MUFG Bank (Europe) N.V.

Financial Instruments – Risk Disclosure Statement

1 November 2026

External Document

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THIS STATEMENT DOES NOT INTEND TO DISCLOSE ALL THE RISKS AND ASPECTS OF TRADING IN FINANCIAL INSTRUMENTS OR OTHER RELEVANT CONSIDERATIONS OF ENTERING INTO THE TRANSACTIONS DESCRIBED BELOW. YOU SHOULD REFRAIN FROM ENTERING INTO ANY SUCH TRANSACTIONS UNLESS YOU FULLY UNDERSTAND ALL SUCH RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU. ANY EVALUATION OF SUCH TRANSACTIONS SHOULD BE MADE ONLY AFTER SEEKING RELEVANT ADVICE FROM INDEPENDENT PROFESSIONAL ACCOUNTING, FINANCIAL, INVESTMENT, LEGAL, REGULATORY, TAX AND OTHER ADVISORS.

Part A - Introduction

This Statement is intended to give you information on and a warning of the risks associated with the financial instruments (the "Financial Instruments") and the investment services (the "Investment Services") provided by MUFG Bank (Europe) N.V. or any of its branches where applicable ("MBE", or "we"), including all transactions in Financial Instruments, so that you are reasonably able to understand the nature and risks of the Investment Services, Financial Instruments and of the specific types of investment being offered (for the purposes of this Statement, also referred to as "financial products", "investments" or "products" interchangeably) and consequently, to take investment decisions on an informed basis. You should note that it is not possible to disclose to you all the risks and other significant aspects of such Investment Services and Financial Instruments provided to you.

Part B below sets out a general description of the nature and risks associated with certain types of Financial Instruments (Part B – Financial Instruments and Risks). Part C below sets out certain generic types of risk relating to various Financial Instruments (Part C – Generic Risk Types).

The information in this Statement is provided to you in compliance with the requirements of Directive 2014/65/EU on markets in financial instruments, as amended from time to time, and all rules and regulations made thereunder, including in the relevant EU Member State(s) ("MiFID II"). The requirement to disclose this information is based on the applicable article 24(4)(b) and article 24(5) of MiFID II and article 48 of MiFID II Delegated Regulation (2017/565).

Please note that MBE does not offer investment advice, nor portfolio management services.

The specific risks in relation to a particular transaction depend upon the terms of that transaction and your circumstances and as such the risk disclosures in respect of a variety of products as provided herein are not exhaustive and need to be reviewed in light of your specific transaction, contractual relationship and circumstances. You should therefore also read any relevant documentation, for example term sheets and offering memoranda, in addition to product agreements, terms of business and any related annexes or disclosure notices which may highlight a non-exhaustive set of additional risks particular to a financial product or service.

You should satisfy yourself that the Financial Instrument or Investment Service is suitable for you considering your circumstances and financial position and, when necessary, you should seek appropriate advice in advance of any investment decisions. Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of any Financial Instrument or investment.

Part B – Financial Instruments and Risks

Set out below is an outline of the risks associated with certain types of Financial Instruments.

1. Understanding the Risk of derivative products

1.1 You should not deal in derivative products unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position.

1.2 Although forwards and options can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Derivative products will not always act in the same way. Relationships with us may differ depending on the product and style of the transaction, and clearing houses may not always owe you a direct commitment. Different products involve different levels of exposure to risk and in deciding whether to trade in such products you should be aware of the following points.

1.3 You should be aware that the product information contained in this Section is not necessarily a comprehensive description of all aspects of the derivative product.

1.4 A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Rather than trade or exchange the asset itself, an agreement is entered into to exchange money, assets or some other value at some future date based on the value of the underlying asset. A premium may also be payable to acquire the derivative instrument.

1.5 There are many types of derivatives, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, compared to a direct investment in the underlying asset, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest.

1.6 Derivatives have high risk connected with them, predominantly as their value is dependent on the future value of underlying assets, while a certain change in value of the underlying asset over a period of time may result in an amplified change in the value of the derivative. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

1.7 On-exchange derivatives are subject, in addition, to the risks of exchange trading generally, including clearing and settlement risks and potentially the requirement to

provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral “over the counter” contracts (“OTC”). Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as the risks identified in Part C below.

