RIETUMU
BANKA

Excerpt from Conflicts of Interest Management Policy

KL/022/V5, Riga

1. General provisions

1.1. Joint stock company "Rietumu Banka" (hereinafter – the Bank) *Excerpt from Conflicts of Interest Management Policy* (hereinafter – the Policy) defines the essence of the Conflict of interest, the procedure of timely identification and management of possible Conflicts of interest, the procedure of limitation and minimization, as well as defines responsibility regarding management of Conflicts of interest.

1.2. The Bank implements the Policy by meeting the laws and regulatory requirements of the European Union and the Republic of Latvia.

1.3. The Policy is developed in accordance with the requirements set out in the Bank's internal regulatory documents.

1.4. When developing the Policy, the Bank takes into account the identified existing actual or potential Conflicts of interest in the Bank's subsidiaries, and also takes possible measures to prevent the Conflicts of interest that may arise between the Bank and its subsidiaries.

1.5. The Policy is applied to all levels of the Officials, Persons related to management and the Bank's subsidiaries, including all employees of the Bank who are not an Official (hereinafter referred to as the Employee). Within the framework of this Policy interns, persons cooperating with the Bank on the basis of a client-contractor agreement and employees of the Bank's subsidiaries are also Employees.

2. Terms

Official – a member of the Bank's Council or the Executive Board.

Significant conflict of interest – a situation of Conflict of interests that is a one-off event with low or higher risk influence according to the risks assessment set by the Bank and an event which is recognised as such by the Bank after evaluating compliance with requirements of internal regulatory documents and binding legislation.

Employees – all employees of the Bank who are not Officials. Interns, persons cooperating with the Bank on the basis of a client-contractor agreement and employees of the Bank's subsidiaries are also Employees.

Financial instruments – financial instruments within the meaning of the Section 3 (2) of the Financial Instrument Market Law.

Conflict of interest – action or inaction while performing professional (official) duties and in decision-making when the Employee or the Official, directly or indirectly, or through third parties, is personally interested in decision-making.

Client – a corporate entity or a private individual or a legal arrangement, or an association of such entities / arrangements to whom the Bank provides services or who has expressed willingness to receive them.

Inducement – any fee, commission, financial or non-financial benefit that the Bank pays or receives in connection with the provision of the investment services/ ancillary services to the Client.

Key function holder – a person whose position gives him/her the opportunity to significantly influence the direction of the Bank's operations, but who are not members of the Council or the Executive Board. The list of Key function holders are indicated in the list of persons related to the JSC "Rietumu Banka" which is maintained by the Bank.

Persons related to management – persons related to the management of the Bank - shareholders of the Bank who have a qualifying holding in the Bank, and the spouses, parents and children of these shareholders or participants-private individuals, members of the Bank's Council and the Executive Board, the spouses, parents and children of these persons, as well as commercial companies in which the mentioned persons have a qualifying holding or in which they hold management positions or are members of the board or the council.

Personal transaction – any transaction with Financial instruments carried out by an Employee, Official, Person related to management and/or which is carried out for the benefit of this person and meets at least one of the following criteria:

1) the transaction is carried out outside the scope of the professional activities of the above person;
2) the transaction is carried out at the expense of the above person;
3) the transaction was executed at the expense of the Employee's or the Official's spouse, child,

or another relative or person who has close ties with the Employee or Official or had a joint holding at least one year before the transaction was executed;

4) the transaction was carried out at the expense of a third party who is related to the respective person in such a way that the latter has a direct or indirect material interest in the outcome of the transaction, which is not a fee for the execution of the transaction.

3. Goals and Objectives

3.1. The Policy defines the basic principles of identification, assessment, management and decision-making of the potential Conflicts of interest.

