior to the exercise of the right of withdrawal.

Where a consumer exercises the right of withdrawal, the Bank shall be entitled to compensation for the agreed service for the period during which the consumer used the service, and for costs until the exercise of the right of withdrawal.

Where the consumer wishes to exercise the right of withdrawal, the consumer shall notify the SEB Customer Centre either via telephone 0771-365365 or via mail under the address 106 40 Stockholm.

Other terms and conditions applicable to premature or unilateral termination of the agreement are stated in the General Terms and Conditions of the agreement.

Claims for compensation and complaints
Where a consumer is dissatisfied with any of The Bank´s services, it is important that the consumer contacts the Bank and presents his/her points of view. First, the person or unit within the Bank that has supplied the service or carried out the order via telephone 0771-365365 or via the message service at the Internet Office for private persons or via mail to the address stated above. A customer who is dissatisfied with the response can contact The Bank´s Customer Relations, 106 40 Stockholm, telephone 0771-62 10 00.

If the consumer wishes to discuss the matter with an independent third party, the consumer can contact the Consumers´ Banking & Finance Bureau, see www.konsumentbankbyran.se.

Where the consumer believes that the complaint has not resulted in satisfactory rectification on the part of The Bank and the amount in dispute exceeds a stated minimum amount, the consumer can contact the Swedish National Board for Consumer Complaints (ARN). Complaints to ARN must be made within six months from the date on which the Bank first, in whole or in part, rejected the consumer´s claim. The Board provides recommendations as to how the dispute between the consumer and the Bank should be resolved. For more information, a complaint form etc. see www.arn.se.

Deposit guarantee and Investor protection, please see above.

INFORMATION REGARDING CHARACTERISTICS AND RISKS RELATING TO FINANCIAL INSTRUMENTS

1. Trading of financial instruments

The trading of **financial instruments**, i.e., inter alia, shares in limited liability companies and equivalent participation rights in other types of undertakings, bonds, depository receipts, fund units, money market instruments, financial derivative instruments or other such securities, except instruments for payment, which are negotiable on the capital market, mainly takes place in an organized manner at an **execution venue**. Trading is carried out by banks and securities companies with authorisation to provide investment services, herein after referred to as securities institutions, which participate in the trade on the execution venue. As a client, you normally have to contact such a securities institution in order to buy and sell financial instruments.

1.1 Execution venues
"Execution venues" means regulated markets, multilateral trading facilities (MTF) and systematic internalisers (SI), as well as where trading takes place within securities institutions.

Various types of financial instruments are traded on a **regulated market**. In relation to shares, only shares of publicly listed companies can be listed and traded on a regulated market and there are stringent requirements for such companies, inter alia, regarding the company´s size, operational history, the spread of ownership and public reporting of the company´s finances and operations.

A **multilateral trading facility (MTF)** can be described as a trading system that is organised and provided by an exchange or a securities institution. Typically, less stringent requirements, such as the provision of information and operational history, apply for financial instruments traded on a multilateral trading facility compared to financial instruments traded on a regulated market.

A **systematic internaliser** is a securities institution which, in an organised, frequent and systematic manner, trades on its own behalf by executing client orders outside a regulated market or a multilateral trading facility. A systematic internaliser is obligated to publish buy and/or sales bids on prices that correspond to the market price for liquid shares which are traded on a regulated market and for which the systematic internaliser carries out systematic internal trading.

Trading can also take place through a securities institution without it being a systematic internaliser, by executing a client´s order against the institution´s own account or against orders from other clients of the institution.

There are currently two regulated markets in Sweden, OMX Nordiska Börs Stockholm AB (hereinafter referred to as the "Stockholm Stock Exchange") and Nordic Growth Market NGM AB (hereinafter referred to as "NGM"). In addition, organised trading takes place on other execution venues, e.g. First North and Nordic MTF (multilateral trading facilities) as well as on **securities institutions´ own lists**.

Trading on regulated markets, multilateral trading facilities and other execution venues constitutes a secondary market for financial instruments which are not newly issued. Where the secondary market functions well, i.e. it is easy to find buyers and sellers and there is continuous notation of bid prices from buyers and sellers, as well as closing rates (transaction prices) for completed transactions, the companies are also at an advantage because it is easier, when required, to issue new instruments and thereby obtain more capital for the company´s operations. The primary market, is the market on which the purchase of/subscription of newly issued instruments takes place.

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1.2 Trading/quoting lists
In relation to shares, the execution venues usually divide the shares into different lists which are published, e.g. on the execution venues´ website, in daily newspapers and other forms of media. A deciding factor in relation to the list on which the company´s shares are traded may be the company´s market value (e.g., Stockholm Stock Exchange´s Large, Mid and Small cap). The shares with the highest turnover may also be on a special list. Certain securities institutions publish their own lists of financial instruments which are traded through the institute, prices at which the instruments are traded, etc., e.g. via the institution´s web site. Shares quoted on lists with stringent requirements and high turnover are generally deemed to involve a lower risk than shares on other lists.

Information regarding prices, etc. regarding shares as well as other types of financial instruments, for example fund units, options and bonds, are also published regularly on, e.g. the execution venues´ web sites, in daily newspapers and other forms of media.

