

PROCEDURE OF AVOIDANCE OF CONFLICTS OF INTEREST

I. GENERAL CONDITIONS

1.1. Procedure of Avoidance of Conflict of Interest (hereinafter – the Procedure) is prepared in accordance with the Law on Markets in Financial Instruments (hereinafter – the Law), European Commission delegated Regulation (EU) 2017/565 (hereinafter – the Regulation). The Procedure complies with the policy of avoiding conflicts of interest as provided for in the Law and the Regulation, however, according to the procedure for the preparation, approval and publication of internal documents approved by the Board of Šiaulių bankas (hereinafter – the Bank), in the context of internal Bank documents, this document falls within the competence of the Board of the Bank, therefore called Procedure.

1.2. The Procedure sets the requirements for the Bank's internal processes and measures for identifying and managing circumstances that may give rise to conflicts of interest in the provision of investment and additional services to the Bank, envisages ways of avoiding such conflicts and actions upon their occurrence.

1.3. All Bank and Bank companies' employees as well as Managers of the Bank and Bank companies must comply with this Procedure.

1.4. The Bank, while pursuing its business, adheres to high standards of commercial ethics, applies fair and equitable principles for fair trade to everyone. The Bank treats all the customers equally, without giving preference to anyone.

II. USED DEFINITIONS

2.1. Personal Transaction is a transaction for a financial instrument which includes the person related to the Bank or which is concluded for the benefit of the related person.

2.2. Compliance Function is a function performed by the Bank, which includes identifying, assessing, monitoring, and consulting, risk mitigation and reporting on compliance risk.

2.3. Head of the Bank is the Bank's Managing Director and board member of the Bank or the Bank's Supervisory Board.

2.4. A Person related to the Bank (hereinafter – **Related Person**) - the Head of the Bank, any employee of the Bank or the Bank's Company Group, or any other person participating in the Bank's provision of investment services or investment activities, provided that such services are provided on behalf of the Bank and are under control of such persons.

2.5. Inside Information - as defined by the Bank's Confidentiality Assurance and Disclosure Policy and the Rules for the Settlement of Personal Financial Transactions. Inside information on persons who execute orders for financial instruments is also information of a precise nature provided by the Client related to his or her orders relating directly or indirectly to one or several issuers or financial instruments whose disclosure may have a significant impact

on the financial instruments or the price of associated derivatives.

2.6. Portfolio Management is Management of Bank Clients' portfolios that include one or more financial instruments at the discretion of the Bank, based on contractual management strategies and client mandates.

2.7. Client is any natural or legal person to whom the Bank provides investment and / or additional services.

2.8. A Person related to the Client is any of the following: the person with whom the Client is associated with in family ties; a legal entity, which is managed by the Client or is substantially influenced by the Client; a legal person's manager, member of the board or supervisory board of the Client.

2.9. Other definitions in this Procedure have the meaning as defined by law.

III. SITUATIONS POSSIBLE TO CAUSE CONFLICT OF INTERESTS

3.1. It is considered that, in the case of the provision of investment services by the Bank, a conflict of interests arises when the interests of the Bank, the Affiliated Person or the person directly or indirectly linked to the Bank by way of control, conflict with the interests of the Client or the person related to it.

3.2. A conflict of interest in the provision of investment services by the Bank may occur in the following cases:

3.2.1. The Bank or that person may have financial gain or financial loss at the Client's expense;

3.2.2. The Bank or that person is interested in the outcome of the service provided to the Client or the result of the transaction concluded on the Client's account in a different way than the Client is interested in this result;

3.2.3. The Bank or that person has a financial or other interest in giving priority to the interests of another Client or another Group of Clients at the expense of the Client's interests;

3.2.4. The Bank or that person is engaged in the same activities as the Client;

3.2.5. The Bank or that person receives or shall receive a promotion from the Client that is related to the service provided to the Client and which may be provided in the form of money, goods or services, except in such a case, the usual commission or other payment for services.

