Scope and Contents

EU Directive 2014/65 regulating Markets in Financial Instruments ("MiFID II")[1] takes effect as from January 2018.
It expands on the MiFID I regulations which have applied since 2007. Its overall objectives are to strengthen the rules in place in the following areas:
- Promoting and securing an efficient functioning and transparency of the financial markets;
- Providing an adequate level of protection to investors;
- Anchoring the overarching duties for financial firms to act in good faith and in the best interest of their customers.

This document aims at providing you, as a client of DNB Luxembourg SA ("the Bank"), with:
- An overview of the MiFID II requirements.
  Note that in some instances we consciously chose to provide only a "light" description of the actual regulatory provisions, in order to keep the document reasonably concise and easy to understand.
- An outline of the manner in which the Bank will in practice respond to such requirements.

Structure of document is as follows:
1. Investment services offered by the Bank
2. Investment products and investment risks
3. Client categorisation
4. Investor profiles
5. Suitability and appropriateness
6. Execution rules
7. Conflicts of interest, including inducements
8. Costs and charges
9. Reporting
10. Complaints handling
11. Reference documents

1. Investment services offered by the Bank

The Bank offers the following types of investment services:
- Execution-only;
- Investment Advice;
- Discretionary Portfolio Management.

Execution-only consists in the mere execution of transactions requested by you and at your sole initiative.

Investment advice consists in the provision by the Bank of personal recommendations, either upon your request or at the initiative of the Bank, in respect of one or more transactions in financial instruments.
Each advice provided by the Bank must be accepted by you before an actual transaction takes place.
The provision of investment advice is subject neither to any specific agreement being established between you and the Bank, nor to any specific billing by the Bank.
The depth and frequency of proactive advice you may expect from the Bank will depend on the segment you have been assigned to, and which is largely –though not only- linked to the size of your portfolio. Under this setup, the Bank is bound neither to periodically monitor the development of your portfolio nor to contact you at predefined intervals.

[1] and all associated regulations, including reg. EU 600/2014, 2017/592, 2017/565 and transposition measures in Luxembourg law

Discretionary portfolio management ("DPM") consists in the management of your portfolio at the discretion of the Bank, within the investment guidelines and restrictions of a specific mandate agreed with you.
In this case, the Bank will thus be entitled to initiate investment transactions on your behalf without seeking your prior acceptance.

In relation to investment advice and DPM, the Bank acts under the status of *non-independent* financial advisor, mostly due to the fact that the universe of investment products covered by the Bank is limited, and may include some –though not only- DNB Group products.
Such non-independent status shall in no way prevent the Bank to always comply with its overarching duty to act in your best interest, including through performing the various tasks and controls outlined in the next sections of this document.

In relation to execution services, the Bank maintains an open architecture, meaning it basically provides you with access to "all" types of securities, especially bonds, shares, and investment funds.

In relation to all three levels of services, the Bank also acts as custodian, meaning it takes care for the settlement of transactions and safekeeping of your assets.

You might wish to split your assets with the Bank under various service levels, i.e having one part handled as Execution-only, another one as Investment Advice, and another as DPM. This is perfectly possible, subject to sufficient level of assets; also the Bank may then demand the opening of various sub-portfolios in order to ensure full clarity and consistency.

2. **Investment products and investment risks**

You will normally expect to achieve an as high as possible return on your portfolio.
But you should also consider that virtually any type of financial instrument implies some degree of risk of loss in value.
And you will remain liable to bear such losses –as you would take the benefit of any gains-, also in the case of transactions initiated upon advice from the Bank, or under a discretionary management agreement.
Before making any investment decision, it is therefore extremely important that you understand the various risk factors associated with financial instruments.

Prior to giving any investment instruction to the Bank, we therefore ask you to read the "Information on risks associated with financial investments" document available on our website, which provides you with:
- some general risk/returns principles for building/managing an investment portfolio;
- a brief description of the various types of investment risks;
- a brief description of the main products offered by the Bank, and the related risks;
- as a conclusion, a summarised risk-scale for the various products.

For the sake of good order, please note that the pure "cash" instruments (i.e. current account, time deposits, loans) outlined in that document are not in the scope of the MiFID II regulatory framework.