2. Risks associated with financial instruments and trading of financial instruments

2.1 Generally regarding risks
Financial instruments can provide a **return** in the form of **dividends** (shares and funds) or interest (fixed income instruments). In addition, the price of the instrument may increase or decrease compared to the price when the investment was made. In the description below, the word investment also means any negative positions (negative holdings) in the instrument, compare with e.g. that which is stated in section 7 below regarding short selling. The total return is the sum of the dividends/interest and price change for the instrument.

Naturally, the investor seeks a total return that is positive, i.e. yields a **profit**, preferably as high as possible. However, there is also a **risk** that the total return will be negative, i.e. that there will be a **loss** on the investment. The risk of loss varies between different instruments. Normally, the chance of a profit on an investment in a financial instrument is linked to the risk of a loss. The longer the time for which the investment is held, the greater the chance is of a profit or the risk of a loss. In an investment context, the word ”risk” is used to express both the risk of loss and the chance of profit. However, in the description below the word ”risk” is used solely to designate the risk of loss. There are various ways to invest which may reduce the risk. It is normally regarded as preferable not to invest in a single or only a few financial instruments but, instead, to invest in **several different** financial instruments. These instruments should then offer a **spreading of the risks** and do not concentrate risks that can be triggered simultaneously. Normally, a spreading of the investments to include foreign markets also reduces the risk of the total portfolio, even if, when trading in foreign financial instruments, there is also a **currency risk**.

Investments in financial instruments are associated with **economic risks,** which will be described in some greater detail in this information. The client is personally liable for the risk and must, therefore, himself at the retained securities institution – or via his own asset management representative –, become acquainted with the terms and conditions, in the form of general terms and conditions, prospectuses and suchlike, which apply to the trade of such instruments and the characteristics of the instruments and risks associated therewith. The client must also regularly monitor his investments in such instruments. This is the case even if the client has received personal advice in conjunction with the investment. The client should, in his own interests, be prepared to take measures promptly where such prove necessary, for example through selling investments that have performed negatively or by providing additional collateral in conjunction with investments financed through loans and where the collateral value has fallen.

It is also important to consider the risks involved in trading with financial instruments on an execution venue other than a regulated market, where the requirements imposed are generally less stringent.

2.2 Different types of risk concepts, etc.
In conjunction with the risk assessment which you should carry out when you as a client make an investment in a financial instrument, and also regularly during the holding period, there are many different risk concepts and other factors to consider and weigh-up. A short description of some of the most common risk concepts are set out below.

Market risk – the risk that the market as a whole, or a particular part thereof in which you as a client have your investment, e.g. the Swedish equities market, falls.

Credit risk – the risk of e.g. an issuer or a counterparty having an insufficient ability to make payment.

Price volatility risk – the risk of large swings in the price of a financial instrument negatively affecting the investment.

Price risk – the risk of the price of a financial instrument falling.

Tax risk – the risk that the tax rules and/or tax rates are unclear or may be changed.

Currency risk – the risk that a foreign currency to which a holding is related (e.g. fund units in a fund which invests in US securities listed in USD) are weakened.

Risk of leveraged effect – the construction of a derivative instrument which means that there is a risk that the price of the underlying asset has a greater negative effect on the price of the derivative instrument.

Legal risk – the risk that relevant legislation and rules are unclear or may be changed.

Company-specific risk – the risk that a certain company performs worse than expected or is affected by a negative event and the financial instruments related to the company may thereby fall in value.

Sector-specific risk – the risk that a certain sector performs worse than expected or is affected by a negative event and the financial instruments related to the company within the sector may thereby fall in value.

Liquidity risk – the risk that you are unable to sell or purchase a financial instrument at a certain chosen time due to the turnover in the financial instrument being low.

Interest risk – the risk that the financial instrument in which you have invested decreases in value due to changes in the market interest rate.

3. Shares and share-related instruments

3.1 Generally regarding shares
3.1.1 Shares and limited liability companies
Shares in limited liability companies entitle the owner to a portion of the company´s **share capital.** Where the company makes a profit, the company usually distributes **dividends** on the shares. Shares also entitle the holder to **voting rights** at the general meeting of the company, which is the highest-ranking decision-making body in the company. The more shares the holder owns, the greater the portion of the capital, dividends and votes that inure to him. Voting rights may vary depending on the class of shares concerned. There are two types of companies, **public** and **private**. Only public companies may cause their shares to be traded on an execution venue.

3.1.2 The share price
The **price** of a share is affected mainly by the supply and demand for the relevant share which in turn, at least in the long term, is affected by the **company´s future prospects**. A share is valued upwards or downwards depending primarily on the investors´ analysis and assessment of the company´s possibilities to make **future profits**. Future **external developments** regarding the global economy, technology, legislation, competition, etc. determine the demand for the company´s products or services and, consequently are of fundamental significance regarding changes in the price of the company´s shares.

Current **interest rate** levels also play a large role in the pricing. Where the market interest rates increase, fixed interest financial instruments that are issued at the same time (newly issued) provide a better return. In such cases, the prices of shares which are regularly traded normally fall, as well as those already traded fixed interest instruments. The reason is that the increased return on the newly issued fixed income instruments become, relatively speaking, better than the return on shares, as well as on already traded fixed income instruments. In addition, share prices are negatively affected by the fact that the interest payments on the company´s debts increase when market interest rates increase, a factor which reduces the scope for profits in the company.

