This document contains information that must be provided to the client in accordance with regulation governing investment services binding on an OP cooperative bank as well as with regulations and instructions issued by the relevant authorities. More detailed information on each service or product can be found in the related terms and conditions or agreement. In the event of any inconsistency or discrepancy between this document and service- or product-specific terms and conditions or the agreement, the agreement or the terms and conditions shall prevail.

Any changes and updates to this document will be available on OP Financial Group's website at op.fi.

1 Information about OP cooperative banks

1.1 Services

OP cooperative banks provide services for receiving and transmitting orders given by the client, in addition to investment and financing advice related to financial instruments as well as investment management services. In addition to investment services, OP cooperative banks may provide ancillary investment services.

More detailed information on each service can be found in the respective contract terms and conditions. The information provided in this notice is based on Finnish legislation and the laws of Finland shall be applied to the agreements.

When an OP cooperative bank provides its client with non-independent investment advice or investment management service, it will ask the client to provide information on his/her financial standing, including tolerance to bear losses, investment experience in and knowledge of the financial instrument concerned as well as investment objectives, including the risk limit according to regulation applicable from time to time as well as more detailed regulations and instructions issued by the relevant authorities. Requesting such information is necessary to carry out a suitability test for the client because the OP cooperative bank can recommend financial instruments and services suitable for the client only on the basis of this information.

1.2 Languages available for the service

Finnish and Swedish. English with certain restrictions.

1.3 Licence

The OP cooperative bank has a credit institution licence as referred to in the Act on Credit Institutions, authorising it to provide investment and ancillary services as referred to in regulations governing investment services.

1.4 Regulator

Finnish Financial Supervisory Authority
Snellmaninkatu 6, 00101 Helsinki
Telephone +358 9 183 51

European Central Bank
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

1.5 Contact information

Contact information on the nearest branch office can be found at op.fi.

1.6 Contact

The client may place an order regarding financial instruments orally, in writing, on OP eServices, by email, in a standard way applicable to the service or in another way agreed with the client separately.

The OP cooperative bank has the right to send the client written information related to the service by letter, on OP eServices, by email, in a standard way applicable to the service or in another way agreed with the client separately. The client acknowledges that using email as communications media, in case its use have been agreed upon, involves special risks, i.e. the message will not possibly be delivered to its addressee, the message may go into the hands of an external party or an external party may change the content of the message. The OP cooperative bank has a right to trust that orders received by email will be true and correct.

1.7 Client categorisation

The OP cooperative bank categorises its clients as retail clients, professional clients or eligible counterparties.

The client has the right to request in writing a recategorisation of his/her status. If the client is catego-rised as a professional client or eligible counterparty, the client will not be covered by the protection provided by the Investors' Compensation Fund mentioned below. Not all procedures concerning the service provider's obligation to provide and request information will apply to professional clients.

Client categorisation has an effect on the extent of the OP cooperative bank's obligation to provide and request information in relation to the investment service or financial instrument provided to the client.

2 OP cooperative bank's conflict-of-interest policy applicable to investment and ancillary services

In its investment and ancillary services, the OP cooperative bank complies with the Conflict-of-interest Policy described in Appendix 1.

3 Operating principles governing the execution of orders

The OP cooperative bank complies with the best execution policy described in Appendix 2.

4 Information on custody of client assets

4.1 Cash

Custody of client assets shall always be subject to a custody agreement between the OP cooperative bank and the client.

4.2 Mutual fund units

OP Fund Management Company Ltd's mutual fund units are kept in the fund unit register maintained by OP Fund Management Company Ltd. The assets of mutual funds are kept separate from those of the fund management company. and may not be used to cover the fund management company's liabilities. OP Corporate Bank plc or Skandinaviska Enskilda Banken serves as a custodian for domestic mutual funds managed by OP Fund Management Company Ltd. Each mutual fund's custodian appears from the fund's rules and Key Investor Information Document. Each mutual fund's assets are kept separate from the assets of other mutual funds, the fund management company and the custodian.

Custody of foreign mutual fund units differs from that of domestic mutual fund units. Mutual fund units subscribed by clients within foreign partners' mutual funds distributed by OP Fund Management Company Ltd are kept in a foreign fund management company for clients in the name of OP Corporate Bank plc. OP Corporate Bank plc keeps client-specific securities accounts of unitholders. With respect to foreign mutual funds purchased via a fund management company other than OP Fund Management Company Ltd, it is necessary to ascertain what bank or investment firm operating in Finland manages the client's mutual fund units abroad. Foreign mutual fund units may involve political, economic, legal, tax-related and other unforeseeable risks which shall be borne solely by the client.

4.3 Other financial instruments

Custody of financial instruments is subject to a separate agreement on custody of securities.

The bank may keep financial instruments in custody in the possession of a third party, in which case the client's financial instruments are separate from those of the OP cooperative bank and the custodian. The terms and conditions of a separate agreement governing securities custody specify the bank's re-sponsibility.

The client's financial instruments may be kept in an omnibus account, i.e. several clients' securities and/or securities of OP Corporate Bank plc or a subcustodian selected by OP Corporate Bank plc, with respect to some foreign securities in particular, are kept in the same account. When securities are kept in an omnibus account, the client's right to the assets in the account can be a quantity-based right to securities of the same type or class kept in the omnibus account or to rights, or to other right of joint ownership based usually on foreign legislation. This may be of significance when determining dividends subsequent to corporate actions and separating assets of a company in a state of bankruptcy or other default, as well as e.g. in connection with any error situations related to clearing and settlement or as a result of exceptional market practices.

Rather than being registered in the client's name, foreign financial instruments are usually registered in the client asset accounts of OP Corporate Bank plc or a subcustodian. In such a case, in the event

of any potential bankruptcy or other insolvency the client's securities are not necessarily separable from the assets of OP Corporate Bank plc or the subcustodian selected by OP Corporate Bank plc.

The client's foreign securities are generally kept in accounts managed by a domestic or foreign subcustodian selected by the OP cooperative bank, which are governed by local legislation. Therefore, the client's rights related to said securities may differ from those related to domestic subsidiaries with respect e.g. to clearing and settlement, account entries, investor protection and other legislation. With respect to foreign securities, the bank keeps securities accounts for each client. A securities account refers to subaccounting maintained by the bank for how ownership of securities managed by the subcustodian is divided among the bank's clients.