3.3. A conflict of interest is also possible if the Client, a person related with him or another person acting for the benefit of the Client offers the Bank or the person related with the Bank financial or non-financial benefits, i.e. gifts, discounts, entertainment, services, etc.

3.4. A Related Person acting for the benefit of the Bank may dispose of inside information or other confidential information about the Clients, therefore his transactions may, at his own or a bank's expense, lead to a conflict of interest.

3.5. Different risks arising from conflicts of interest arise from the Bank's investment and ancillary services and the activities of its own investment activity:

- 3.5.1. execution of clients' orders;
- 3.5.2. disposal of inside information and other confidential information;
- 3.5.3. conclusion of personal transactions;
- 3.5.4. provision of portfolio management services;
- 3.5.5. provision of investment recommendations;
- 3.5.6. trading on a Bank's account;
- 3.5.7. provision of market-making services;
- 3.5.8. Management of Financial Instruments Accounts and accounting of Financial Instruments.

3.6. When accepting and executing The Clients' orders, the Bank receives information about the Client's intentions and the demand and supply of financial instruments. This creates the preconditions for misuse of this information, thereby causing a conflict of interest in relation to:

- 3.6.1. interests of other Clients who make transactions on the same FI or use other Bank's services;
- 3.6.2. the interests of the Bank in conducting transactions at their own expense, including the functions of a market maker;
- 3.6.3. conclusion of personal transactions.

3.7. By disposing of inside information or other confidential information, conflict of interest risk arises when the Bank's employees in charge on the preparation and publication of essential information of the issuers (which is the Bank itself), disposes the information until its public disclosure. Therefore, the Bank has a potential conflict of interest:

- 3.7.1. concluding on the Issuer's financial instruments Personal Transactions;
- 3.7.2. concluding transactions at the Bank's expense;
- 3.7.3. managing Client portfolios.

3.8. Bank employees, in concluding transactions at their own expense, may enter into a conflict of interest in the event of conflicts between their interests and those of other clients of the Bank (or the Bank itself) in the event of the acquisition / sale of the same financial instrument at the lowest / higher price.

3.9. Managing client portfolios may cause conflicts of interest to managers when:

- 3.9.1. they simultaneously execute orders of other Clients or the Bank for the same financial instruments (counterparts);
- 3.9.2. they are influenced by the Bank's business Clients seeking to issue and purchase the Financial Instruments at the best possible price or to achieve their other goals;
- 3.9.3. the Bank's objectives related to the Bank's own trading are pursued;
- 3.9.4. the opposite interests of the Bank as issuer or distributor of the Financial Instruments arises;

3.9.5. the operations are carried out or distributed in such a manner that may have the intention of giving a biased preference to certain funds or to the Clients at the expense of other persons;

3.9.6. the portfolio manager, knowing where the portfolio investment is planned, would have to deal with them at their own expense or at the expense of the related parties.

3.10. When submitting investment recommendations to Clients, a conflict of interest may arise:

- 3.10.1. for the purpose of implementing the Bank's own portfolio management objectives;
- 3.10.2. selling products of the Bank.

3.11. When trading at a bank's expense, conflicts of interest may arise:

- 3.11.1. at the same time, the Bank conducts trading of financial instruments by the Client;
- 3.11.2. occurring in the interests of opposing interests of the Clients who make transactions with the Bank in the course of their investment in the investment process;
- 3.11.3. at the same time, as the Bank performing the function of a market maker;

3.11.4. when the Bank makes transactions of derivative Financial Instruments with the Clients as a party to these transactions. In such cases, the interests of the Bank and the Clients do not coincide because the single result of the transaction to the Client represents the opposite result of the same transaction to the Bank. The higher the risk of conflict of interest, the more significant part of the Bank's activities and income is represented by the discussed trading in Financial Instruments at the Bank's account and income from it. The Bank also finds itself in a situation of conflict of interest in cases when it determines the price of a transaction concluded with the Client, instead of using objective market data, as well as a time difference between a transaction concluded with the Client and a transaction concluded for hedging purposes (if such is concluded), may lead to the Bank obtaining additional financial gain from the price difference in time.