Also, **other factors directly related to the company**, e.g. changes in the company´s management and organisation, disruptions in

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production, etc. may strongly affect the company´s future ability to create profits, both in the long and short-term. In the worst case, a limited liability company may perform so poorly that it must be declared bankrupt. The share capital, i.e. the capital invested by the shareholders, is the capital that is used first in order to pay the company´s debts. This often results in the shares of the company becoming worthless.

Even prices on major foreign **regulated markets or execution venues** affect the prices in Sweden, inter alia, since many Swedish limited liability companies are also listed on foreign execution venues and price equalisation (arbitrage) takes place between different execution venues. Prices in shares in companies that belong to the same **industrial sector** are often affected by changes in the prices of shares of other companies within the same sector. This effect can also apply with respect to companies in other countries.

Investors on the market have different needs for investing cash (liquid funds) or obtaining liquid funds. In addition, they often have different opinions as to how the price will develop. These factors, which also include the way in which the company is valued, contribute to there being both buyers and sellers. On the other hand, if the investors have the same opinions regarding price trends, they will either wish to buy and thereby creating buying pressure from many buyers, or they will wish to sell and thereby creating selling pressure from many sellers. The prices increase in the event of buying pressure and fall in the event of selling pressure.

Turnover, i.e. the quantity of a certain share which is purchased and sold, in turn affects the share price. In the event of high turnover the difference is reduced between the price the buyer is prepared to pay (**bid price**) and the price the seller demands (**ask price**). (The difference between bid and ask prices are often referred to as the spread.) A share with a high turnover, where large amounts can be traded without affecting the price, enjoys good **liquidity** and is therefore easy to buy or sell. Companies on the regulated markets´ lists (e.g. the Stockholm Stock Exchange´s Nordic list and NGM´s NGM Equity) more often have high liquidity. During the day or during longer periods, different shares can exhibit different degrees of price stability (**volatility**), i.e. increases and declines, as well as in size of the price changes.

The prices at which shares are traded (**transaction prices**), such as highest/lowest/most recently paid during the day, as well as the last quoted bid/ask prices and further information regarding traded volume in kronor is published, inter alia, in most major daily newspapers, on text-TV and on various web sites maintained by execution venues, securities institutions and media companies. How current such price information is can vary depending on the manner in which it is published.

3.1.3 Various classes of shares

There are various **classes** of shares, commonly class A and B shares which normally refer to voting rights. Class A shares normally entitle the holder to one vote while class B shares entitle the holder to a **restricted voting right**, often one-tenth of the vote. The differences in voting rights are due to, inter alia, the fact that in conjunction with diversification of ownership the original founders or owners of the company wish to maintain their influence in the company by being given stronger voting rights. Therefore, newly issued shares are accorded a lower voting value than the original class A shares and are designated with the letters B, C or D, etc.

3.1.4 Quotient value, split and consolidation of shares

A share´s **quotient value** is the equal portion of the company´s share capital that each share represents. The quotient value is obtained by dividing the share capital with the total amount of shares. Occasionally, companies wish to change the quotient value, e.g. because the price, i.e. the market price of the share, has risen significantly. By dividing up the share into two or several shares through a so-called **split**, the quotient value is reduced and at the same time the price per share is reduced. However, after a split the owner´s capital remains unchanged but this is divided into a greater number of shares which have a lower quotient value and a lower price per share.

Conversely, a **consolidation** of shares (reverse split) can be carried out where the price has fallen dramatically. In such case, two or several shares are merged into one share. Following a consolidation of shares, shareholders retain the same capital; however this is divided into fewer shares with a higher quotient value and a higher share price.

3.1.5 Market introduction, privatisation and take-overs

Market introduction (in English often referred to as Initial Public Offering, IPO) means that the shares in a company are introduced on to the equities market, i.e. are approved for trading on a regulated market or a multilateral trading facility (MTF). The public is then invited to **subscribe for** (purchase) shares of the company. Most often, this is related to an existing company which has not previously been traded on a regulated market or other execution venue, where the owners have decided to expand the number of shareholders and facilitate trading of the company´s shares. Where a state-owned company is introduced on the market, this is called **privatisation**.

A take-over (**company acquisition**) normally involves one or more investors making an offer to the shareholders of a company, on certain terms and conditions, to sell their shares. Where the buyer obtains 90% or more of the number of shares in the acquired company, the buyer can request **compulsory purchase** of the remaining shares from the shareholders who have not accepted the company acquisition offer. These shareholders are then obliged to sell their shares to the buyer for payment which is determined through an arbitration proceeding.

3.1.6 Share issues

Where a company wishes to expand its operations, additional share capital is often required. The company raises additional capital by issuing new shares through a **new issue**. The existing shareholders often receive **subscription rights** entailing a preemptive right to subscribe for shares in a new issue. The number of shares that may be subscribed for is normally established in relation to the number of shares previously held by the shareholders. The subscriber must pay a certain price (issue price) which is often lower than the market price, for the newly issued shares. Immediately after the subscription rights (which normally have a certain market value) are detached from the shares, the price of the shares normally declines but, at the same time, shareholders who have subscribed have a larger number of shares. During the subscription period, which often lasts for several weeks, those shareholders who do not subscribe may sell the subscription rights on the marketplace on which the shares are traded. Upon the expiry of the subscription period, the subscription rights lapse and thus become useless and worthless.