The terms and conditions of the custody service agreement and any possible separate agreement for client assets define rights of collateral and setoff covering the client's financial instruments and cash assets. The custodian of foreign financial instruments or cash assets may hold the right of collateral or setoff to said instruments or cash assets. In such a case, the right of collateral or setoff involves all financial instruments or cash assets in the account. With respect to financial instruments kept in the omnibus account, the client's financial instruments may be subject to the right of collateral or setoff on the basis of obligations other than those of the client, too.

OP Financial Group entities keeping client assets in custody has a designated person in charge of compliance with obligations related to custody of client assets.

5 Financial instruments and associated risks

The characteristics of financial instruments and risks associated with them are described in Appendix 3.

6 Recording of telephone conversations, discussions and electronic communication

To document orders, the OP cooperative bank is obliged to record telephone conversations with the client and record other conversations and to store electronic communication. Recordings will be used to verify orders, identify any possible fraud, develop customer, manage risks and settle any possible disputes. Such recordings shall be handed over to competent authorities at their request and the OP cooperative bank will store the recordings for at least five years.

The client has the right to request a copy of any such recordings.

7 Information on the Investors' Compensation Fund and the deposit guarantee scheme

The Investors' Compensation Fund will safeguard retail investors' undisputed claims due for payment if an investment firm or credit institution is unable to pay investor claims within the stipulated time, due to a reason other than temporary insolvency. This compensation payable to the investor accounts for 90 per cent of his/her claim, but no more than 20,000 euros. Since the Fund does not cover losses incurred due to a fall in share prices or incorrect investment decisions, the client is responsible for the consequences of his/her investment decisions. Nor are mutual fund operations covered by the protection provided by the Investors' Compensation Fund.

In case of a bank's default, compensation paid to a depositor by the Deposit Guarantee Fund due to the depositor's claims from the bank amounts to a maximum of 100,000 euros.

However, up to the limit of 20,000 euros of a depositor's claims from a bank facing insolvency will be paid from the Investors' Compensation Fund, if these claims are available from:

– the account which can be used only for investment service or custodian or asset management service, as per the agreement concluded with the credit institution's or investment firm's investor; or
– the client asset account under the name of the bank or investment firm, as referred to in law.

Claims in the account and claims not yet entered in the account are protected through either the Deposit Guarantee Fund or the Investors' Compensation Fund, i.e. the same assets are not subject to double protection.

OP Financial Group's conflict-of-interest policy applicable to investment and ancillary services

OP Financial Group's conflict-of-interest policy applicable to investment and ancillary services.

Identifying conflicts of interest

OP Financial Group is a large financial services group which provides banking, investment and insurance services and whose credit institutions and investment firms have several roles in capital market operations. Credit institutions and investment firms may, for example, trade in securities for their own account or for account of their clients, issue financial instruments in their own names and grant in-vestment service-related loans and other financing to clients. The simultaneous performance of various functions may mean that the client's interests are not always consistent with those of the credit institution or of the investment firm providing investment services, its personnel or its other clients.

A conflict of interest may be involved, for example, if:

a) OP Financial Group's executive or employee or a person directly or indirectly linked to an OP Financial Group entity by control may enjoy undue financial benefit at the client's expense;

b) OP Financial Group's entity, function or the abovementioned person has an interest differing from the client's interests relating to the service provided to the client or the result of the transaction executed for the client's account;

c) OP Financial Group's entity, function or the abovementioned person has a financial or other interest to favour the interests of another client or a group of clients instead of a client's interests;

d) OP Financial Group's entity or the abovementioned person is engaged in the same business as the client; or

e) OP Financial Group's entity or the abovementioned person receives an inducement permitted under regulation from a party other than the client related to the service, which is not a fee or payment usually charged for the service concerned.

Avoiding and managing conflicts of interest

OP Financial Group has taken all appropriate measures to identify, manage and prevent conflicts of interest. When following these principles, OP Financial Group can ensure that various functions can simultaneously engage in activities related to the provision of various investment services. In its operations, OP Financial Group always primarily aim at avoiding conflicts of interest. If any conflicts of interest occur, the procedures based on the conflicts-of-interest guidelines shall apply.

The starting point is that in providing investment or ancillary services OP Financial Group treats its clients equally and acts in compliance with good practice without favouring the client at another client's expense. An OP Financial Group entity must always act – also in a conflict-of-interest situation – in the interest of the client, provide products and services independently and objectively and keep client details confidential.

OP Financial Group aims to prevent any potential conflicts of interest from arising and to manage them, for example, by providing a set of internal instructions and training opportunities, using standalone information systems, restricting user authorisations, separating premises from one another and complying with confidentiality rules within the organisation too. In addition, the Group has taken preventive measures in such a way that it has organisationally separated functions that may face a conflict of interest and restricted their exchange of information.

For the purpose of preventing and controlling conflicts of interest, OP Financial Group has adopted guidelines regulating transactions applying to the Group's relevant persons and persons with whom they have a family relationship or close links. Related measures will vary depending on the business or service in question. In addition, OP Financial Group's guidelines include practices how to act in situations where the management of business relationship involves offering or accepting gifts. OP Financial Group employees must also receive their employer's approval for membership of the management of entities outside of OP Financial Group. OP Financial Group builds its remuneration schemes in such a way that they do not encourage executives and employees to act contrary to the client's bests interests

Identifying and reporting conflicts of interest

OP Financial Group will also regularly supervise compliance with the policies and principles referred to above. If an OP Financial Group executive or employee identifies any possible conflict of interest, such a situation will be recorded based on separate guidelines and report to the entity's management.

If an OP Financial Group entity through the abovementioned policies cannot reasonably reliably ensure that risks associated with the client's interests are avoided, the entity must provide the client with a detailed description of conflicts of interest caused by the provision of investment or ancillary service as well as sufficient information on the nature and reasons of such a conflict of interest as well as risks to which the client is subject and measures taken to mitigate risks. Such information must be provided before the execution of a transaction for the client's account so that the client can independently consider whether the client wants the transaction to be executed despite of the described conflict of interest. In such a case, it is also possible that this transaction will not be executed to avoid the conflict of interest. The notification to the client shall be delivered using a separate form.