1.8 With an OTC contract, the counterparty may not be bound to “close out” or liquidate this position, and so it may not be possible to terminate a loss-making contract. Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

1.9 Derivatives can be used for speculative purposes or for the purpose of hedging or mitigating market risks in relation to a specific asset. A hedging derivative typically provides the investor with a protection against a change of value of the underlying asset in one direction, when the investor is protected against a change of value of the underlying asset in the opposite direction, for instance by owning such asset, or otherwise. A hedging derivative may also be partially speculative at the outset of the contract or may become speculative during the course of the contract period. In all cases the suitability of the transaction for the particular investor should be very carefully considered.

1.10 You are therefore advised to ask about the terms and conditions of the specific derivative contract and associated (potential or contingent) obligations (e.g. the circumstances under which you may become obligated to make or take delivery of an underlying asset and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house with applicable rules to reflect changes in the underlying asset. Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to assess ‘fair’ value.

1.11 The points set out below in relation to different types of derivatives are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types set out below in Part C, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

2. Futures, forwards and forward rate agreements

2.1 Transactions in futures or forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often embedded in futures and forwards means that a small deposit or down payment can lead to large losses as well as gains, especially if, at maturity of the future contract, you are obliged to deliver assets at a pre-set price, and you have to buy these assets at higher market price in order to meet your obligation under the futures contract. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.

2.2 Futures and forwards transactions typically embed a contingent liability, and you should be aware of the implications of thereof, in particular margining requirements: these require that, on a daily basis, with all exchange-traded, and most OTC off-exchange, futures and forwards, you are obliged to pay in cash the equivalent of any losses incurred on your investment on a daily basis. If you fail to do so, the contract may be terminated.

3. Options

3.1 There are many different types of options with different characteristics subject to their own terms and conditions, such as:

(a) ***Buying options:*** Buying options involve less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. Your maximum loss is limited to the premium you paid at the beginning, plus any commission or other cost and expenses charged to you in connection with the buying option. However, if you buy a call option on (and pay for) the underlying futures contract and at an exercise date decide to exercise your buying option, you must acquire the future. This will expose you to the risks described under ‘futures’ and ‘contingent liability transactions’.

(b) ***Writing options:*** If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium you received at the outset of the contract. By writing an option, you accept a legal obligation to purchase (when you have written a put option) or sell (when you have written a call option) the underlying asset at a pre-set price (the exercise price). This obligation may be triggered against you by the exercise of that right by your counterparty to the option (the option buyer). Your loss in such case depends on the difference between the option premium received and the balance between the market price and the exercise price upon exercise of the option.

If you already own the underlying asset which you have contracted to sell (known as “covered call options”) upon exercise of the option right by the option buyer, the risk that you may not be able to deliver the asset to the option buyer is mitigated. If you do not own the underlying asset (known as “uncovered call options”) the risk can be unlimited because you may have to buy the asset at (potentially much) higher price than the exercise price in order to meet your delivery obligation to the option buyer. Only experienced persons should contemplate writing options, and only if you fully

understand the potential risks to which the writing of the relevant option exposures you and after securing and understanding full details of the applicable terms and conditions of the option contract.

3.2 Certain options Markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin to the option buyer. If you fail to provide the required margin (or deliver the assets upon exercise of the option) , your position may be closed or liquidated in the same way as a futures position. Please note that applicable regulations may require us to act in such way, and we may have no alternative course of action but to close or liquidate (part of) your position in derivatives in these circumstances, regardless of the market value of those positions at that point in time.

3.3 Depending on the type of option entered into, there may be increased exposure to market risk when compared to other financial products. There are several option styles including (but not limited to) American-, European- and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda-style option may be exercised on certain specified dates during the term of the transaction.

3.4 If you buy an American-style call option and the relevant market price of the underlying asset never rises above the strike price on the option (or if you fail to exercise the option while such condition exits), the option will expire unexercised and you will have lost the premium you paid for the option. Similarly, if you buy an American-style put option and the relevant market price for the underlying asset does not fall below the option strike price (or if you fail to exercise the option while such condition exists), the option will not be exercised and you will have lost the premium you paid for the put option.

3.5 Purchasing European-style or Bermuda-style options may carry additional market risk since the option could be "**in-the-money**" for part or substantially all of the holding period but not on the exercise date(s). A call option is "**in-the-money**" if the strike price is lower than the relevant market price for the underlying asset. A put option is "**in-the-money**" if the strike price is higher than the relevant market price for the underlying asset.

3.6 It is even possible for the holder of an exercised, "**in-the-money**" option to lose money on an option transaction. Such a situation exists whenever the value received under the option fails to exceed the purchaser's costs of entering into the option transaction (the premium and any other costs and expenses).