A limited liability company can also carry out a **directed rights issue** (a kind of private placement) which is carried out as a new issue but directed solely to a limited group of investors. The limited liability company can also carry out **non-cash issues** of new shares in order to acquire other companies, business operations, or assets other than cash. In conjunction with both directed issues (private placement) and non-cash issues, **dilution** takes place of an existing shareholder´s portion of the voting capital and share capital in the company, but the number of the shares held and the market value of the invested capital is normally not affected.

If the assets or the reserve funds in a limited liability company have greatly increased in value, the company can transfer part of the value to its share capital through what is commonly referred to as a bonus issue. In conjunction with bonus issues, consideration is given to the number of shares already held by each shareholder.

The number of new shares that inure through the bonus issue is established in proportion to the number of shares previously held. Through the bonus issue, the shareholder receives more shares but the owner´s portion of the company´s increased share capital remains unchanged. The price of the shares declines in conjunction with a bonus issue but, through the increase in the number of shares, the shareholder retains an unchanged market value for his or her invested capital. Another method of carrying out a bonus issue is for the company to **redenominate** the quotient value of the shares. Following a redenomination, the shareholders have an unchanged number of shares and market value for their invested capital.

3.2 Generally regarding share-related instruments

Some instruments often closely connected to shares are share-index bonds, depositary receipts, convertible debentures, shares and share index options, share and share index futures, warrants and leverage certificates.

3.2.1 Index bonds/Share-index bonds

Index bonds/share-index bonds are bonds where the yield, instead of interest, depends on, e.g. a share index. Where the index develops positively so does the return. In the event of a decline

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in the index, there may be no return. However, the nominal value of the bond is always repaid on the maturity date and therefore has a limited risk of loss compared to e.g. shares and fund units. The risk with an investment in a share index bond can, except for any paid premium, be defined as the alternative interest income, i.e. the interest the investor would have received on the invested amount with an alternative investment. Index bonds can have different names, such as share index bonds, SPAX, share bonds, credit basket bonds, interest basket bonds, currency basket bonds, etc. depending on the underlying type of asset that determines the bond´s return. When talking about index bonds, these are also often termed as capital-guaranteed or capital-protected products. These concepts are meant to describe, as stated above, that irrespective of whether or not the product yields a profit or not, the nominal amount is repaid, i.e. normally the same as the amount invested less any paid premium.

3.2.2 Depositary receipts
Swedish Depositary receipts are receipts regarding the right to foreign shares which the issuer of the receipt holds on behalf of the holder. Depositary receipts are traded just as shares on a regulated market or execution venue and the price normally follows the price on the foreign execution venues on which the share is traded. In addition to the general risks associated with trading of shares or other types of participating interests, currency risks should be considered.

3.2.3 Convertible Instruments
Convertibles (convertibles or convertible instruments) are fixed income securities (loans to the issuer of the convertible) which may be exchanged for shares within a certain period of time. The return on the convertible, i.e. the coupon interest, is normally higher than the dividend of the shares received in exchange. The price of the convertibles is expressed as a percentage of the nominal value of the convertible.

3.2.4 Reverse convertibles
Reverse convertibles are a cross between an interest and a share investment. The reverse convertible is connected to one or several underlying shares or indexes. This investment yields an interest, i.e. a fixed, guaranteed return. Where the underlying shares or indexes perform well, the invested amount is repaid plus the fixed return. However, where the underlying shares or indexes fall, there is a risk that the investor instead of the invested amount receives one or several shares included in the reverse convertible or an equivalent amount in cash.

3.2.5 Share options and share index options
There are various types of **share options**. Acquired call options entitle the holder to purchase already issued shares at a predetermined price within a specific period of time. Conversely, put options entitle the holder to sell shares at a predetermined price within a specific period of time. There is an **issued** option corresponding to each **acquired** option. The risk for the person who acquires an option is, unless measures are undertaken to limit the risks, which it will decrease in value or becomes worthless on the expiry date. In the latter case, the premium paid upon purchase of the option is consumed in its entirety. The issuer of the option runs the risk which in certain cases, unless measures are undertaken to limit the risks, may be unlimited in scope. The price of the options normally follows the price of the underlying share or indexes, but with greater volatility.

The most extensive trading in share options takes place on regulated markets. Trading also takes place in **share index options**. These index options yield a profit or loss directly in cash (**cash settlement**) related to the changes in an underlying index.

3.2.6 Share futures and share index futures.
A **future** means that parties enter into a mutually enforceable agreement regarding the purchase and sale of the underlying asset at a predetermined price and with delivery or other completion event, e.g. cash settlement, of the agreement at an agreed time (closing date). No premium is paid as the parties have corresponding obligations under the agreement.

3.2.7 Warrants
There is also trading in certain call and put options with longer terms until expiration, which in Sweden are normally referred to as **warrants**. Warrants may be used in order to purchase or sell underlying shares or, in other cases, provide cash settlement where the price of the underlying share performs well in relation to the warrant's redemption price. Subscription rights (in English referred to as subscription warrants) for shares may within a certain period be used to subscribe for corresponding newly issued shares.

3.2.8 Leverage certificate
A **leverage certificate**, which is often just called a **certificate**, is often a combination of e.g. a call and put option and is dependent on an underlying asset, for example a share, an index or a commodity. A certificate has no nominal amount. A leverage certificate should not be confused with e.g. a commercial paper, which is a type of debt instrument which can be issued by companies in conjunction with the company borrowing money on the capital market, which latter instrument often are referred to in Swedish as *certifikat*.