OP Financial Group reviews at least once a year these principles governing the management of conflicts of interest and updates them whenever needed. At the client's request, the client's advisor provides more information on the principles governing conflicts of interest applicable to each OP Financial Group entity or the business division/line/unit that serves the client.

Inducements at OP Financial Group

An credit institution or investment firm belonging to OP Financial Group may, in connection with providing investment or ancillary services, pay a commission or fee to a third party, or receive a commission or fee from a third party. In this respect, OP Financial Group involves different Group members as third parties to each other, such as OP cooperative banks and OP Cooperative's subsidiaries. Such fees and commissions are inducements by nature in case they are not ordinary payments related to the provision of the service, such as those related to trading, custody or clearing or other charges based on legislation.

The position of the recipient of the payment in the provision of customer service and the provision of ancillary services or higher-level services to the client are the basis of items regarded as an inducement. OP Financial Group uses only inducements in compliance with good practice, with a view to improving the quality of the service provided to the client.

For example, a fund management company of international mutual funds or UCITS, or its representative, for which OP Financial Group act as subscription intermediaries may pay a fee to OP Fund Management Company Ltd for intermediation. The amount of such fees can be based on fund subscriptions, redemptions or the existing fund portfolio.

OP Fund Management Company may pay fees to the OP Financial Group branch or company acting as a subscription or redemption place for mutual funds managed by OP Fund Management Company and for international mutual funds based on sales recorded by mutual funds and on client relationship management. The fees are based on mutual fund subscriptions, redemptions or on fees charged for management. The fees based on management are ongoing inducements by nature.

An issue manager and/or issuer may pay a fee to OP Financial Group's member banks for serving as sale and subscription places for share issues and bonds. The fee may be subscription-specific or be based on the total number transmitted.

OP Corporate Bank plc may pay to OP Financial Group's member banks or another party a fee for transmitting an order in connection with stock exchange trading. In such a case, the fee is part of the expense charged from the client arising from the stock exchange transaction. In addition, OP Corporate Bank plc may pay to OP Financial Group's member banks a fee related to share issues and the sale and issue of structured products.

A fund management company of international mutual funds or UCITS, or its representative, for which OP Asset Management Ltd act as subscription intermediary, pays a fee to OP Asset Management Ltd for intermediation. The amount of such fees can be based on fund subscriptions, redemptions or the existing fund portfolio.

OP Life Assurance Company Ltd may pay to OP Financial Group's branch acting as its agent, such as an OP cooperative bank or OP Asset Management Ltd, a fee related to the provision of insurance policies.

Those receiving the fees, such as OP cooperative banks or OP Asset Management Ltd, use the fees to produce and pay for matters, ancillary services and higher-level services in favour of clients in various service channels related to client relationship, for example, by providing and acquiring reporting, online services, branch and telephone services as well as other services for clients.

Related to discretionary investment management, inducements described above are not, however, used.

Paid or received charges and fees in OP Financial Group are inducements permitted by regulation. The client or a potential client will receive information on the nature and the determination bases of a commission, fee or another benefit classified as an inducement well in advance before the provision of an investment or ancillary service. The purpose of such commissions, fees and other benefits is to improve the quality of the service offered to the client by, for example, enabling value-added services provided to the client or improving service quality by means of support related to expertise and product knowledge. Furthermore, the paid and received commissions and fees are not contrary to the client's best interests or to OP Financial Group's obligations to act honestly, equally and professionally in the best interests of the client.

More information on product- and service-specific inducements and their determination bases is avail-able from the presentation material of each product and service. Additionally, OP Financial Group re-ports to the client the amount of paid benefits, fees and other payments related to the client's investment services.

OP cooperative bank's Best Execution Policy

1 Introduction

This document lays down the operating principles with which OP cooperative banks comply in receiving and forwarding orders for financial instruments made by retail and professional clients and executing orders related to investment management provided by the OP cooperative bank to obtain the best possible result for the execution of client orders.

2 Execution of orders at OP Corporate Bank plc and OP Fund Management Company Ltd

OP cooperative banks use OP Corporate Bank plc to execute client orders, to which the OP cooperative bank transmits orders it has received from clients. The OP cooperative bank transmits client orders regarding mutual funds managed or distributed by OP Fund Management Company Ltd. A list of the mutual funds concerned is available from OP Financial Group's banks and at op.fi. OP Corporate Bank plc may either itself execute the client's order or transmit the order for execution not only to the main trading venues but also to MTF[1] s, other intermediaries, systematic internalisers, market makers and other liquidity providers. In these OP cooperative bank's client orders, OP Corporate Bank plc applies their own Best Execution Policy.

All Best Execution Policies in place in OP Financial Group can be found at op.fi

3 Factors to be considered in the best execution of orders, and their relative importance

The best possible result in the execution of an order is always determined by the total consideration. The total consideration consists of the factors mentioned below. The following factors are taken into account in the execution of orders and in the selection of the execution method, trading venue or OTC counterparty, in this order of importance:

1) Price of the financial instrument
2) Characteristics of the financial instrument
3) Size and nature of the order
4) Execution speed
5) Likelihood of execution and settlement
6) Costs related to trade execution and settlement

OP Financial Group seeks to execute orders at the best possible price. The direct effect of the order ex-ecution on the price of a financial instrument will also be taken into account in assessing the price. If a certain product is traded only on one trading venue or only one party in the market quotes prices in OTC[2] trading, the price will come directly from the trading venue or OTC counterparty concerned.

The liquidity of a financial instrument varies by financial instrument. Various financial instruments are traded on trading venues or with an OTC counterparty. The trading method has an effect on price determination and on how the order affects the market price. These include the characteristics of the financial instrument that affect the method of executing the order.

The size and nature of the order and the abovementioned characteristics of the financial instrument together have an effect on the way how the order will be executed.

The execution speed is relevant to the price fluctuation and price determination of the financial instrument and has an effect on the way how the order will be executed.