3.2. In order to achieve the set goal, the Bank performs the following actions for managing the Conflicts of Interest:

3.2.1. ensures the implementation of the Policy in the Bank and in the Bank's subsidiaries;

3.2.2. identifies, documents, eliminates or restricts the Conflicts of interest;

3.2.3. ensures the division of supervisory issues of the Executive Board and the Council members in order to avoid the Conflicts of interest;

3.2.4. determines the requirement for the Executive Board and Council members of the Bank to act independently when making decisions (independence of mind) and only in the interests of the Bank;

3.2.5. ensures that the structural units between which a Conflict of interest may arise are mutually independent and:

1) have different organizational subordination, separated information circulation and decision-making procedure;

2) before making significant changes to the organizational structure (transferring or merging the functions of the 1st or 2nd line of defense or creating new structural units) or before making decisions about the performance of the duties of Officials in the order of combining positions, possible Conflicts of interest are assessed;

3.2.6. ensures the clarity, accuracy and truthfulness of the information provided to Clients;

3.2.7. ensures that the conditions of transactions of Employees, Officials, Persons related to management do not differ from those offered to other persons;

3.2.8. ensures that commercial companies, in which Persons related to management have a qualified holding, do not have transaction conditions different from those offered to other commercial companies;

3.2.9. ensures that during the provision of investment services/ancillary investment services the Bank is entitled to receive/pay Inducements, in compliance with the requirements of Section 133^{18} of the Financial Instrument Market Law of the Republic of Latvia and in accordance with the internal regulatory documents:

3.2.9.1. the Bank transfers the Inducements received from the counterparty to the Client in full;

3.2.9.2. the Bank ensures disclosure of appropriate information about Inducements to Clients and publishes the information on the Bank's website www.rietumu.com;

3.2.10. ensures that the Employees and Officials perform their duties to the extent and quality that they do not violate external laws and regulations, prevents the occurrence of Conflicts of interest and refrains from making decisions in the Bank's transactions in which a Conflict of interest may arise;

3.2.11. ensures access restrictions for the Employees and Officials to the Bank's information;

3.2.12. stipulates that Employees and Officials refrain from making a decision and subsequently signing an agreement on behalf of the Bank for transactions in which one party is the Bank, the other is the Employee himself/herself, Official or a Person related to management, and a Conflict of interest may arise;

3.2.13. ensures that the Bank has established restrictions on conducting Personal transactions in the financial markets and has developed a procedure for how the Employee, Official or Person related to management can receive investment services/ ancillary services;

3.2.14. identifies and prevents potential Conflicts of interest that could arise as a result of the implementation of the Bank's Remuneration policy;

3.2.15. examines the Client's complaints about the possible Conflicts of interest and provides the Client with an answer in accordance with requirements of the internal regulatory documents;

3.2.16. identifies and prevents potential Conflicts of interest that could arise for the Bank's subsidiaries when carrying out the business and providing services.

3.2.17. determines the structural unit responsible for monitoring and managing the process of identifying Conflicts of interest and the obligation to inform about the identified Conflicts of interest and their prevention measures.

3.3. The Policy is published on the Bank's website after its approval by the Council.

4. Occurrence of Conflicts of interest

4.1. A Conflict of interest may arise where, during the performance of duties and making decisions, conflicting or different interests which affects or may affect the Bank's obligation to provide fair, just and professional financial services, among are faced between/ among:
- 4.1.1. the Bank and the Client;
- 4.1.2. an Employee, Official or a Person related to management and the Client;
- 4.1.3. the Bank's cooperation partner/outsourcing provider and the Client;
- 4.1.4. two or more Clients when providing services to these Clients;
- 4.1.5. the Bank and the Employee or the Official;
- 4.1.6. Employees of the structural units;
- 4.1.7. Officials;
- 4.1.8. the Employee or the Official as an Employee or and Official and a Client at the same time;
- 4.1.9. the Bank and the Bank's subsidiaries, their Officials, Employees and Customer.

4.2. A Conflict of interest may arise if the independence of the internal control function performers from the activities they control is not ensured.