A significant characteristic of a leverage certificate is that relatively small changes in the price of the underlying assets can result in significant changes in the value of the holder's investment. These changes in value may be to the investor's advantage, but may also be to the investor's disadvantage. The investor should be particularly aware that the leverage certificate may fall in value and also completely lose its value resulting in all or parts of the invested amount being lost. The same reasoning may also apply to options and warrants.

4. Fixed income instruments

A **fixed income financial instrument** is a **claim** against the issuer of a loan. The return is normally paid in the form of **interest**. There are various types of fixed income instruments depending on the issuer that has issued the instrument, the collateral provided for the loan by the issuer, the **term** until the maturity date and the type of payment of interest. The interest (the coupon) is normally paid annually.

Another form of interest payment is to sell the instrument at a discount (**discount paper**). Upon sale, the price of the instrument is calculated by discounting the loan amount including calculated interest to current value. The current value or the price is lower than the amount received upon maturity (the **nominal amount**). **Certificates of deposit and treasury bills** are examples of discount papers, as well as bonds with so-called **zero coupon construction**.

A third form of fixed income bond is the state's **premium bonds**, where the interest on the bond is distributed by lottery among the holders of premium bonds. There are also fixed income instruments and other types of savings where the interest is protected against inflation and the investment thus yields a fixed **real interest**.

The **risk** associated with a fixed income instrument is based on the fact that price changes (price risk) may occur during the term of the instrument due to changes in **market interest rates**, and that the issuer might be unable to **repay** the loan (credit risk). Therefore, bonds for which satisfactory security has been provided for redemption are typically less risky than fixed income instruments without security. However, in purely general terms, it can be stated that the risk of loss associated with fixed income instruments may be deemed lower than for shares. A fixed income instrument issued by an issuer with high creditworthiness may therefore be a good alternative for someone who wishes to minimise the risk that the capital saved decreases in value and may be preferable for short-term savings. Also for long-term savings where the capital is not to be jeopardised, e.g. for pension commitments, fixed income-related investments are commonly included. The disadvantage of a fixed income investment is that, as a rule, it yields a low increase in value. Examples of fixed income investments are savings accounts, private bonds and interest funds.

The prices are determined each day both for instruments with short terms until maturity (less than one year), e.g. treasury bills, and for instruments with longer terms until maturity, e.g. bonds. This takes place on the money market and bond market. The market interest rates are affected by analysis and assessments which are conducted by the Central Bank of Sweden and other major institutional market players regarding short-term and long-term trends with respect to a number of economic factors such as inflation, the state of the global economy, and interest rate changes in Sweden and other countries. The Central Bank of Sweden also conducts monetary policy operations in order to control changes in market interest rates to ensure that inflation does not exceed an established target. The financial instruments traded on the money

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market and bond market (e.g. **treasury bills, treasury bonds and bonds issued by home loan institutions**) are often traded in large quantities (multi-million amounts).

Where market interest rates increase, the price of **already issued** fixed income financial instruments will fall if they provide fixed interest, since new bonds are issued bearing rates of interest that follow current market rates of interest and thereby provide a higher rate of interest than the already issued instruments. Conversely, the price of already issued instruments increases when market interest rate decline.

Loans issued by the state and municipalities are deemed to be risk-free with respect to redemption, which thereby applies to treasury bonds and municipal bonds. Issuers other than the state and municipalities may occasionally, in conjunction with the issuance of bonds, provide security in the form of other financial instruments or other asset (security in the form of property or real security).

Also there are other fixed income instruments associated with a higher risk than bonds if and when the issuer encounters difficulties to repay the loan, e.g. **subordinated debentures**.

A type of fixed income-related instrument is **secured bonds**. These are associated with a specific priority right according to special legislation. The regulations concerning secured bonds aims at ensuring that an investor will receive full payment according to the agreed term even where the issuer of the bond was to be placed in insolvent liquidation/declared bankrupt, provided that the assets which secures the bond has a sufficient value.

5. Derivative instruments

Derivative instruments, such as options, futures, etc. exist with various types of underlying assets, e.g. shares, bonds, commodities, and currencies. Derivative instruments may be utilised in order to reduce the risks associated with an investment.

A particular characteristic which should be considered upon investment in derivative instruments is that the construction of a derivative instrument means that the changes in price of the underlying asset have an effect on the price of the derivative instrument. This price effect is often stronger in relation to the invested amount (paid premium) than the change in value of the underlying asset. The price effect is therefore called the **leverage effect** and may result in a larger profit on the invested capital than where the investment had been made directly in the underlying asset. Conversely, the leverage effect may just as well result in a larger loss on the derivative instrument compared to the change in value of the underlying asset where the price of the underlying asset becomes different than expected. The leverage effect, i.e. the chance for a profit and the risk of a loss, varies depending on the derivative instrument´s construction and manner of use. Stringent requirements are therefore imposed on the monitoring of prices of derivative instruments and the underlying asset. In their own interest, investors should be prepared to act quickly, often during the day, in case the investment in the derivative instrument performs in a negative way. It is also important to consider when the investor makes its risk assessment that the ability to dispose of a holding can be more difficult where the price decreases.