In respect of trading venues and OTC counterparties, the likelihood of execution is assessed as part of the regular assessment of the quality of order execution. The likelihood of settlement is assessed by monitoring the settlement capability of used trading venues and used intermediaries as well as OTC counterparties.

Costs related to transaction execution and settlement incurred by the client have an effect on in what trading venue the order will be executed.

In case OP Financial Group executes orders in part or in full in such a way that an OP Financial Group entity acts itself as the client's counterparty or directly against the order of another client, the entity concerned will ensure that the price reflects the current market situation.

The OP cooperative bank has assessed that it regularly receives the best total consideration from the client's perspective when it transmits orders for execution in OP Financial Group to the OP Financial

[1] MTF stands for "Multilateral trading facility".
[2] OTC (Over the Counter) means trading between two parties outside a regulated market, see section 5.2.

Group entity mentioned in section 2. For example, cost-savings related to charges for settlement and the information systems enabling the real-time transmission and monitoring of orders have an effect on how advantageous the total consideration is to the client. In addition, this enables, for example, the efficient and fast execution of transactions of a large number of clients in the best interests of every OP cooperative bank's client.

4. Instructions issued by the client

If the client issues special instructions related to an order or a certain part of it, the OP cooperative bank will primarily follow such instructions. The client's special instructions may prevent the OP cooperative bank from complying with these operating principles, or limit its compliance with the principles, and from achieving the best possible total consideration to the client.

5. Financial instruments and trading venues

5.1 Trading in equities and other financial instruments on a regulated market or a multilateral trading facility (MTF)

This section deals with financial instruments traded on stock exchanges or multilateral trading facilities (MTF). These financial instruments typically include equities, warrants, certificates, ETFs[3] , ETNs[4] and ETCs[5].

Orders will be executed on trading venues on which the best total consideration is assessed to be regularly received from the client's perspective. Orders for financial instruments, such as equities traded on several trading venues are executed using the SOR service for the financial instruments for which this is possible. If using the SOR[6] service is not possible or in the client's best interests, the order will be executed on the major trading venue.

If the financial instrument specified in this section is listed on a regulated market, the client order will primarily be executed on either a stock exchange and/or via an MTF. With the consent of the client, the order may be executed outside regulated markets or MTFs, i.e. over the counter (OTC). An OP cooperative bank or another OP Financial Group entity will not act as a systematic internaliser with financial instruments specified in this section.

5.2 Trading outside stock exchanges or trading venues (OTC)

Financial instruments according to this section are normally traded only outside trading venues (stock exchange, MTF and OTF[7]), or between two parties to trade (OTC trading). It is also possible that these financial instruments are traded also in a regulated market, multilateral trading facilities (MTF) or organised trading facilities (OTF) or trading activity varies between these facilities. To achieve the best total consideration to the client, it is monitored and assessed where the financial instruments under this section shall be traded. The list in section 7 provides information on the trading venues in use.

The financial instruments referred to in this section typically include:

– bonds and money market instruments, such as government bills, certificates of deposit, commercial papers, local authority papers and Euro Commercial Papers (ECPs)
– OTC derivatives, such as interest rate derivatives, credit derivatives, currency derivatives, equity derivatives, securitised derivatives, commodity derivatives
– structured investment products, such as structured bonds issued by OP Corporate Bank plc
– contracts for difference
– emission allowances
– other similar instruments

If a financial instrument is not traded on a trading venue or is not regularly traded on a trading venue, the order will be executed outside the trading venue over the counter (OTC).

In such a case, the order is executed at a justified price reflecting the market situation. The price is based on the available external reference prices applicable to the financial instrument in question, in addition to which the entity also takes account of the costs of equity, counterparty risk and any costs arising from the market risk exposure that may result from the instrument being created or being offered to the client.

[3] An ETF stands for an "exchange-traded fund", or a fund traded on a trading venue.
[4] An ETN stands for an "exchange-traded note", or a debt security traded on a trading venue.
[5] An ETC stands for an "exchange-traded commodity", or a commodity traded on a trading venue.
[6] SOR stands for "Smart Order Routing". The SOR service used by the order executor seeks not only the major trading venues but also the best price from other trading venues, such and MTFs.
[7] OTF stands for "Organised Trading Facility".

6. Combining orders and trades, and action in exceptional circumstances

An order or trade may be executed in parts using one or several trading venues or methods. The order or trade may be combined either with orders from other clients, trading interests or with OP cooperative bank's own transactions. Such combination may take place only if the order executor believes that it is unlikely that the combination as a whole would harm the client. However, combining orders and trades may in some cases be disadvantageous to an individual order or the client's best interests.

In exceptional situations, such as in connection with disturbances with trading venues or trading systems, it may be possible to deviate from the operating principles mentioned herein, if deemed necessary.

7. Trading venues, used intermediaries and OTC counterparties

A list of trading venues, the most important intermediaries and the OTC counterparties used at any given time is available by instrument type at op.fi.

It is assessed that the best possible total consideration to the client can be achieved on the listed trading venues, intermediaries and OTC counterparties.

8. Assessing and monitoring order execution principles and order execution quality

OP Financial Group assesses and monitors the appropriateness of its best execution policy on a regular basis, at least once a year. Such monitoring is aimed at improving and enhancing the bank's execution arrangements. This also includes the assessment of used trading venues, intermediaries and OTC counterparties in order to achieve the best total consideration from the client's perspective.

Furthermore, regular monitoring involves how markets develop and where trading in various financial instruments takes place at any given time. Trading takes place only on those trading venues and with those OTC counterparties through which the best price is attainable, taking account of the size of the order and the characteristics of the financial instruments. If trading is executed over the counter in such a way that the transaction is between the client and an OP Financial Group entity, the entity regularly monitors that transactions with clients are executed at a justified price reflecting the market situation. The used procedures regarding trading and the quality of order execution is subject to regular assessment. The method of assessing the quality of order execution depends on the characteristics of the financial instrument and on where the financial instrument is traded. Orders executed on different trading venues are compared with other transactions executed on different trading venues at any given time. Transactions executed with OTC counterparties are compared with other data on OTC transactions obtained from the market. The methods of assessing the quality of the order execution principles are also subject to regular monitoring as part of OP Financial Group's internal control.