4.3. A Conflict of interest may arise where an Employee, an Official or a Person related to management:
- 4.3.1. could make a profit or avoid financial losses at the expense of the Client or the Bank;
- 4.3.2. is interested in the result of the service provided to the Client or the transaction performed on behalf of the Client, which does not correspond to the Client's interests;
- 4.3.3. is interested in establishing cooperation with a specific cooperation partner/outsourced service provider, receive remuneration from the cooperation partner/outsourced service provider for the cooperation agreement entered into;
- 4.3.4. is interested in acting for the benefit of another Client or a group of Clients;
- 4.3.5. is interested to act in favour of another Employee, Official, Person related to management;
- 4.3.6. is interested in working together (as relatives, business partners, etc.) with any other Bank's Employee, Official Person related to management contrary to the Bank's interests;
- 4.3.7. performs the same professional activity as the Client or the Bank;
- 4.3.8. receives or will receive compensation for the services provided to the Client from another person in the form of money, goods or services other than the standard fee for this service. Exceptional cases related to giving or receiving gifts and representation expenses are specified in the internal regulatory documents;
- 4.3.9. receive remuneration (Inducements in connection with the services provided to the Client in the form of monetary or non-monetary benefits or services) or gifts from partners, Clients or other interested parties, which may affect making honest decisions;
- 4.3.10. combines positions or performs duties of the Official in the Bank and in another company;
- 4.3.11. cooperates with the Bank's competitors (the subject of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing);
- 4.3.12. when uses information obtained within the scope of their work duties without authorisation, in order to obtain some material or non-material benefit for themselves.

4.4. If the Employee, Official or Person Related to management is simultaneously a shareholder or the Client of the Bank, then this status in itself is not considered a Conflict of interest, if the Conflict of interest is not recognized as a Significant conflict of interest in accordance with the requirements of the Policy and the related internal regulatory documents.

5. Management of Conflicts of interest

5.1. The Bank imposes on the Employees and Officials an obligation to use all the information at their disposal to identify, to the best of their ability, all possible circumstances that may

cause or create a basis for Conflict of interest in connection with the provision of Bank services, as well as imposes and obligation to report Conflicts of interest.

5.2. In accordance with the internal regulatory document's certain structural units of the 2nd and 3rd lines of defense are obliged to report on Conflict of interest established during planned or unplanned inspections, financial supervision, and other obligations to ensure the compliance of the Bank's operations.

5.3. In order to monitor compliance with Policy requirements, the Bank obtains information on Conflicts of interest at least once a year:

5.3.1. receiving annual declarations from the Employees and Officials and initial declarations from new Employees or Officials and evaluating the received data, as well as requesting additional data or explanations for identifying potential Conflicts of interest;

5.3.2. receiving completed questionnaires from the Bank's subsidiaries and evaluating the received data, as well as requesting additional data or explanations for identifying potential Conflicts of interest.

5.4. Employees or Officials provide reports on possible or identified Conflicts of interest in their own or activities of other Employees, Officials, Persons related to management or register the actual Conflicts of interest as OR in accordance with requirements of the internal regulatory documents.

5.5. For more efficient management of Conflicts of interest, the Bank divides the subjects of Conflicts of interest into groups in accordance with Section 6 of the Policy.

5.6. The Bank, observing the requirements of internal regulatory documents and external laws and regulations, analyses and documents whether the potential Conflict of interest meets the characteristics of group A, B1, B2 or C:

5.6.1. specialists and experts may be invited from any structural unit for the analysis and assessment of a possible Conflict of interest as needed;

5.6.2. keeps records of possible Conflicts of interest.

6. Management of Conflicts of interest according to division into groups

6.1. Group A – Persons related to management.

6.1.1. The Bank identifies and assesses Conflicts of interest that could arise in transactions with Persons related to management and in respect of which restrictive measures may be applied.

6.1.2. The Bank ensures that conditions of the transactions for persons of Group A are not more favourable than the conditions of similar transactions of the Bank for other persons and do not conflict with the interests of the Bank, its depositors and investors.

6.1.3. The Bank ensures the monitoring and verification of transactions to ensure that the conditions referred to in Clause 6.1.2. are observed and the Bank's internal regulatory documents determine:

1) procedure for making decisions on such transactions;
2) types of financial service to be used;
3) terms of assignment and execution of transactions;
4) procedure for assessing potential Conflicts of Interest before the transaction;
5) description of Conflicts of interest;
6) procedures for documenting transactions.

6.1.4. The Bank ensures that the personal data obtained to ensure the fulfilment of the requirements of Clause 6.1.3. of this Policy, are stored for no less than three years after the termination of the employment of a Person related to management or equivalent legal relationship with the Bank.