For further information regarding derivative instruments see INFORMATION REGARDING TRADING IN OPTIONS, FUTURES AND OTHER DERIVATIVE INSTRUMENTS.

6. Funds and fund units

A fund is a "portfolio" of various types of financial instruments, e.g. shares and bonds. The fund is owned jointly by all the savers in the fund, unit holders, and is managed by a fund management company. There are various types of funds with various investment focuses. Investment focus means the type of financial instruments in which the fund invests. A brief summary is set out below of some of the most common types of funds. For further information see the Swedish Consumers´ Bank and Finance Bureau´s web site, www.konsumentbankbyran.se, and the Swedish Investment Fund Association´s web site, www.fondbolagen.se.

An **equity fund** invests all or most of the capital paid in by the unit holders in shares. There are also **mixed funds** that invest in both equities and fixed income instruments, and only **interest funds** where the capital is mainly invested in fixed income instruments. There are also, for example, **index funds** which are not actively managed by a fund manager, instead investments are made in financial instruments which copy and follow the performance of a certain specified index.

One of the ideas underlying an equity fund is that it invests in several different shares and other share-related financial instruments, which means that the risk for the unit holders is reduced compared with the risk faced by shareholders who invest in only one or a few different shares. In addition, the fund´s unit holders do not have to deal with choosing, buying, selling and monitoring the shares and other management work associated therewith holdings.

The idea of **interest funds** is the same as for equity funds; investments are made in different fixed income-related instruments in order to obtain a spreading of risk in the fund and management of the fund is carried out based on analysis of future interest beliefs.

A **fund-in-fund** is a fund which invests in other funds. A fund-in-fund can be seen as an alternative to investing in several different funds yourself. Therefore, you may obtain the spreading of risk which a well-considered personal fund portfolio could have. There are fund-in-fund with various investment focuses and risk levels.

Another type of fund is a **hedge fund**. Hedge means to protect. Even though hedging is meant to protect against unexpected changes in the market, a hedge fund can be a fund with high risk as such funds are often heavily leveraged. However, the differences between hedge funds are great. There are also hedge funds with low risk. Hedge funds try to yield a return regardless of whether the share or interest market goes up or down. A hedge fund has greater freedom in its choice of investments than traditional funds. The investment focus can be anything from shares, currencies and fixed income instruments to different types of arbitrage strategies (speculation on the changes of e.g. interest rates and/or currencies). Hedge funds use derivatives more often than traditional funds in order to increase or decrease the fund´s risk. Short selling (see below) is also often common.

Funds can also be divided into **UCITS** (Undertakings for Collective Investments In Transferable Securities) and **special funds**. The collective name for these is investment fund and both types are regulated by the Swedish Investment Funds Act. UCITS are funds which meet the so-called UCITS Directive´s requirements (EU directive), mainly in relation to the investment rules and spreading of risk. Swedish and foreign UCITS (which have received licences in their home country within the EEA), may be sold and marketed freely in all the EEA countries. Special funds (for example, so-called hedge funds) are funds which in some manner deviate from the rules in the UCITS Directive and it is therefore particularly important for you as a client to find out which investment rules that apply for a special fund in which you intend to invest. This will be stated in the fund´s prospectus and fact sheet. Each management company is obliged to provide each potential investor with a fact sheet regarding the fund. Special funds may not be marketed and sold freely outside of Sweden. A currency risk is also associated with funds which invest in foreign financial instruments (see section 2.2 above).

Unit holders receive the number of units in the fund which correspond to the share of invested capital in relation to the fund´s total capital. The units can be subscribed for and redeemed through securities institutions which market units in funds or directly with the management company. However, it is important to note that certain funds have a predetermined period when the fund is "open" for subscription and redemption, resulting in regular trade not always being possible. The unit´s current value is regularly calculated by the management company and is based on the prices of the financial instruments covered by the fund. The capital invested in a fund can increase and decrease in value and it is therefore the investor can not be sure to receive the entire invested capital when selling.

7. Short selling

Short selling means that the party who has borrowed financial instruments, and simultaneously undertaken to return the same type of instruments to the lender at a later date, sells the borrowed instruments. In making the sale, the lender counts on being able, on the date for return of the instruments, to acquire instruments on the market at a lower price than the price at which the borrowed instruments were sold. Where, instead, the price has increased, a loss is incurred, which can be substantial if the price has increased significantly.

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8. Borrowing

In many cases, financial instruments may be purchased for partly borrowed capital. Due to the fact that your own capital as well as the borrowed capital affects the yield, you as a client can through loan financing, obtain a higher profit where the investment performs well compared to an investment financed only with your own capital. The debt which is connected to the borrowed capital is not affected if the price of the purchased instrument increases or decreases, which is an advantage in the case of an increase of the prices. Where the price of the purchased instrument decreases, an equivalent disadvantage arises as the debt remains at 100 per cent which means that the decrease, krona for krona, drains your own capital. Therefore, upon a fall in price, your own capital may wholly or in part be lost while the debt must be paid in whole or in part by the income from the sale of the financial instruments which have fallen in value. The debt must be paid even where the income from the sale does not cover the entire debt.