Information on financial instruments and associated risks

Below is a general description of financial instruments within investment service and material risks inherent to them, as required by regulation governing investment services. This description is not exhaustive in any respects and does not reveal all potential risks associated with the financial instruments depicted below. Each investor must always assess whether a financial instrument suits his/her needs and requirements. He/she must carefully read the terms and conditions and characteristics of the financial instrument concerned and the resulting obligations before making an investment decision, in order to be aware of risks associated with financial instruments and of any potential effects on his/her financial standing. Investors must also deliberate carefully about the appropriateness of the financial instrument to the intended purpose in changing circumstances.

In addition, investors should note that resolution authorities may, due to resolution procedures that may commence due to financial difficulties faced by a credit institution, also intervene in the rights of the credit institution's bond holders and other creditors as well as shareholders by, for example, depreciating the bond or reclassifying it as financial instruments included in the capital base or invalidating shares..

Equities

A share, or an equity, is an equity instrument issued by a limited liability company. The value of a share is based on the view prevailing at any particular time of the value of the limited liability company that issued the share. Investing in equities also entitles dividends paid by the company, which is why expected future cash flows affect the market value on the review date.

Equities may be traded in a regulated market (on a stock exchange or an equivalent trading venue) or on a multilateral trading facility. These listed equities are typically highly liquid and selling them is possible within a quite short notice in an extreme market environment as well. Furthermore, equities may be traded outside a regulated market and multilateral trading facilities, in which case the liquidity of the investment is weak and the investment cannot typically be sold in an extreme market environment. The investment horizon should therefore be long sustaining market cycles.

Equity investment risks involve a risk associated with fluctuations in share prices (market risk) and that associated with the extent of trading (liquidity). General market developments and knowledge of factors contributing to the issuer's corporate performance affect changes in share prices. Equity investment involves the risk of losing all capital invested if the issuer goes bankrupt. By and large, the issuer's industry, legislative amendments, the number of shares issued and the breakdown of shareholders also number among factors affecting risks involved. Moreover, changes in foreign exchange rates have an effect on the value of shares denominated in a foreign currency. Equity investment in emerging markets can be regarded as riskier because these economies are characterised by a less established market environment and legislation, political risks and drastic exchange rate fluctuations, counterparty risks and lower equity market liquidity. The valuation fluctuation of an individual equity investment differs very much.

Subscription rights and stock options, which entitle their holders to subscribing for shares of the company that has issued them, are also comparable to shares. The price of a subscription right or stock option depends not only on the performance of the issuer's share price but also the stock-option exercise price, share volatility, interest rates and the stock option's residual maturity. The volatility of subscription rights and stock options is higher than that of the underlying share, due to lower tied-up capital (leverage).

Money market instruments

Money market instruments include government debt securities, certificates of deposit, commercial papers, local authority papers and Euro Commercial Papers (ECB).

Short-term money market investments principally include the so-called zero-interest notes (discount papers), to whose holders the issuer pays the note's par value on the maturity date stated on the note. Their maturity typically varies between 1 and 12 months. The issuer's credit risk is substantially associated with such an investment.

Income from zero-interest money market investment stems from the difference between the purchase price and par value (or resale price). The purchase price and resale price are derived by discounting the par value at the interest rate quoted for the period in question from the value date until the date of maturity. Whenever necessary, this contract can be sold on the secondary market. Repurchase is carried out at the market price quoted at the time of purchase.

Risks associated with money market instruments, as with other fixed-income instruments, can be divided into two components: risk resulting from interest rate fluctuations and the instrument's maturity (interest rate risk) and risk associated with the issuer's/depository's solvency (credit risk). Credit risk plays a pronounced role in fixed-income instruments characterised by the issuer's low credit rating. Money market instruments with good credit quality are instruments that are easy to sell in all market environments.

Notes and bonds

Notes and bonds are instruments representing future cash flows, their value being determined by calculating the present value of cash flows they are expected to generate. All the fixed-rate bond's/note's cash flows are known whereas the floating-rate bond's/note's cash flows depend on changes in the interest rate. Cash flows consist of coupon interest and principal repayment. In such a case, the bond's/note's value is determined by the required return in the market, or the discount rate.

Bond/note issuers include governments, municipalities, companies, insurance companies and financial institutions. The bases for income determination for bonds/notes to be issued are defined in the terms and conditions of each individual bond/note. The issue price and any subscription fee charged may also have an effect on the return.

Interest-rate risk and credit risk are usually associated with bonds/notes. Interest rate risk results from fluctuating interest rates, i.e. an increase in the interest rate decreases a bond's/note's resale value on the secondary market whereas a fall increases the value. Bonds/notes also involve credit risk, i.e. risk of the issuer failing to repay interest and principal in accordance with the bond/note terms and conditions. Clearing and settlement risk refers to a risk of loss arising between the parties in connection with payments and deliveries if the counterparty fails to fulfil its obligations. It is possible that no continuous daily secondary market is created for the bond/note during its term to maturity. If the investor wishes to sell his/her instrument before the bond's/note's maturity date, the bond's/note's market price on the selling date may be lower or higher than capital invested. In the manner stated in the bond's/note's terms and conditions, the investor or issuer may have the right to demand early repayment of the bond/note. Foreign bonds/notes may involve currency risks. The longer-term bond and the lower the issuer's credit rating, the more sensitive to changes in market conditions the secondary market value is.

An index-linked bond/note or another structured bond/note is a bond/note in which payment of income is typically tied, in part or in full, to the price performance of a predetermined underlying asset. A structured bond/note may involve the issuer's commitment to repay to the investor on the maturity date at least the bond's/note's par value or a specified share of the par value. This commitment with the issuer's credit risk involved is valid in full only on the date of maturity. The commitment does not cover any premium or subscription fee paid on the bond/note. It is also possible that the issuer does not make the aforementioned commitment. Risk of the underlying asset's performance is also associated with structured bonds/notes. If the investor sells the bond/note before its maturity, he/she may reap a capital gain or incur a capital loss.