3.7 If you are a potential writer of an option, you should consider how the type of option affects the timing of your potential payment and delivery obligations thereunder. As the writer of a European-style option, the timing of any payment and delivery is predictable. Absent early termination, no settlements will be necessary prior to the expiration date. As the writer of an American-style option, however, you must be certain that you are prepared to satisfy your potential payment and delivery obligations at any time during the exercise period (possibly quite soon following the sale of the option).

4. Contracts for Differences

4.1 Certain derivatives are referred to as 'Contracts for Differences'. These transactions may take various forms, including but not limited to options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps and/or foreign exchange derivatives, including non-deliverable forwards (NDFs) and non-deliverable options (NDOs). However, unlike other futures, forwards and options, these contracts for differences can only be settled in cash rather than by delivery of the underlying asset. Investing in a contract for differences carries the same risks as investing in a future or forward (see paragraph 2) or an option (see paragraph 3). Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this.

5. Swaps

5.1 A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an "**underlying**" (such as securities' indices, bonds currencies, interest rates or commodities, or more intangible items).

5.2 A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "**swaptions**" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, it's right to enter into a pre agreed swap agreement. On the other hand, "**caps**", "**floors**" and "**collars**" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

5.3 A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. For example, if a party A has a variable rate loan with B, but A wants a fixed interest rate loan, it can enter into an interest rate swap with C, under which A acquires from C the right to receive variable rate obligation against a fixed rate interest payment obligation. Synthetically, this will create a fixed rate payment obligation for A. However, if C goes insolvent, A will lose its right to receive variable rate under the swap, and A will be paying a variable rate again under the loan to B. If interest rates have meanwhile gone up significantly, this may result in a loss for A, if it is unable to enter into a replacement interest rate swap at the same terms as the swap with C, which was terminated because of C's insolvency.

6. Combined financial products (packaged transactions)

6.1 Any combined financial products that contains a combination of two or more financial products, such as a bond with a warrant attached, is exposed to the risk of both these financial products at the same time, and such combined financial products may contain a risk which is greater than those of each of the components separately, although certain combined financial products may contain risk mitigation features, such as principal protected instruments.

7. Contingent liability Transactions

7.1 Contingent liability transactions are derivative transactions under which your potential liability to make payments depends on future changes in the value or level of an underlying asset, index, rate, or other financial reference. As a result, your financial exposure is not fixed at the outset and may increase significantly depending on market conditions. Where such Contingent liability Transactions are margined, you will be required to provide an initial deposit (initial margin) and may be required to make further payments (variations margin) over time to maintain your position. These payments are not a purchase price, but form part of the collateral required to support your obligations under the transactions.

7.2 If you trade in futures, contracts for differences or sell (write) options you may sustain a total loss of the margin you deposited with your firm to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain your position. If you fail to do so within the time required, your position may be closed out or liquidated at a loss and you will be responsible for any resulting loss or deficit, which may exceed the amount of margin you have provided.

7.3 Even where a transaction is not margined, it may still give rise to an obligation to make further payments in certain circumstances, over and above any amount paid at the outset when you entered the contract. Accordingly, your potential liability is not necessarily limited to any initial payment and may, in some cases, be substantial or unlimited.

8. Money-market instruments

8.1 A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments, money-market instruments may be exposed to the major risk types set out below in Part C, in particular to credit and interest rate risk.

9. Debt instruments, bonds and debentures

9.1 All debt instruments are potentially exposed to the major risk types set out below in **Part C**, in particular to credit risk and interest rate risk. Debt securities may be subject to the risk of the issuer's inability to meet principal and /or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons.

10. Structured capital-at-risk products

10.1 These products are designed to provide you with an agreed level of income or growth over a specified investment period. The return of the capital you initially invested may be linked to the performance of an index, a "basket" of selected stocks or other factors. If the product has performed within specified limits, you will be repaid the capital you initially invested but if not, you could lose some or all of your initial capital. Investing in these products can put the capital you initially invested at risk. These products are not 100% protected.

10.2 The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates or commodities. Some of the products include an element of principal protection, at a level which is stated at the time of the initial investment, so that on maturity of the investment you are assured of the return, at a minimum, of the stated proportion of your initial capital invested (subject always to the credit of the issuer of the product). In respect of some products which include an element of principal protection, the return of the stated proportion of your initial capital invested may depend on a pre-agreed level of performance being achieved or the product being held to maturity. If the performance is not attained or the product is not held to maturity the element of principal protection will not apply. Different products involve different levels of exposure to risk (and reward) and in deciding whether to trade in such products you should be aware of the following points.