Due to the rapid evolution of the financial markets and the specific features that may be attached to any instrument, that document should in no case be taken as a comprehensive study of all possible risks linked to all possible instruments. You should thus always consider on a case-by-case basis the specific risk features of any contemplated investment. Your account manager will be most pleased to:
- assist you in building an investment portfolio that fully matches your long-term needs and expectations;
- provide you with more details on the risks and expected returns of any individual instrument.

3. Client categorisation

MiFID regulations provides for three main categories of clients, to which are associated specific levels of investor protection, requirements and restrictions. These categories are as follows:

- *Eligible Counterparties* are basically limited to (certain) types of financial companies and institutional investors;
- *Professional Clients* are Customers able to demonstrate that they have the experience, knowledge and expertise to independently make their own investment decisions and assess the risks they incur;
- *Retail Clients* are those who fall neither in the Eligible Counterparty nor in the Professional Client categories.

Retail clients benefit from the highest level of protection, notably regarding the duties of the Bank to:

- provide them with information and periodic reporting;
- assess the suitability/appropriateness of all investment transactions which are envisaged and executed for them. Please refer to further details in section 5.

As a general principle, all our customers are classified as “Retail Clients”, unless they due to their corporate status qualify by definition for another category.
You are informed of your customer classification through the account opening confirmation letter
Moving from one category to another is in general be subject to customer request - and providing appropriate documentation and approval from the Bank in case of “going up” in the ladder.

4. Investor profiling

As outlined in section 2, virtually all financial investments involve risks. Thus an essential step prior to building an investment portfolio is to establish your personal risk/return trade-off.

This will namely depend on:

- Your personal financial situation, including your ability and willingness to bear losses, albeit for a temporary period;
- Your level of knowledge and experience in the investment field;
- Your investment objectives, including your risk tolerance and your personal appetite for or aversion to risk taking. Basically, what interests you more: regular income, or capital growth?
- The expected time horizon of your investments.

The “investor profile” questionnaire you are asked to fill in when opening your account should help both you and us in determining your risk/return expectations.
Out of the answers you provided, the Bank derives one of the following overall investor profiles for you:

- *Conservative* means you expect mostly security and capital protection. You are mostly willing to invest in low-risk financial instruments, and wish to avoid large volatility in the returns from your portfolio. This does not prevent that you may once in a while consider investing in “prudent” shares and/or similar instruments, potentially through funds;

- *Neutral* means you expect to have a medium/long term investment horizon. You are aiming for a balance between low-risk instruments with a minimum level of safety and other instruments such as shares and/or high-yield bonds, increasing the potential overall long-term return on your portfolio. You are familiar with investment risks and acknowledge that your portfolio may suffer losses during certain periods;

- *Aggressive* means you expect long-term growth and high returns on assets. Shares typically constitute the majority or all of your investments; bonds in the portfolio would also normally be performance-oriented. You are well aware of the opportunities and the risks linked to such investment strategy and acknowledge that your portfolio may suffer losses, even substantial ones, during certain periods.

Your Account Manager will advise and discuss with you the investor profile the Bank has assigned to you – which will communicated through the account opening confirmation letter.
As your expectations may of course change over time, your account manager will be pleased to help you adjusting your investor profile and portfolio whenever required.

The investor profile is the key element used by the Bank to provide you with suitable investment advice.
Should you thus choose not to fill the related questionnaire, the Bank will not be able to determine your investor profile, and will not be in a position to provide you with any advisory or portfolio management services.
Only execution services in “non-complex” (please refer to section 5) products would remain available to you as a retail investor.

5. Suitability and appropriateness

Note: This section describes rules and processes applying to Retail Clients (cfr section 3). Somewhat different rules may apply to Professional Clients and Eligible Counterparts – please contact the Bank for further details

Suitability under Investment Advice

As *investment advisor*, the Bank needs to ascertain that each considered investment transaction(s) is suitable to you.
As mentioned in section 4. here above, your investor profile is the basis of the methodology used by the Bank in performing such assessment.
Indeed, the Bank defines and periodically reviews for each investor profile:

- A target overall portfolio allocation between the different main asset classes (cash/bonds/equities), regions and sectors;
- An advisory list of recommended list of individual financial instruments;
- As relevant, a list of (sub-)asset types which due to their risk characteristics may by default (not) be suitable to certain profiles.

The Bank’s investment policy is defined in close cooperation with other relevant units of the DNB Group, notably DNB Asset Management and DNB Markets.