The interest rate and a change in the underlying asset's market value affect the market value of index-linked bonds or other structured bonds/notes. Underlying assets may be a share (including a basket of shares, share index or a basket formed by these), a commodity, exchange rate (including a basket, index or an index basket), interest rate or interest rate difference, inflation rate (including the consumer price index), credit risk or a combination of these. The underlying asset's value may increase or decrease during the bond's/note's term. The value changes of the underlying asset affect the bond's/note's market value through a multiplier or restrictions that are determined in the terms and conditions. Considering that index-linked and structured bonds are in large number with differing terms and conditions, they differ significantly in terms of risk levels.

Debenture loans are bonds subordinated to the issuer's other commitments in the event of the issuer's bankruptcy. Because of the higher risk involved and lower liquidity, debenture loans generally earn higher interest than other bonds/notes. Bond volatilities are typically markedly higher than the risk levels of senior bonds. The value fluctuation of riskier debenture loans is closer to the fluctuation of return on equities than bonds/notes.

Convertible bonds are bonds whose holder has the right to convert them into shares of stock in the issuing company at a preagreed ratio. The coupon rate is usually lower than the issuer's credit spread prevailing on the market.

Bonds with equity warrants represent debt securities that incorporate warrants which provide their holders with the option to purchase the issuer's equity at a fixed contract price during a predetermined period. Warrants may be traded separately from the debt security in the secondary

market. As is the way with convertible bonds, bonds with equity warrants carry a lower coupon rate than regular bonds/notes, because some of this rate has been used to buy the bond. The risk levels of convertible bonds and bonds with equity warrants too are typically higher than those of diversified bond portfolio.

Derivative contracts

Derivative contracts come in the form of options, forwards, futures, swaps, their combinations and/or other similar contracts, and are standardised or non-standardised (OTC derivatives). A derivative contract refers to a contract whose value may depend on changes in the underlying asset's value, market price movements (volatility), interest rate fluctuations, the contract's maturity or another factor affecting the derivative's value. Its underlying assets can be e.g. equities, exchange rates, interest rates, commodities, credit risks, indices or an indicator of the underlying asset's price performance. The validity of derivative contracts varies from a very short term to several years. Market risk caused by change in the value of the underlying instrument is associated with derivative contracts. The contracting parties are obliged to settle the cash flows arising from the contract, irrespective of the market situation.

The most common derivative contracts and factors affecting their market value:

Interest rate swap

Considering that the market value of interest rate swaps is the present value of expected interest flows in the contract, its value is affected by the shape of the underlying yield curve. The market quotations of interest rate swaps are determined by interbank markets, reflecting future interest rate expectations. The sensitivity of the interest rate swap's market value to interest rate changes is the bigger the higher the capital and the longer the contract period. A decrease/increase in interest rate expectations decreases/increases the contract's value for the fixed rate payer and vice versa

Interest rate options (interest rate corridor, swaption, interest rate cap and floor)

Factors affecting the premium paid for the option and thereby the option's market value include interest rate expectations in the market, contract period, market interest rate volatility and exercise levels set for options. The higher the interest rate volatility the higher the price of options, because high volatility increases the contract's probability of its worth during the contract period. The longer the remaining contract period, the more is the time value of the contract. The contract's time value falls over time and is zero at maturity.

The option buyer's biggest possible loss, which results from market risk, equals the premium paid. Option writers have unlimited risk, because they are obliged to pay all cash flows arising from the contract regardless of the market situation.

Forward exchange contracts

The price of a forward exchange contract is determined by the spot rate of the underlying asset plus the return on the interest rate differential between currencies during the contract validity. Consequently, factors affecting forward exchange contract's market value include the contract validity period, the extent of exchange rate fluctuations and the interest rate differential of currencies. The market quotations of forward exchange contracts are determined by interbank markets, reflecting future interest rate expectations. The larger the capital involved, the higher sensitivity of the forward exchange contract's market value is. In addition, the validity period affects the sensitivity of the interest rate differential be-tween currencies. A weaker/stronger spot rate decreases/increases the contract's value for the buyer and vice versa. A fall/rise) in the interest rate differential between currencies decreases/increases) the contract's value for the buyer of the forward exchange contract and vice versa.

Currency options (call option, put option, knock-in, knock-out, reverse knock-in, reverse knock-out, digital option)

The holder of a currency option transaction (buyer) has the right at an agreed time to buy from or sell to the writer of the currency option (seller) an agreed amount of currency of the underlying instrument at a price specified in the contract. The buyer pays the seller a premium of its right.

The currency option contract's premium, or market value, comprises the option's time value (option price less intrinsic value) and the option intrinsic value (difference between the exchange rate at the time of review, or spot price, and the strike price). Factors affecting the price paid for the option and thereby the option market value include the spot price of the underlying exchange rate, the volatility of the underlying exchange rate, contract period, interest rate differential between currencies and the strike price set for the option.

The higher the currency volatility the higher the price of options, because high volatility increases the contract's probability of its worth during the contract period. A stronger exchange rate, or a spot rate, increases (decreases) the price of a call option (put option) and vice versa. A rise in the interest rate differential between currencies increases (decreases) the price of a call option (put option) and vice versa. The longer the remaining contract period, the more is the time value of the contract. The contract's time value falls over time and is zero at maturity.

The option buyer's biggest possible loss, which results from market risk, equals the premium paid. Option writers have unlimited risk, because they are obliged to pay all cash flows arising from the contract regardless of the market situation.

Derivative contracts may come in the form of various combinations. A derivative contract may contain terms and conditions involving an extremely large profit/loss potential. The risk of loss may be unlimited under certain derivative strategies.

In addition to the underlying asset's change in value (market risk), e.g. legislative amendments and the risk of delayed payment due to the counterparty's default and credit risk may affect the value of derivative contracts and the amount, timing and implementation of contracting parties' payment obligations.

If the derivative contract is cancelled during the contract period, the customer will be refunded or charged according to the market value of the contract. A significant change in the contract's market value may cause considerable losses to the client if the contract is cancelled early.

The break clause applicable to long-term contracts also gives the bank the right to end the contract early on preagreed dates. The bank may have to exercise its right to cancel the contract under the pro-visions of the break clause, for example, for the following reasons: changes in capital requirements ap-plying to banks, in derivative markets or a customer's credit risk. If the bank exercises the right allowed by the break clause and the contract's market value has undergone significant changes, the client may be affected by significant early cash flow effects.