(a) There is no guarantee that all of the initial capital invested by you will be returned to you on maturity of the investment. You may therefore get back a lesser amount than you originally invested.

(b) These investments may involve a degree of gearing or leverage, so that a relatively small movement in the relevant index/indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid out to you on maturity of the investment.

(c) Investments linked to the performance of an index do not include an allowance for any return or reinvestment of dividend income from the underlying constituents of the index.

(d) If you decide to redeem or sell the investment before its stated maturity, you may not gain the maximum benefit of the investment and may receive a poor return or less than the initial capital invested. Early redemption penalties may be applicable in some circumstances.

(e) The initial capital you invest may be placed into high-risk investments such as non-investment grade bonds/instruments linked to commodities or indices on commodities.

(f) The stated rate of growth or income in relation to an investment may depend on specified conditions being met, including the performance of the relevant index/indices, basket of selected stocks or other specified factor(s).

(g) You should not deal in these investments unless you are prepared to sustain a loss of the money you have invested (a loss which may be total or may be partial as specified in the relevant terms and conditions) plus any commission or other transaction charges.

11. Securities lending and Repos

11.1 The term 'securities lending' and 'repurchase transactions' ("repos") refer to the lending of securities or a sale and repurchase transaction of securities (including without limitation equities, bonds and other transferrable financial instruments) to a third party involving the transfer of full legal title to such borrower (or repo purchaser) for the period that they are lent (or repo'ed). At the end of the agreed period, subject to default of the borrower (or repo purchaser), the lender (or repo seller) receives back equivalent securities of the same issuer and type. The borrower's (or repo purchaser's) obligation to transfer equivalent securities is secured against collateral (which is usually transferred by a title transfer mechanism pursuant to market standard agreements). In both cases, these transactions expose you to a counterparty credit risk. Lending (or repo'ing) securities may affect your tax position. We do not provide tax or legal advice.

11.2 As a result of lending securities or repo transaction, you will cease to be the legal owner of the relevant securities, although you will have the contractual right to reacquire at a future date equivalent securities (or in certain circumstances their cash value or the proceeds of redemption). However, except to the extent that you have received collateral, your right to the return of securities is subject to the risk of insolvency or other non-performance by the borrower. Since you are not the owner during the period securities are lent out (or repo'ed), you will not have voting rights nor will you directly receive income distributions (such as dividends or interest) you would otherwise receive or other corporate action entitlements although you will normally be entitled to a payment from the borrower equivalent to the dividend or interest you would otherwise have received and the borrower will be required to account for you for the benefit of corporate actions. Full details will be set out in the relevant securities lending or repo agreement you enter into, and the above description is subject to the terms of any such document.

12. Title Transfer Collateral Arrangements

12.1 Where you provide cash collateral to us under a Title Transfer Collateral Arrangement, we draw your attention to the following risks and consequences:

(a) your rights, including any proprietary rights that you may have had, over such cash (even where we act as your agent) will be replaced by an unsecured contractual claim against us for repayment of an equivalent amount subject to the terms of the relevant Collateral Arrangement;

(b) such cash will not be held by us in a manner as to benefit from any segregation protections afforded by client money rules, those protections rights will not apply (and, among other things, the client money will not be segregated from our money or held subject to a trust);

(c) in the event of our insolvency, you will have an unsecured claim against us for delivery of equivalent cash, and accordingly you may not receive such equivalent cash or recover the full value thereof;

(d) in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us any rights you may have to take any action against us, such as to terminate our agreement, may be subject to "a stay" by the relevant resolution authority and your claim for the return of cash may be reduced (in part or in full) or converted into equity;

(e) you will not be entitled to receive any interest that may have otherwise been payable in respect of such cash (subject to any contractual rights that you may have otherwise agreed with us to the contrary).

12.2 Where you provide assets to us under a Title Transfer Collateral Arrangement:

(a) your rights, including any proprietary or other rights that you may have had, in those assets as client assets will be replaced by, an unsecured contractual claim for delivery of equivalent assets subject to the terms of the relevant Collateral Arrangement;

(b) such assets will not be held by us in a manner as to benefit from any segregation protections afforded by client asset custody rules, those protections rights will not apply (and, among other things, the relevant assets will not be segregated from our assets or held subject to a trust);

(c) in the event of our insolvency, you will have an unsecured claim against us for delivery of equivalent assets, and accordingly you may not receive such equivalent assets or recover the full value thereof;

(d) you will not be entitled to exercise any voting, consent or similar rights attached to the assets (subject to any contractual rights that you may have otherwise agreed with us to direct us to exercise voting, consent or similar rights);

(e) you will not be entitled to receive any dividends, coupon or other payments, interests or rights payable in relation to those assets (a manufactured distribution) (subject to any equivalent rights contractually agreed with us); and

(f) the provision of assets to us under a Title Transfer Collateral Arrangement, the receipt by you of manufactured distributions and the delivery by us to you of equivalent assets may give rise to tax consequences that differ from the tax consequences that would have otherwise or other monies or assets delivered pursuant to, those assets.