Thus, when providing you with investment advice, your Account Manager will make sure recommendation fits with:

- the Bank’s Investment policy for your investor profile;
- any specific circumstances related to your individual case.

As an evidence to this, your Account Manager provides you with a suitability report outlining why the suggested investment recommendation meets your investment objectives and hence is suitable to you.
Such report should in principle be provided to you before the actual transaction is entered into; you may however accept to receive it later, for example in case of recommendation and deal agreed over the phone.

As mentioned earlier, please note that under this setup the Bank is bound neither to periodically monitor the suitability of your portfolio as a whole, nor to proactively contact you at predefined intervals.

Suitability under Discretionary Portfolio Management

When acting under a *DPM* mandate, the Bank also needs to ascertain that the considered transaction(s) are suitable to your investor profile – as well as in line with any specific investment restrictions agreed under the DPM agreement.

Process is very much same as outlined above for investment advice.
However here the Bank will not provide you with an individual suitability report for each transaction made, but rather with a periodical (minimum quarterly) confirmation that the portfolio as a whole –hence not the individual holdings- is still suitable and in line with the investor profile and investment mandate.

Appropriateness under Execution-only

When acting under *Execution-only* service in relation to a complex product, the Bank will need to ascertain that the requested investment is appropriate to you, i.e. that you have the sufficient financial knowledge/experience in order to understand the risks involved.

Complex products are defined as all products which are not non-complex (i.e. basically “standard” senior bonds, equities and UCITS funds).
Thus as a rule, all derivatives, structured/leveraged products, convertible/subordinated bonds, alternative and hedge funds, etc. will be considered as complex.

In case you insist to execute a transaction that the Bank cannot confirm as appropriate for you, then the Bank may still proceed with your request –but subject to receiving a signed risk waiver from your part.

6. Execution rules

The present section outlines the main principles followed by the Bank to ensure efficient execution of investment transactions it places on the market on behalf of its customers.
For further details, please refer to GTC’s, and to the Bank’s execution policy –available on the bank’s website.
The Bank will also annually publish on its website the 5 main execution venues used for each class of instruments.

General
The Bank shall take sufficient steps to ensure customers are given the best possible terms on the transactions the Bank executes itself, or has a third party execute, pertaining to trades in securities and other financial instruments. Factors taken into account are primarily the total price -including all transactions costs- as well as the speed and likelihood of execution and settlement, the size and nature of the transaction and any other consideration relevant to the order. The Bank shall, however, not be bound by these execution principles when the customer gives the Bank specific instructions about the execution of a transaction, nor when upon the customers’ request, the Bank quotes a price which is then accepted by the customers. The Bank will on an ongoing basis monitor compliance with and the effectiveness of its execution Policy.

Equities
The Bank generally transfers as agent and on behalf of its customers the execution of equity trades to intermediaries who abide by its best execution principles. These intermediaries may then execute such orders as deemed appropriate, in or outside regulated markets or other organised trading facilities.

Bonds, forward foreign exchange and derivative instruments
The Bank may also transfer as agent and on behalf of its customers the execution of order involving such instruments to intermediaries who abide by its best execution principles. However, given the specifics of the bond, foreign exchange and derivative markets, a significant proportion of these deals is likely to be executed “over-the counter” (OTC) outside regulated markets or Multilateral Trading Facilities (MTF’s). The Bank may in such cases also act as the Customers’ direct market counterpart for executing orders on these instruments.

Investment funds
Orders relating to investment funds are generally placed with the relevant Fund’s central administration, directly or through a global “funds platform” -for funds companies with which the Bank does not have a direct distribution agreement.

7. Conflicts of Interests, including inducements

The Bank may over the course of its activity face instances of potential conflict between its own interests and/ or the interests of its employees on the one hand, and the interests of its Customers on the other hand. The Bank has consequently implemented a number of organisational measures and controls to prevent such conflicts of interest and to mitigate the associated risks. These measures include:

- Segregation of duties and restricted access to certain type of information.
- Periodic refresher/training to staff regarding compliance, ethics and code of conduct, staff trading rules, and whistleblowing procedure.
- Continuous identification and monitoring by the Compliance and Risk functions

In respect of its investment advisory and discretionary portfolio management activities, the Bank may namely face the following situation and risks:

- Mis-use of inside information, and resulting cases of market abuses;
- Receipt of inducements, including fund trailer fees and free investment research.