The derivative contract's return is also affected by any other factors that may have been stated in the contract terms and conditions and costs related to lodging any collateral that may be required. De-pending on the type of derivative contracts, clients may be saddled with financial commitments or obligations other than the acquisition cost and the acquisition may involve the necessary collateral or other obligations. Since the derivative contract's value may undergo rapid and drastic changes, supplementary collateral may be required to cover inadequate collateral. It is also possible that the collateral must be realised. Moreover, changes in exchange rates have an effect on the value of derivatives de-nominated in a foreign currency.

Warrants

Warrants are securitised derivatives which always have a limited validity period (aka maturity) and which are traded as equities in a regulated market (on a stock exchange or an equivalent trading facility). The most common warrant types are call warrants and put warrants. The call warrant gives the right to buy an underlying commodity at a price agreed in the warrant terms and conditions on the expiry date (or on or before the expiry date in American warrants). If the price of the underlying asset does not at that time exceed the agreed price, the warrant expires worthless. The put warrant gives the right to sell an underlying asset at an agreed price. If the price of the underlying asset is above the agreed price, the put warrant expires worthless. Underlying assets are usually equities or indices but they can also come in the form of any commodity or foreign currency.

The warrant's exercise price determines the price at which the investor has the right to buy (call warrant) or sell (put warrant) the underlying asset. The conversion ratio is the number of warrants needed to buy or sell the underlying asset. The warrant's value is the difference between the exercise price and the value of equities, less costs, if any. The remaining value is divided by the number of warrants need-ed to buy the equities. If the warrant has value on its exercise date, the investor will receive the equivalent amount either in cash (net value payment) or book entry securities (physical delivery). The most common method is that the writer of the warrant (issuer) pays the net value in cash. Plain vanilla warrants come in two types: European warrants and American warrants. European warrants can be exercised only on the expiry date whereas American warrants can be exercised anytime before or on the stated expiry date. European warrants dominate the warrant market.

The value of warrants is formed in a similar way as that of options; very complicated and complex. The value of warrants is affected, for instance, by the implicit (expected) volatility of the underlying asset, the price of the underlying asset, market interest rate and term to maturity. The warrant's term to maturity is determined at the time of issue. The longer the term to maturity, the higher the

value of both call and put warrants. The value of all warrants decreases slightly every day, i.e. the value decreases slightly even if all other changing factors affecting the price remained unchanged. The biggest factor affecting the value of the warrant is the implicit volatility of the underlying asset. Higher volatility increases the warrant price while lower volatility decreases the price.

Turbo warrants differ from plain vanillas in the following respects: i) they have a higher gearing vis-à-vis the underlying asset ii) their price determination differs from plain vanilla warrants (e.g. no need to take account of the implicit volatility) iii) they have a predetermined knock-out barrier and reaching the barrier terminates the turbo warrant early. Higher gearing and the predetermined knock-out barrier mean that risks associated with turbo warrants are higher than those associated with plain vanilla warrants.

The value of turbo warrants is based on the difference between the exercise price and the underlying asset (mostly an equity). Since the value of turbo warrants is determined solely on the basis of the real value; only the exercise price of turbo put warrants can be lower than a share price. In turbo call warrants, it is the other way around. Since the stop-loss limit is higher than the exercise price, the turbo warrant would be worthless when the share price is lower than the exercise price. Choosing a higher exercise price for the turbo call warrant adds to gearing. The higher the exercise price, the lower the warrant's price is. Since a one-euro increase in the value of an underlying asset also increases the turbo warrant's value by one euro, the lower turbo warrant price means a higher return in percentage terms. The drawback is that the stop-loss level (knock-out barrier) is closer to the turbo warrant's price. This means a higher risk of reaching the limit and the value performance of the turbo warrant being interrupted.

Risk resulting from the price movement of an underlying asset has been sought to reduce by means of the knock-out barrier. After hitting the knock-out barrier level and the turbo warrant's expiry, the cash settlement amount will be specified. It the knock-out barrier equals the strike price or if the cash settlement amount equals or is lower than the strike price (call turbo) or if the cash settlement amount equals or is higher than the strike price (put turbo), the turbo warrant expires worthless.

The knock-out barrier can also be regarded as a risk, because even a very short-lived fluctuation in the underlying asset price may lead to reaching the knock-out barrier and the early expiration of the turbo warrant. Turbo warrants, like regular warrants, may also expire worthless on their exercise date. The life of turbo warrants is shorter than that of regular warrants.

The warrant issuer's undertaking to make a market in warrants plays an essential role in warrant trading. and the issuer may undertake to display both bid and offer orders. Warrant prospectuses contain the market making terms and conditions, which may vary considerably by issuer and warrant. The low market making amount and level and especially the lack of market making affect the product's liquidity. The limited liquidity of warrants, especially in exceptional market conditions, may make it difficult to sell or buy warrants.

It is possible that warrants have no value on their expiry date, leading the investor to lose his/her investment altogether. Call warrants expire with no value if the underlying asset's value is lower than the warrant's exercise price on the expiry date, whereas put warrants expire with no value if the underlying asset's value is higher than the warrant's exercise price on the expiry date. Investors cannot, however, lose more than capital they have invested.

Warrants involve market, credit and currency risks. Market risk pertains to the underlying asset's price performance and credit risk to the issuer's repayment capacity. If the underlying asset is quoted in a currency other than the euro, currency risk must be taken into consideration.

Before investors make their decision to invest in warrants, they must always read carefully the related prospectus, the terms and conditions and the product's principles, details (e.g. knock-out barrier) and associated risks. Warrant prospectuses and other more detailed information on warrants can be found on the website of their issuers.

Mutual funds

Investments in the financial instruments and their combinations described above can be made through mutual funds, in addition to direct investments in these instruments. Mutual funds are owned by their investors in proportion to their unit holdings. Responsible for managing mutual funds, fund management companies pool capital invested by private persons and institutions and invest this capital in several various securities that constitute the mutual fund.