12.3 You may request that we terminate an arrangement relating to the transfer of full ownership of your money or assets to us. We have absolute and sole discretion as to whether we agree to such a request.

PART C – Generic Risk Types

The nature and extent of investment risks vary between countries and type of financial instruments and evolves over time.

The investment risks are furthermore specific for each financial product, which may have been manufactured for a specific target market, and each financial product may have specific terms that are specific to that product and the investors in the target market. Such product may not be or may be less suitable for investors that are outside the target market, as identified by the manufacturer or distributor of a specific financial product.

Furthermore, the manner in which a particular investment is manufactured or offered, sold or traded, the location, domicile, credit rating of the issuer (which is not necessarily the same entity as the manufacturer or distributor of the financial product), the diversification or concentration of an investor's portfolio (e.g. the amount invested in any one currency, security, country, sector or issuer), the complexity of the financial product, the use of leverage, (embedded) derivatives or contingent liability clauses and the choice of governing law may, amongst other factors, impact the specific and general risks of a financial product.

The following generic types of risks set out below may have an impact on each type of your investment in Financial Instruments.

13. Liquidity

13.1 The liquidity of an instrument is directly affected by the supply and demand for that instrument at a specific time and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. A financial instrument may for instance only be traded during regular opening hours of a specific trading venue. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid and/or large price movement if the price rises or falls at such pace and to such an extent that under the rules of the relevant exchange trading is temporarily suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to intended amounts, but market conditions may make it impossible to execute such an order at the stipulated price. In addition, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. In other cases, early termination, realisation or redemption may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all. In addition, OTC derivatives are often bespoke and/or illiquid, even in the absence of distressed market conditions, and your position in such instruments may therefore be difficult to sell, liquidate or hedge at favourable terms.

14. Credit risk

14.1 Credit risk is the risk of loss caused by borrowers, bond issuers, or counterparties who fail to meet their obligations under a financial instrument, or the risk that the creditworthiness of such parties deteriorates. Credit risks may be distinguished in Probability of Default (the likelihood or risk that an obligor will not meet its obligations

under a financial contract) and Loss given Default (the level of (potential) losses when an obligor defaults under a financial contract).

15. Foreign markets risk

15.1 Foreign markets may involve different risks compared to the EU markets, for instance as a result of differences in legal or supervisory frameworks and different market practices. In some cases, the risks will be greater. Profit or loss from transactions on foreign markets or in foreign denominated contracts may be affected by fluctuations in foreign exchange rates. Such transactions may also be affected by exchange controls that could prevent or delay performance.

16. Emerging markets risk

16.1 The securities markets of emerging countries are in the early stages of their development and generally have limited transparency, liquidity, efficiency and regulation compared to more developed markets. For example, emerging markets may not have regulations addressing manipulation and insider trading or other provisions designed to “level the playing field” and to protect and maintain orderly functioning of markets, with respect to the availability of information and the use or abuse thereof by emerging markets participants. In some of these emerging markets, standard practices, market customs and usages have yet to evolve and be readily identifiable as such by market participants. The credit rating of local financial institutions may not be high and there is often limited trust in such institutions. Government supervision of securities markets, investment intermediaries and of quoted companies may be considerably less well developed than in many countries with well-established markets and, in some cases, effectively non-existent.

16.2 In addition, where a system of regulation is present, it may lack any, or any adequate, mechanism to enforce compliance by participants. The valuation of both enterprises and securities in some of these countries has sometimes proved problematic in the absence of efficient secondary markets. In particular, the illiquidity of the markets in general or of particular securities in some of these countries may make it difficult to determine an accurate valuation for a particular security or whether such security could actually be sold at such a price. In addition, due to historic difficulties in acquiring securities in certain of these countries, depository receipts or derivatives relating to certain of such securities have been created which may not be fungible with each other or the securities underlying or relating to such depository receipts or derivatives. This might lead to such depository receipts or derivatives trading at substantial premiums or discounts to the underlying or related securities.