As a client, you must fully understand, inter alia, the following:

- the investments made or other positions taken in financial instruments are at the client´s own risk
- that you as a client must yourself carefully study the Bank´s general terms and conditions for trading in financial instruments and, where applicable, information in the prospectus and other information regarding the relevant financial instrument, its characteristics and risks
- that in conjunction with trading in financial instruments, it is important to scrutinise the contract notes and other reports regarding your investments and immediately submit complaints of any errors
- that it is important to regularly monitor changes in the value of holdings of, and positions in, financial instruments
- you as a client must initiate the measures which are required in order to reduce the risk of losses on your investments or other positions
- the rights relating to foreign financial instruments or funds may differ subject to the law of the jurisdiction governing such financial instruments or funds
- in addition to any agreement between the Bank and the client, a depository used for the holding of the client´s financial instruments or funds may have a security interest, lien or right of set-off over such assets.

Information regarding various types of financial instruments and trading in financial instruments as well as suggestions of other literature within this area may also be found, e.g. on the Swedish Consumers´ Bank and Finance Bureau´s web site, www.konsumentbankbyran.se and on Swedsec´s web site, www.swedsec.se.

INFORMATION REGARDING TRADING IN OPTIONS, FUTURES AND OTHER DERIVATIVE INSTRUMENTS

1. Generally regarding risks associated with derivative instruments

Trading in derivative instruments is associated with particular risks which are described in further detail in this information. The client is personally responsible for the risks and must, therefore, at the retained securities institution – or through its own asset management representative – become acquainted with the terms and conditions, in the form of general terms and conditions, prospectuses and such-like, which apply to the trade of such instruments and the characteristics of the instruments and risks associated therewith. The client must also regularly monitor his investments (positions) in such instruments. The information to be monitored (price information, etc.) can be obtained, e.g. on execution venues´ web sites, in daily newspapers and other media as well as from the client´s securities institution. Further, the client should, in his own interests, be prepared to take measures promptly where such prove necessary, for example, by providing additional collateral or by ending his investments in derivative contracts (redeem or close his positions).

For further information regarding trading in financial instruments in general, various risk concepts and risk reasoning, see also INFORMATION REGARDING CHARACTERISTICS AND RISKS RELATING TO FINANCIAL INSTRUMENTS.

2. The use of derivative instruments

Derivative instruments are a form of agreement (contract) where the agreement itself is negotiable on the capital market. The derivative instrument is connected to an underlying property or an underlying value. This property or value (hereinafter referred to as "property") may consist of a financial instrument, any other assets of economic value, e.g. currency or commodity, or some form of value measurement, e.g. an index. A derivative instrument can be used to create protection against an undesired change in price of the underlying asset. It can also be used to yield a profit or return through a lower capital investment than that which would be required for an equivalent transaction directly in the underlying asset. Derivative instruments may also be used for other purposes. The use of derivative instruments is based on a certain expectation regarding the changes in the price of the underlying asset over a certain period of time. Therefore, before trading is commenced in derivative instruments, it is important that the client, personally, sets out the aim thereof and the price changes in the underlying asset which can be expected and, based on this, chooses the correct derivative instruments or combination of such instruments.

3. Various types of derivative instruments

The main types of derivative instruments are options, futures and swap agreement.

An **option** is an agreement entailing one party (issuer of an option contract) undertaking to purchase or sell the underlying asset of or to the other party (holder of the contract) at a predetermined price (redemption price). The agreement can, depending on the type of option, either be exercised at any time during the term (American option) or only on the expiry date (European option). The holder pays a fee (premium) to the issuer and obtains the right to exercise the contract but is not obliged to do so. However, the issuer is obliged to fulfil the contract where so requested by the holder (redeem the option). The price of the option normally follows the price of the underlying asset. The risk for the person who acquires an option is, unless measures are undertaken to limit the risks, that the option will decrease in value or become worthless on the expiry date. In the latter case, the premium paid upon the purchase of the option is consumed in its entirety. The issuer of the option runs a risk which, in certain cases, unless measures are undertaken to limit the risks, may be unlimited in scope. The price of the options normally follows the price of the underlying share or indexes, but subject to greater volatility.

A **future** means that the parties enter into a mutually enforceable agreement regarding the purchase and sale of the underlying asset at a predetermined price and with delivery or other completion event, e.g. cash payment, of the agreement at an agreed time (the closing date). No premium is paid as the parties have corresponding obligations under the agreement.

A **swap agreement** means that the parties agree to make regular payments to each other, for example based on fixed or variable interest (interest swaps), or at a certain time swap some form of asset with each other, e.g. different types of currencies (currency swap).

Trading also takes place of certain call and put options with longer terms until expiration, which in Sweden are normally referred to as **warrants**. Warrants may be used in order to purchase or sell underlying shares or, in other cases, provide a cash return where the price of the underlying shares performs well in relation to the warrants´ redemption price. Subscription warrants for shares may, within a certain period, be used to subscribe for corresponding newly-issued shares.

A **leverage certificate**, which is often just called a **certificate**, is often a combination of e.g. a call and put option and is dependent on an underlying asset, for example a share, an index or a commodity. A certificate has no nominal amount. A leverage certificate should not be confused with e.g. a commercial paper, which is a type of debt instrument which can be issued by companies in conjunction with the company borrowing money on the capital market, which latter instrument often are referred to in Swedish as certifikat.

A significant characteristic of a leverage certificate is that relatively small changes in the price of the underlying assets can result in significant changes in the value of the investor´s investment. These changes in value may be to the investor´s advantage, but

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may also be to the investor´s disadvantage. The investor should be particularly aware that the leverage certificate may fall in value and also completely lose its value resulting in all or parts of the invested amount being lost. The same reasoning may also apply to options and warrants.