In relation to market abuse, the Bank has put in place some specific controls, but believes that due to its specific setup and scope of activity (i.e. no investment banking activities, no own trading portfolio), the risk is overall fairly limited.
Risks linked to the receipt of inducements and related mitigating routines and controls are outlined in further details here below.

DPM services
In line with MiFID II requirements, when acting in the scope of DPM agreements, the Bank will:

- not invest on behalf of DPM clients in funds paying trailer fees;
- not accept to receive free investment research to be used in the scope of DPM investments.

Advisory and Execution services
The Bank may receive and retain periodical payments from the promoters of investment funds -including but not limited DNB Group funds- in which its customers have invested. Such payments are generally calculated based on a) the balances of investments held in the respective funds and b) a fraction - typically varying between 30% and 60% - of the rate of the management fees payable by those funds.
The Bank believes such payments to be justified and contribute to the enhancement of the quality of service. Notably, the Bank:

- provides its customers with access to an open architecture and wide range of investment funds;
- provides its customers with periodic added-value reports[2];
- will, upon request, make available to its customers the financial and other periodic reports of the concerned funds;
- will, upon request and subject to customer having completed the investor profile questionnaire, periodically reconfirm the suitability/appropriateness of the funds held to that profile.

The Bank has also taken specific organisational measures, including mostly segregation of duties and best execution policy and monitoring, so that such receipts of fees or other benefits do not impair its duty to act in the best interest of the Customers, and especially so that these do not introduce any bias in the investment process.
The Bank closely monitors development of market practices in this area, and as relevant adjust its policies accordingly.
For further details, please refer to the GTC's, Conflicts of Interests policy and Inducements policy available on the Bank's website

[2] such as detailed portfolio valuation report, and yearly income and expense report to be as relevant used by customers for preparation of tax return in their country of residence

8. <u>Costs and charges</u>

Please refer as a main basis to the price list that was provided to you upon account opening.
MiFID2 regulations however also require customers to receive an *ex-ante* and *ex-post* exhaustive aggregated overview of all the costs linked to the investment services and products that they may buy from the Bank.

<u>Ex-ante costs overview</u>
Please refer to the below table, which is subject to the following remarks:

- Table assumes holdings of EUR 10.000 in the main categories of financial instruments, for a total portfolio and transactional turnover of EUR 100.000;
- Stated amounts are according to the Bank's standard price list and represent as a rule maximum / "up to" amounts. You may be eligible for a more favourable tariff – please contact your Account Manager for more details;
- Costs stated for instruments and investment services may be cumulative, depending on the mix of products and services you choose to buy from the Bank;
- Transaction-related costs (items 1 and 3 in table) will be mostly dependent on the volume and frequency of trading on the account, whereas ongoing charges (items 2,4,5,6) will be mostly linked to the size of your portfolio;
- Layout of table is according to requirements of MiFID II regulations. Please refer to notes below table for practical guidance and examples on which types of costs are covered under which caption.

		Instrument type (For holdings of value EUR 10.000)								**Service level** (For portfolio/transactions of value EUR 100.000)					
		Bond		Equity		Fund		Foward fx		Execution only		Advisory		DPM	
		amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
ID	**Cost type**														
1	One-off charges		*0.00%*		*0.00%*		*0.00%*		*0.00%*	0	*0.00%*	0	*0.00%*	0	*0.00%*
2	Ongoing charges		*0.00%*		*0.00%*	100	*1.00%*		*0.00%*	700	*0.70%*	700	*0.70%*	1,300	*1.30%*
3	Transaction costs		*0.00%*		*0.00%*		*0.00%*		*0.00%*	750	*0.75%*	750	*0.75%*		*0.00%*
4	Ancillary services		*0.00%*		*0.00%*		*0.00%*		*0.00%*		*0.00%*		*0.00%*		*0.00%*
5	Incidental costs		*0.00%*		*0.00%*	5	*0.05%*		*0.00%*		*0.00%*		*0.00%*	50	*0.05%*
6	Inducements		*0.00%*		*0.00%*	50	*0.50%*		*0.00%*		*0.00%*		*0.00%*		*0.00%*
	Total	*0*	*0.00%*	*0*	*0.00%*	*155*	*1.55%*	*0*	*0.00%*	*1,450*	*1.45%*	*1,450*	*1.45%*	*1,350*	*1.35%*