16.3 Many emerging countries lack a strong infrastructure. Telecommunications generally are poor, and banks and other financial systems are not always well developed, well-regulated or well-integrated. These countries may also have considerable external debt, which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect foreign investors.

16.4 Emerging markets may also be affected by elevated political and/or economic instability. Some of these political systems are more vulnerable in the face of popular

dissatisfaction with reform, political or diplomatic developments, or social, ethnic or religious instability. Such developments, if they were to occur, could in turn lead to a reversal of some or all of the democratic reforms, a backlash against foreign investment and, in a worst case scenario in some countries, a return to a centralised planned economy and state ownership of assets. This could involve the compulsory nationalisation or expropriation of foreign-owned assets without adequate compensation, or the restructuring of particular industry sectors in a way which could adversely affect private investors in such sectors.

16.5 Foreign investment in emerging countries is in some cases restricted. Some of these countries have non-convertible currencies and the value of investments may be affected by fluctuations in available currency rates and exchange control regulations (which could change at any time). The repatriation of investors' funds and profits may therefore be restricted or difficult and could involve significant cost. Moreover, considerable delays may occur in the transfer of funds within, and with repatriation of monies out of, these countries.

16.6 In some countries the tax position is complex and subject to more frequent change than in western countries. It may not be possible to reclaim tax even where this is theoretically possible due to practical and timing issues.

16.7 Many emerging countries do not yet have a legal system comparable to those of more developed countries. Legal reforms may not always correspond to market developments, resulting in ambiguities and inconsistencies which increase the risk of investing in these countries. Legislation to safeguard the rights of private ownership and control as well as establishing intellectual property concepts may not yet be in place, and there is risk of conflicting rules and regulations. Laws and regulations governing investment in securities markets may not exist or may be subject to inconsistent or arbitrary interpretation or application. The independence of the judicial systems, and their susceptibility to economic, political or nationalistic influences, remains largely untested. It may be impossible to predict whether a foreign investor would obtain effective redress in the local courts in respect of a breach of local laws or regulations, or in an ownership dispute.

16.8 The concepts of ownership of and procedures for the transfer of securities in emerging countries may differ radically from those in more developed markets. In some markets, for example, the term "**DvP**" (delivery versus payment) does not imply that securities and cash move at the same time. Registration of shares may not be subject to standardised procedures or to a centralised system and may be effected on an ad hoc basis. The concept of nominee ownership is undeveloped and, in some cases, not recognised at all. As a result, registration can be administratively cumbersome and time consuming, leading to delays in settling trades, ownership disputes and constraints on trading. The realisation of rights of ownership, for example the exercise of shareholders' rights, cannot be assumed. Moreover, in some markets the risk of conflicts of interest on the part of those responsible for the conduct of the registration procedures, and the risk of fraud (for example, in connection with physical certificates) or of a registrar refusing to effect registration without justification (or of a registrar deleting a registration once it has occurred, with a consequential total loss of investment) is higher in many cases than in more developed markets.

16.9 Rules in emerging countries regarding ownership and corporate governance of domestic companies (for example, limiting the ability of management to effect transactions with affiliates or to sell or otherwise dispose of their company's assets) may not exist or may confer little practical protection on minority shareholders. Disclosure and reporting requirements are in many cases less than in more developed countries and may be non-existent or rudimentary. Anti-dilution protection may also be very limited. Redress for violations of shareholder rights may be difficult in the absence of a system of derivative or class action litigation.

16.10 Accounting, auditing and financial reporting standards in many emerging countries are not yet equivalent to those applicable in more developed countries and in some of these countries are of virtually no assistance to an investor. The availability, quality and reliability of corporate information (including official data) is likely to be lower than that in respect of investments in more developed markets.

17. Clearing house protections and settlement risk

17.1 On many exchanges, the performance of a transaction may be "**guaranteed**" by the exchange or clearing house. However, such guarantee is usually in favour of the exchange or clearing house member and may not be enforceable by its clients. This may result in credit and insolvency risks of the firm through whom your transaction was executed, and this may subsequently result in credit risk for you against such firm. OTC derivatives that are to some extent standardized, are increasingly cleared through clearing houses, either voluntary or mandatory on the basis of legal and financial regulatory reforms. However, off-exchange OTC instruments lack the protection of trading venue rules / exchange rules, including supervision by such exchanges on the proper functioning of their markets (although unlisted transferable securities may be cleared through a clearing house).