6.1.5. If the potential Conflict of interest assessed corresponds to the characteristics of Group A, the Bank, according to the research conducted and analysis of the underlying cause, informs the relevant institution of the Bank (Council, Executive Board), which makes the final decision on the future set of measures for managing Conflicts of interest.

6.2. B1 group – Officials.

6.2.1. The Bank applies additional requirements to Officials for managing Conflicts of interest and intends to evaluate at least the following:

1) economic interests of these persons (for example, a loan issued that exceeds

the limit of exposures stipulated in the Credit Institution Law of the Republic of Latvia);
2) their personal, professional and economic relations with other Employees or Officials, persons having a qualified holding in the Bank, and other interested parties (stakeholders), as well as with the Bank's subsidiaries, their Employees and Officials;
3) their legal employment relations during the last five years;
4) participation in the capital of other commercial companies, if such participation affects or may affect the interests of the respective Official.

6.2.2. The Bank sets the obligation for the Council and the Executive Board members:
1) in the performance of their official duties, to prevent the occurrence of a Conflict of interest and refrain from making decisions regarding the Bank's financial transactions or any other transactions in which this Council or Executive Board member has or may have a Conflict of interest;
2) to report to the Council on financial transactions or any other transactions in which this Council or Executive Board member directly or indirectly has or may have a Conflict of interest;
3) to provide information to the Council on potential Conflicts of interest that may arise in connection with their activities or the activities of persons closely related to them in other financial institutions;
4) for keeping records of possible Conflicts of interest to inform about the cases referred to in Subclause 2-3 of Clause 6.2.2 of the Policy.

6.2.3. **Officials**, who, in the course of their duties, may face a Conflict of interest, are prohibited to:
6.2.3.1. make a Personal transaction:
1) based on insider information available to the Official while performing his/her duties;
2) using or disclosing information containing trade secrets;
3) which contradicts the requirements established by the Financial Instrument Market Law of the Republic of Latvia;
4) at the expense of one's own or another person (including the Bank) for which investment research has been developed, if the Official has investment research information that is not yet available to the Bank or the Clients.

6.2.3.2. advise a third person to carry out such a transaction with Financial instruments, which would be qualified as a Personal transaction for the person who recommended the transaction, except for the case when the transaction is recommended while performing work or professional duties;

6.2.3.3. disclose information or express an opinion to a third party if the person who disclosed the information knows or should know that as a result of the disclosure the third party will or could conduct or advise another person to conduct a transaction with Financial instruments that for the person who disclosed the information would have qualify as a Personal transaction.

6.2.4. The Key function holder must inform responsible structural unit about transactions or circumstances in which he/she directly or indirectly has or may have a Conflict of interest and must report to the Executive Board or the Council, which adopts and documents the decision on the set of further measures for managing the Conflict of interest.

6.3. Group B2 – Employees or Key function holder who provide Investment services/ ancillary services while performing their duties could face a Conflict of interest.

6.3.1. Employees or Key function holders must report to responsible structural unit in accordance with requirements of the internal regulatory documents and the immediate supervisor or the collegiate institution about transactions in which this person directly or indirectly has, may have or has already had a Conflict of interest.

6.3.2. The Bank takes measures to identify and prevent Conflicts of interest that may arise when providing investment services/investment ancillary services, or in other circumstances when operations with Financial instruments or the provision of investment services / ancillary services are involved.

6.3.3. When executing the Client's order for carrying out a transaction with Financial instruments at the expense of the Client, Conflicts of interest may arise:
1) between the Client and other Clients if the other Clients transact with the same Financial instruments (combine orders) and, in addition, receive the Bank's investment services/investment ancillary services;

2) between the Client and the Bank if the Bank carries out a transaction with the purchase of a Financial instrument on behalf of the Client, when the Bank is the seller/distributor of this Financial instrument and receives commission fees for this distribution;
3) between the Client and the Bank if the Bank carries out a transaction with the purchase of a Financial instrument on behalf of the Client, the Bank being the issuer of this Financial instrument;
4) between the Client and the Employee if the Employee conducts a Personal transaction with the Client, the Employee being the seller/ buyer of a Financial instrument or a person related to the seller/buyer of the Financial instrument.