The derivative instruments can be combined in a certain manner in order to create, e.g. a certain protection against changes in price in the underlying asset, or in order to obtain a certain economic result in relation to the expected changes in prices in the underlying asset.

It is important, in relation to trading in combined products, to acquire knowledge of the product´s characteristics and how these interact. In certain cases the characteristics´ interaction can mean a higher risk than each characteristic by itself. Further details regarding a certain product´s various characteristics and the manner in which these interact can be obtained, inter alia, from the issuer or the securities institution and also from the repective prospectus.

4. Customary characteristics of derivative instruments

Trading in derivative instruments can be described as trading in, or transfering, risks. For example, a person who fears a fall in prices on the market can purchase put options which increase in value if the market falls. In order to decrease or remove the risk of a fall in price, the buyer pays a premium, i.e. the price of the option.

Trading in derivatives can, in many cases, be said to be less appropriate for amateurs as such trading requires special expertise. Therefore, it is important to highlight the following customary characteristics of derivative instruments for those who intend to trade in such instruments. The construction of derivative instruments means that the changes in price in the underlying asset has an effect on the price of the derivative instrument. This price effect is often stronger in relation to the invested amount (paid premium) than the change in value of the underlying asset. The price effect is therefore called the **leverage effect** and may result in a larger profit on the invested capital than where the investment had been made directly in the underlying asset. Conversely, the leverage effect may just as well result in a larger loss on the derivative instrument compared to the change in value of the underlying asset where the price of the underlying asset becomes different than expected. The leverage effect, i.e. the possible profit and the risk of loss, varies depending on the derivative instrument´s construction and manner of use. Stringent requirements are therefore imposed on the monitoring of prices of derivative instruments and the underlying asset. In their own interest, investors should be prepared to act quickly, often during the day, in case the investment in the derivative instrument performs in a negative way. It is also important to consider in the risk assessment that the ability to dispose of a holding can be more difficult where the price decreases.

The party who undertakes an obligation by issuing a standardised option or by entering into a standardised futures agreement is, from the beginning, obliged to provide collateral for its undertakings. In conjunction with the price of the underlying asset in time increasing or decreasing, and therefore the value of the derivative instrument increasing or decreasing, the requirements for collateral also changes. Further security in the form of additional collateral may therefore be required. Therefore, the leverage effect also affects the requirements for collateral which may change quickly and vigorously. In the event the client fails to provide sufficient collateral, the counterparty or the securities institution is normally entitled, without informing the client, to terminate the investment (close the position) in order to minimise the loss. Therefore, a client should diligently monitor changes in prices also in relation to the requirement for collateral in order to avoid an involuntary closing of the position.

The term of the derivative instrument may vary from a very short period up to several years. Changes in prices are often greater for instruments with short terms. The price of, e.g. a held option generally falls more quickly towards the end of the term due to the fact that the so-called time value decreases. Therefore, the client should also diligently monitor the term of the derivative instrument.

5. Standardised and non-standardised/over the counter derivative instruments

Derivative instruments are traded in standardised and non-standardised form.

Trading in standardised derivative instruments takes place on regulated markets (“derivative exchanges”) and is subject to standard contractual terms and conditions. On the Swedish derivatives market, e.g. NASDAQ OMX Stockholm AB (Stockholm Stock Exchange) and Nordic Growth Market NGM AB (NGM) offer standardised trading in and clearing (settlement of completed transactions) of, inter alia, options and futures. Standardised clearing of derivative instruments traded in manner other than through a derivative exchange also takes place at such derivative exchanges. Trading and clearing at a derivatives exchange takes place through a securities institution which trades therein.

Some securities institutions offer their own forms of derivative instruments for which they normally provide both the trading and transaction settlement according to specific agreements and terms and conditions which are provided by the institution. These derivative instruments, inter alia, are often termed as non-standardised/over the counter (OTC derivatives). A person who wants to trade in such over the counter derivative instruments should specifically acquaint himself with the specific contractual terms and conditions which apply.

Trading in foreign standardised derivative instruments is normally subject to the rules and terms and conditions of the country where the exchange trading and clearing is organised. It is important to note that these foreign rules and terms and conditions do not need to correspond to those which apply to Swedish circumstances.

You as a client should understand, inter alia, the following:

- that investments and other positions in derivative instruments are at the client´s own risk
- that you as a client must yourself carefully and sufficiently familiarise yourself with the terms and conditions which apply to the trading in financial instruments in general and, where applicable, information in the prospectus and other information regarding the relevant derivative instrument, its characteristics and risks
- that in conjunction with trading in financial instruments, it is important to scrutinise the contract notes and other reports regarding your holding and positions and immediately submit complaints about any errors
- that it is important to monitor changes in value of holdings of, and positions in, the relevant instrument regularly
- that you as a client must fulfil the requirements for collateral within the agreed framework
- that you as a client must initiate the measures which are required in order to reduce the risk of losses on your investments and other positions
- that the terms and conditions for trading in derivative instruments often change and must be regularly monitored

The information above, General terms and conditions for trading in financial instruments and the Bank´s Execution Policy may also be found on www.seb.se and at the SEB Customer centre, telephone 0771-365 365.

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