According to the classification based on profit distribution, mutual funds are divided into funds which annually distribute dividends and accumulation funds in which profit increases the unit's value. The

one and the same fund may have both income and accumulation units. A mutual fund invests assets from the sale of fund units by following the investment strategy stated in its rules.

The fund rules contain objectives and restrictions set for investment. According to the chosen instrument, mutual funds can be classified as equity funds, balanced funds, long-term bond funds, intermediate-term bond funds and short-term bond funds. There are also e.g. commodity funds, convertible bond funds and corporate bond funds. Most mutual funds follow risk diversification principles in their investment policy, but funds deviating from such principles are called non-UCITS funds. In addition to traditional funds that are more flexible than other funds with respect to investment restrictions, these funds include capital protection funds aimed at safeguarding capital invested, as well as hedge funds which use derivative contracts (options and forwards) in their investment operations. Some non-UCITS funds are intended for professional institutional investors only. Funds also differ in their objectives; some aim to track an index passively (index funds) while others seek to produce returns superior to an appropriate benchmark index, based on active management (active funds).

Fund management companies must redeem fund units from investors on demand. Expenses such as management and custody fees, which vary depending on the mutual fund, are charged from the mutual fund's assets and specified in the Key Investor Information Document.

The mutual fund's risk level depends on the fund's investment strategy. Diversifying investments among several instruments independent of one another reduces the fund's overall risk relative to an individual instrument thanks to diversification benefits. In the main, mutual funds remain liquid on a daily basis, but their rules may contain restrictions with respect to the fund's liquidity in the event of exceptional market conditions due, for example, to the best interest of the fund's unitholders or because of the investment policy pursued by the fund. In addition, the redemption of units in non-UCITS funds may be possible only on certain dates, such as once a month or less frequently. Moreover, changes in foreign exchange rates have an effect on the value of funds denominated in a foreign currency. Funds that have been diversified effectively are not as sensitive to drastic value reductions as direct individual investments in the same asset class. Similarly, the value of diversified funds typically fluctuates much less than the value of individual investments in the same asset class. The annual volatility of funds investing in listed equities typically varies between 12 and 16 percentage points. The volatility of funds investing in bonds with good credit quality varies between 2.5 and 5 percentage points and that of funds investing in bonds with poor credit quality between 6 and 14 percentage points.

The specific characteristics and risks of an individual mutual fund can be found in the fund's Key Investor Information Document. Before investing in a mutual fund, investors should read the content of the Key Investor Information Document, the fund's rules and list of charges and fees.

An Exchange Traded Fund (ETF) is a fund traded in a regulated market (on a stock exchange or an equivalent trading venue) and tracks the performance of a selected index or another underlying asset. Bid and ask prices change in the same way as share prices. Trading in ETFs in a regulated market is similar to that in equities. Trading outside regulated markets is also possible. Liquidity is determined, for example, on the basis of the underlying asset.

There are various ETF structures which vary by issuer. Market, credit, currency and counterparty risks are associated with ETF products. The risk level of the products varies by investment strategy and investment vehicles in the same way as that of mutual funds. Market risks are associated with the price performance of the underlying asset; invested capital may fall and in theory it may be lost altogether. It is necessary to take account of currency risks with respect to the underlying asset's currency and the quotation currency. Credit risk associated with certain structures (ETN) pertains to the issuer's repayment capacity. Issuers aim to manage counterparty risks associated with products by setting various collateral requirements. ETF products may also involve a risk associated with client asset custody, especially when the ETF invests its assets in emerging markets and sub-custody arrangements apply to securities in the target country.

Short ETFs are structures that seek a return that corresponds to the inverse of the daily performance of the underlying market or asset.

ETC

Exchange Traded Commodities (ETCs) are securitised commodities traded in a regulated market (on an exchange or an equivalent trading venue) in the same way as equities and track the price performance of e.g. an underlying commodity or basket of commodities. If an ETC is based on commodity derivatives, the client's total profit is also affected by what are known as rolling profits or losses. Rolling refers to the act of selling a maturing ETC future and replacing with one that has a later maturity date.

ETCs involve market, credit, currency and counterparty risks. Market risks are associated with the price performance of the underlying commodity; invested capital may fall or in theory be lost altogether if the price of the underlying commodity or basket of commodities falls. Depending on the investment strategy, the price change may be greater with some ETCs than the price change of the underlying as-set. Credit risk pertains to the issuer's default. Issuers aim to manage counterparty risks associated with products by setting various collateral requirements. It is necessary to take account of currency risks with respect to the underlying asset's currency and the quotation currency.

Short ETCs are structures that seek a return that corresponds to the inverse of the daily performance of the underlying market or asset.

Financial services taxes

Investors should pay attention to the fact that buying, owning and selling financial instruments result in tax consequences and they must ensure that they are aware of the appropriate taxation-related information prior to making an investment decision. Anyone who plans to make an investment should turn to a tax expert in order to become informed of tax implications as required by the Finnish tax legislation, or other tax implications, resulting from buying, owning and selling financial instruments. Investors must note that the tax treatment of financial instruments is determined by the client's individual circumstances, which may change in the future.

Trading in financial instruments

Trading in financial instruments is based on the rules of the trading venue concerned. The market price of a financial instrument may not be distorted by, for example, making a misleading bid or offer for the instrument, entering into a fictitious transaction or taking another deceptive action. A fictitious trans-action refers, for example, to a case in which a person trades with himself/herself or the company he/she owns.

Definitions

Credit risk

Risk of the issuer failing to repay interest or principal in accordance with the terms and conditions governing the financial instrument's issuance.

Market risk

Market risk refers to risk arising from market price fluctuations. Market risks comprise interest rate, currency, equity or other price risks.

Interest rate risk

Interest rate risk results from fluctuating interest rates, i.e. an increase in the interest rate decreases a bond's/note's resale value on the secondary market whereas a fall increases the value.

Currency risk

Currency risk results from exchange rate fluctuations.

Counterparty risk

Risk of the counterparty's ability to fulfil his obligations. (This may apply e.g. to derivative contracts, fixed income investments, structured investments and foreign exchange transactions.)

Settlement risk

Risk associated with trading, i.e. a counterparty does not deliver a security or its value in cash as per agreement.

Volatility

The standard deviation of the annualised returns over long-term annual returns.