17.2 Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

18. Insolvency risk

18.1 The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent and as such, your investments not being returned to you. In certain circumstances, you may not get back the actual assets which you lodged as collateral, and you may have to accept any available payments in cash. On request, your firm must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions. There is also insolvency risk in relation to the investment itself, for example of the company that issued a bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty) becomes insolvent or goes bankrupt.

19. Currency risk

19.1 In respect of any foreign currency transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, any movement in currency exchange rates may have a favourable or an unfavourable effect on the gain or loss of such transactions.

19.2 The weakening of a country's currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of your investments denominated in that currency. Currency valuations may be impacted by a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange the local currency of such country, or the devaluation of the currency. Hedging may decrease your exposure to any foreign currency to some extent, but it may not entirely eliminate the foreign currency risks during the period that you are exposed to such foreign currency exchange risk.

20. Interest rate risk

20.1 Interest rates may rise or fall at any time. A risk exists when interest rates in your investment such as a bond, are fixed while interest rates rise. As a result of the interest rate increase, the value of your bond may fall. Contrary, a fall in interest rates may result in the increase of value of your investment in a fixed rate bond. Interest rate changes may also directly or indirectly impact the value of your investments in financial instruments that do not provide for a return on the basis.

20.2 Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

20.3 Changes in market interest rates have a substantially stronger impact on the prices of zero-coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

21. Break costs

21.1 If you enter into an OTC contract with us and decide to close out the transaction before its scheduled termination date, you may have to pay breakage costs. These will be calculated by reference to prevailing market conditions on the basis of current market levels and market expectations of future performance and future obligations under the transaction and may include associated costs, such as credit charges, our cost of funding, and any costs incurred by us in terminating any related financial instrument or trading position. Please note that such break costs may be substantial.

22. Regulatory, legal and structural risks

22.1 Investments in financial instruments are exposed to regulatory, legal or structural risks. Changes in laws or regulatory actions may reduce returns on investments or result in losses. An example of such a regulatory action is when a supervisory authority utilises its powers to intervene in the business of a credit institution, in order to protect it from insolvency, which may be at the expense of investors in certain debt or equity instruments issued by such credit institution (bail-in).

22.2 Legal or regulatory changes may render an investment unlawful or may also adversely impact the value of your investment or profitability, including through tax changes. These risks are unpredictable and can depend on numerous political, economic and other factors, and are generally higher in emerging markets but also occur in developed markets. In emerging markets, there is generally less government supervision and regulation of business and industry practices, exchanges and over-the-counter markets, which may result in higher risks for investors in such markets.

22.3 In some jurisdictions, laws and regulations governing investments in financial instruments may not exist, and where they apply, may be elementary and not sophisticated and subject to inconsistent or arbitrary application or interpretation by market participants and local authorities (and may be changed with retroactive effect). Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in certain countries may have limited knowledge and inexperienced in the areas of business and financial laws. Companies may be exposed to the risk that legislators will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments of foreign courts.

22.4 Certain financial products provide no direct interest in the underlying assets, but only contractual rights against a counterparty and recourse rights will therefore be limited to contractual remedies against the counterparty in accordance with the terms of the relevant financial product.

22.5 Legal terms and conditions of a product may contain provisions which could operate against your interests. For example, they may permit early redemption or termination at a time which is unfavourable to you, or they may give wide discretion to the issuer of securities to revise the terms applicable to securities. In other cases, there may be limits on the amounts in relation to which rights attaching to securities may be exercised and in the event that you hold too many (or too few) securities, your interests may be prejudiced. In some cases, the exercise of rights by others may impact your investment. For example, a product such as a bond or note may contain provisions for calling meetings of holders of those bonds or notes to majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, in some cases amendments may be made to the terms and conditions of bonds or notes without the consent of any of the holders in circumstances set out in general conditions attaching to such bonds or notes.

23. Operational risk

23.1 Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or is poorly managed, may also impact a company's commercial performance. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

24. Short sales

24.1 Selling options or futures 'short' means that the investor in the derivative sells the underlying asset at a pre-set price, but the investor does not own the underlying asset at the time of entering into the derivative, which may lead to exponentially amplified losses. Such losses occur if the price of the underlying asset at maturity of the derivative contract has risen above the pre-set price at maturity of the derivative. This is because the 'short' investor in the derivative contract must then buy the asset at (a higher) market price and subsequently sell this asset to its counterparty to the derivative contract at the (lower) pre-set price.