<u>Notes</u>

Cost Type ID	For Service level	For instrument type	Comment, contents, example
1		Derivatives	Up-front fee may apply on specific transactions, for example Interest Rate Swaps, and is determined on case-by-case basis
2	All		EUR 300 corresponds to standard yearly account maintenance fee
2	Execution, Advisory		EUR 400 corresponds to custody fee at standard rate 0.4% on a portfolio of value EUR 100.000
2	DPM		EUR 1.000 corresponds to DPM fee at standard rate of 1.% on a portfolio of value EUR 100.000. This is inclusive of custody fee
2		Fund	EUR 100 corresponds to holding of EUR 10.000 in a fund with Total Expense Ratio (T.E.R) 1.5% , less inducement 0.5% -see item 6-. T.E.R reflects the sum of costs incurred within an investment fund, including fund management and administration fees, transaction costs, etc Value of T.E.R. may vary substantially according to promoter and type of fund, from less than 0.5% (cash/bond fund) to 2.5% or more (equity/hedge funds). It is calculated in arrears by the fund company. Main components are disclosed in the Fund's prospectus and/or KeyInvestor Document (KIID) These indirect costs are *<u>not</u>* an income for the Bank, subject to inducements per item 6
3	Execution, Advisory		EUR 750 correspond to standard transaction fees, inclusive of third party brokerage and external charges if any, on equity instruments for value EUR 100.000. Note that standard brokerage rates vary according to instrument type: bonds 0.5%, equities 0.75%, funds 2%, forward foreign exchange 0.25%
3	DPM		Transaction fees are NIL - as included as part of the DPM fee
5		Fund	EUR 5 illustrates potential fee charged by the fund manager for fund performing above predefined benchmark Rate of such performance fee, if any, shoudl be defined in the relvant fund's prospectus or KIID These indirect costs are *<u>not</u>* an income for the Bank
5	DPM		EUR 50 illustrates potential additional Bank fee for portfolio performing better than predefined benchmark Applicability and rate of such fee, if any, to be defined in the specific DPM agreement signed between Bank and client
6		Fund	EUR 50 represents portion of the fund management fee, if any, paid by the Fund company to the Bank under trailer fee agreement, as described in section 7 of document This represents an addiitonal income for the Bank, but *<u>not</u>* an additional cost for the customer. Customer ultimately incurs all -and only- the full T.E.R

Ex-post costs overview

The *ex-post* costs report will basically have same layout as the ex-ante view.
But it will be provided at the beginning of each year, and will be an aggregate of the actual costs you incurred in the previous year in relation to investment product and services purchased from the Bank. More itemised details will be provided upon request.

9. Reporting

The Bank will provide you with the following main types of reports:

On a daily basis
- Transaction confirmations;
- Suitability reports on advisory deals (cfr section 5)

On a monthly/quarterly basis
- Account statements;
- Portfolio valuation and performance report;
- DPM reports, including DPM suitability report (cfr section 5)

On a yearly basis
- Costs and charges report (cfr section 8);
- Income and expense report, to be as relevant used to prepare tax return in your country of residence

On an adhoc basis
- Risk waiver in case of deemed inappropriate investment (cfr section 5)
- Reporting on “significant losses”, defined as:
    - Loss of 10% or multiples of 10% on positions in leveraged instruments held by retail clients;
    - Quarterly loss of 10% or multiples of 10% on DPM portfolios.

All reporting is as a rule provided in electronic format, through your e-banking access.
You may also follow on-line the development of your portfolio and transactions through that e-banking access.

The Bank’s official communication language is English. You may opt to receive certain types of documents in alternative language, i.e. Norwegian. But please note that not all documents may be available in that language, and the only binding version will remain the English one.

10. Complaints handling

Please refer to the Complaints Handling policy available on the Bank’s website

11. Reference documents

For additional details, please refer to the following documentation, provided to you during the accounting opening process and/or available on the Bank’s website:
- General Terms and Conditions
- Price list
- Best Execution policy
- Conflicts of Interests policy
- Inducements policy
- Complaints Handling policy
- Depositors Guarantee (FGDL) information

Your Account Manager will be pleased to answer any queries you may have.