6.3.4. **Personal transactions** involving Financial instruments, a Conflict of interest may arise for Employees, Officials or Persons related to management when conducting Personal transactions, as their personal interests may conflict with those of the Client or the Bank.

6.3.4.1. The Bank has the right to determine that in order to perform Personal transactions, Clients who are also Employees, Officials, and Persons related to management need the Bank's permission to perform the respective transaction.

6.3.4.2. The Bank establishes a requirement for Employees, Officials, Persons related to management to inform the Bank about the Personal transactions.

6.3.4.3. The Bank in accordance with requirements of the internal regulatory documents creates and maintains a register in which it stores information about transactions carried out in the Bank and outside the Bank, based on the information provided by the relevant persons or discovered during supervision.

6.3.5. **Organisation of the issue of debt securities** with the aim of providing support to the Client in the implementation of a personal Financial instrument issuance may negatively affect or cause a Conflict of interest if:
1) the Bank offers to acquire Financial instruments in the interests of other Clients, for the distribution of which the Bank has concluded a distribution agreement and receives a commission fee from the issuer of the Financial instrument or another person;
2) the Bank is interested in managing the personal position;
3) the Employees are interested in conducting Personal transactions using internal information about the financial status of the relevant Client or other information that may affect the price of an issued Financial instrument;
4) the Bank's activities as an issuing agent include activities intended to safeguard the interests of the issuer and potential investors, conflict with the Bank's own interests as a creditor of the respective issuer.

6.3.6. **When carrying out individual management of the Client's Financial instruments in accordance with the client's authorization** the Bank, as a financially interested party in concluding the transaction, has the possibility of a Conflict of interest if:
1) the Client's individual portfolio includes/purchases the Financial instruments owned by the Bank or its shareholders, or issued by the Bank, its shareholders or another subsidiary of the Bank, or the Bank has organised the issuance of the Financial instruments;
2) the Bank acquires, including receives as a payment for services, Financial instruments owned by the Client or sells them to the Bank or the Bank's shareholders;
3) transactions are carried out in which the Bank or the Employees or Officials or authorised persons simultaneously represent the other side of the transaction;
4) the managed Financial instruments are changed to those that were included in the portfolios of the Bank or the Bank's shareholders;
5) the Bank or the Employee receive any fee or Inducement from a third party in connection with the provision of services to the client;
6) the Client's assets are involved in a Personal transaction;
7) the Client's assets are used in securities financing transactions;
8) the Client does not meet the target market of the service, but the Bank may be interested in providing the service to the Client in the cases referred to in Subclause 1-7 of Clause 6.3.6. of the Policy;
9) the Bank has significant business relations with a joint-stock company, in shares of which the Client's funds are invested, or the Bank owns the shares of this

joint-stock company, which gives the right to get involved (participate) in the management of the joint-stock company.

6.3.7. **In organisational provisions of structural units that accept and execute the Client's orders with Financial instruments**, the Bank ensures that the following principles of independence are applied to reduce the possibility of Conflicts of interest:

1) the Employee does not make decisions on issues in which he/she or a person related to him/her has interests that conflict with the interests of the Bank or the Client;
2) Employees of the structural units that accept and execute the Client's orders for transactions with Financial instruments do not exchange information with Employees of other structural units of the Bank, if such an exchange of information may harm the Client's interests;
3) those Employees who accept and execute Client's orders for transactions with Financial instruments and whose interests may conflict with the Bank's interests are specially monitored;
4) the remuneration of the Employees of the structural units that accept and execute the Client's orders for transactions with Financial instruments, does not depend on the remuneration of other Employees, if a Conflict of interest may arise due to these activities.

6.3.8. **In Bank's portfolio management** the Bank's goal is to maximise returns in accordance with defined investment criteria. To reduce the possibility of Conflicts of interest, the Bank ensures that collegial bodies (such as the Bank's committee) take decisions on Financial Instruments':

1) purchase in cases where illiquid, unrated Financial Instruments or closed issue Financial Instruments are purchased or they are purchased in the primary market prior to decision-making ensuring that the corresponding collegial body makes assessment of any potential conflicts of interest
2) sale in cases where the Bank provides the buyer with an individual management service for the Client's Financial instruments in accordance with the Client's authorization.