24.2 'Short selling' is a technique used by investors who want to try to profit from the falling price of a financial instrument. If the price of the financial instrument drops after the investor has sold short (in other words at the time when he is buying or borrowing the relevant financial instruments for delivery), the investor will make a profit. If however the price of the financial instrument rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the financial instrument continues to rise before the investor has gone into the market to buy or borrow the financial instrument to settle the short sale.

24.3 Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable.

25. Commissions and transaction costs

25.1 When financial instruments are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the financial instrument. These incidental costs may significantly reduce or even exclude the profit potential of the financial instruments. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, you must take into account that you may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

25.2 In addition to such costs directly related to the purchase of products (direct costs), you must also take into account any follow-up costs (such as custody fees). You should inform yourself about any additional costs incurred in connection with the purchase, custody or sale of an investment before investing. The effect of transaction costs (for

example on a new issue of securities) may result in the issue price of such securities falling below the market value when trading starts.

26. Suspensions of trading and grey market investments:

26.1 In periods of rapid or significant price movements, exchanges may be obliged under the rules of the relevant exchange trading to temporarily suspend or restrict trading in certain financial instruments. Under such market conditions, it may be difficult or impossible to liquidate a position. Exchange listed securities can be suspended, or their listing may meanwhile have been discontinued, or the listing may be subject to an exchange announcement suspending or prohibiting dealings. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

26.2 Grey market securities are those for which an application has been made for listing or admission to trading on an exchange, which have not been granted yet (otherwise than because the application has been rejected) and the securities are not listed or admitted to trading elsewhere. These investments may involve limited publicly available information on which to base a decision to buy or sell such securities, since transparency and market abuse rules applicable to exchange listed securities may not apply to grey market securities.

27. Stabilisation

27.1 Transactions may be carried out in securities where the price may have been influenced by stabilisation measures.

27.2 Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is being sold to the public for the first time. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. Regulations allow stabilisation to support the price discovery process immediately after a financial instrument's initial listing. Absent such stabilisation activity, prices of newly listed securities can sometimes drop for a time before market makers and participants establish sufficient liquidity through active trading.

27.3 Stabilisation is carried out by a 'stabilisation manager' (normally the firm responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were upon their introduction sold to investors or allotted to institutions which have decided to sell them shortly thereafter. The effect of this may be to keep the price at a higher level than it may have been without the stabilisation activity.

27.4 Regulations governing stabilisation:

(a) limit the period during which stabilisation may occur;

(b) set pricing parameters (in the case of shares and warrants but not bonds); and

(c) require disclosure that stabilisation may take place (but not confirmation that it is occurring).

27.5 The fact that a newly issued security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

28. Deposited cash and property

28.1 You should familiarise yourself with the protections accorded to you in respect of funds or assets you deposit for domestic and foreign transactions. Funds or assets you deposit may be subject to reduced protection if held by a third party, governed by non-EU law, or subject to a security interest or lien. This may increase the risk of loss, particularly in the event of a firm insolvency or bankruptcy.

28.2 The extent to which you may recover your funds or assets will depend on applicable laws or regulations. In some jurisdictions, even assets that are identifiable as yours, may be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

29. Non-readily realisable investments

29.1 Both exchange-traded and off-exchange investments may be non-readily realisable, particularly where markets are illiquid or limited. Accordingly, it may be difficult to assess their market value and/or to sell or liquidate your position at a given time.

30. Strategies

30.1 Particular investment strategies will carry their own particular risks. For example, certain strategies, such as 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

31. General information

31.1 Your firm may execute transactions through brokers or intermediaries rather than directly on the relevant market. In such cases, your positions may be affected by the performance of those third parties. In addition, settlement of such transactions may not be effected via the relevant market itself but may be settled off-market and matched internally on the books of your firm or of a broker or intermediary if such transactions can be crossed with equal but opposite orders of another participant transacting through the same firm, broker or intermediary. Your rights in such circumstances may differ from those applicable to transactions executed directly on the market.

31.2 The price and liquidity of an investment depend upon the availability and value of the underlying asset, which can be affected by a number of external factors including, but not limited to, political, environmental and technical conditions. Such factors may also impact timely settlement or performance.

31.3 Any payments made or received in relation to any investment may be subject to taxation and you should seek independent professional advice in this respect.

31.4 Where you are unable to transfer a particular financial instrument to exit your commitment under that financial instrument, you may need to offset your position by

either buying back a short position or selling a long position. Such an offsetting transaction may need to be over the counter, and the terms of such a contract may not match the terms of the initial financial instrument. For example, the price of such a contract may be more or less than you received or paid for the sale or purchase of the initial financial instrument.