6.3.9. **To prevent Conflict of interest, persons who prepare investment research** and hold inside information are prohibited to:

1) disclose, use or transfer insider information to third parties, except when such information is disclosed or transferred in the course of performing one's work or professional duties;
2) based on inside information, acquire or dispose of Financial instruments on behalf of themselves or another person, as well as recommend or instruct another person to acquire or dispose of Financial instruments;
3) carry out transactions on the secondary market with Financial instruments issued by the Bank for one month until the moment of publication of the Bank's financial report.

6.3.10. To prevent unfair transactions and market manipulations, the Bank, when carrying out operations with Financial instruments, takes into account the requirements set out in the internal regulatory documents.

6.3.11. If the assessed Conflict of interest meets the characteristics of Group B1 and B2, the responsible structural unit assesses (if possible to estimate) the significance of the Conflict of interest:

6.3.11.1. if the Conflict of interests is recognized as a Significant conflict of interests, the Executive Board is informed, which makes the final decision on further action;

6.3.11.2. if the Conflict of interests is not recognized as a Significant conflict of interests or it is not possible to assess the extent of the losses, the supervising vice president (if any) or the member of the Executive Board of the relevant structural units is informed, who makes the final decision on further action.

6.4. Group C – Employees who do not belong to Group B.

6.4.1. The actions of the Employees in connection with the Conflicts of interest are regulated in the internal regulatory documents.

6.4.2. If the Conflict of interest assessed refers to the Group C, the responsible structural unit sends information about the relevant case is sent to the head of the corresponding structural unit and the supervising vice president (if any) or the

Executive Board member of this structural unit, who make the final decision on further action.

7. Special conditions for choosing an external auditor

7.1. The Bank, when choosing an external auditor:
- 7.1.1. makes sure that there is no Conflict of interest when choosing an external auditor and separately evaluates possible Conflict of interest in relation to natural persons (experts) who will actually carry out the inspection, give an opinion, draw conclusions;
- 7.1.2. refrains from situations that can be interpreted in different ways and raise suspicions about the objectivity and independence of the auditors;
- 7.1.3. evaluates the experience, competence and certification of the external auditor in the relevant field of inspection;
- 7.1.4. documents the risk assessment process of potential Conflicts of interest;
- 7.1.5. asks the potential auditor to confirm in writing the fact that the auditor has no information or facts at his/her disposal that could create a Conflict of interest;
- 7.1.6. takes precautionary measures to verify the truth of the written confirmation (declaration) of the auditor.

7.2. In case of ambiguous situations, the Bank may request the opinion of Latvijas Banka.

7.3. Offers of independent external auditors are reviewed by the Executive Board and a final decision is made on the necessity, selection and engagement of the external independent.

8. Preparation of reports

8.1. The Bank:
- 8.1.1. collects the results of submitted declarations, evaluates and updates the information provided once a year;
- 8.1.2. collects the questionnaires received from the Bank's subsidiary, evaluates whether there is a conflict of interest situation. If a conflict of interest situation exists, prepare recommendations for its management and prevention and submit it to the Board the Bank's subsidiary for review and decision-making.
- 8.1.3. requests and receives from any person who is involved in the provision of investment services/investment ancillary services or combines work or positions in other companies with work in the Bank or the Bank’s subsidiaries, approval of the combination of positions and other information for assessing the possibility of Conflicts of interest.
- 8.1.4. prepare and submit reports in accordance with requirements of the internal regulatory documents.

8.2. The Chief Risk Officer submits a report on the risk management process, capital adequacy and the implementation of the Bank’s strategic development plan (Risk report) to the Executive Board and the Risk Committee of the Council for each quarter by the 15th day of the following month, as well as informs about the identified Conflicts of interest and the measures taken for their management and prevention.

8.3. Once a year, the Executive Board in cooperation with the Chief Risk Officer submits a report to the Risk Committee of the Council and the Council on the management of Conflicts of interest.

9. References to regulatory enactments

1) Credit Institution Law of the Republic of Latvia;
2) Financial Instrument Market Law of the Republic of Latvia;
3) Latvijas Bankas Regulation No. 371 “Regulations on the Governance System of Credit Institution”.