The Bank, when providing financial services custody services, may encounter situations where conflicts of interest may arise: choosing custodians, providing information about client portfolios to other branches of the Bank and ensuring confidentiality with respect to other Clients.

V. INCENTIVES

5.1. The Bank ensures that the Bank's remuneration policies and practices would be applied to all relevant persons who directly or indirectly affect the investment or ancillary services provided by the Bank or the Bank's behaviour, provided that the remuneration of such persons and similar incentives could lead to a conflict of interest which would encourage them to act in violation of any interests of Bank's Client.

5.2. Related parties are prohibited from providing or providing any type of fee or commission for the provision of

investment and ancillary services, as well as providing or accepting any non-cash benefits of any kind, unless:

5.2.1. payment or benefits to improve the quality of the service provided to the Customer;

5.2.2. payment does not interfere with the Bank's obligation to act honestly, fairly and professionally, taking into account the interests of the Clients as much as possible.

VI. MEASURES AND PROCEDURES FOR THE MANAGEMENT OF CONFLICT OF INTERESTS

6.1. All employees of the Bank must take all of the following and other possible measures in order not to get into the situations listed in Section III of this Procedure and not limited to conflicts of interest and to avoid conflicts of interest.

6.2. All Bank employees must comply with internal documents regulating the Provision of Bank's Investment Services. Procedures for Execution of Orders, Provisions for the Provision of Investment Services to clients and other documents include aspects of avoiding conflicts of interest related to the specific areas covered by these documents.

6.3. If the interests of the Bank, the Bank's manager or the employee and the Client are encountered, it is primarily in the interests of the Client. Subsequently, the interests of the Bank, then the principle of priority of the time are met.

6.4. At the Bank's own expense when concluding a transaction with the Client, the Bank's employees must ensure that the criteria fulfilled by them are recognized that the transaction will be considered to be the best conditions for the Client, taking into account the market price of the financial instrument, the volume of the transaction and the features specified in the Bank's Order Enforcement Procedure.

6.5. The employees of one unit are prohibited from exchanging information with employees of another unit if this exchange could undermine the interests of the Client.

6.6. The compliance function in the field of provision of investment services is carried out by the compliance officer at the Bank.

6.7. The head of each unit organizes the work of the unit so that employees comply with the rules in order to avoid conflicts of interest. This is done by securing the delimitation of the activity of employees engaged in different types of activities.

6.8. In order to avoid a conflict of interest, the personnel providing investment services and other persons related to the Bank must adhere to the following principles:

6.8.1. to refuse to accept, directly or indirectly, money or analogues easily convertible into money, gifts, discounts, entertainment (such as invitations for dinner, participation in cultural events, arriving for tourist purposes, etc.) or services (understood as gifts) that may or may not could be considered as capable of influencing the performance of the Bank's employee's or related person's functions, performance of duties or his decisions;

6.8.2. Bank staff are required to inform their direct supervisor of attempts by clients or their related parties to offer such gifts or entertainment. This should be immediately reported to the immediate supervisor and Compliance Officer.

6.9. Bank managers are responsible for prohibiting or limiting the inappropriate influence of any related person providing investment or ancillary services or performing investment activities. Bank managers also have control over the activities of any related person when he provides simultaneously or consistently with separate investment or ancillary services or engages in investment activities if such involvement can interfere with the proper management of conflicts of interest.

VII. DISCLOSURE OF INFORMATION ON CONFLICTS OF INTEREST

7.1. If the conflict of interest can not be avoided, and the Bank's employee providing investment services explicitly estimates that it is not possible to be sure in accordance with this Procedure or other internal documents of the Bank that it will be possible to prevent damage to the Client's interests (i.e. if in the particular case the Bank's organizational or administrative measures specified in Section V of this Procedure are insufficient to reliably avoid the risk of damage to the Client's interests) before providing service to the Client, the Client shall disclose information about the general nature and / or causes of conflicts of interest, as well as about the actions taken to reduce the impact of the resulting risk factors. Disclosure of this information:

7.1.1. provided on a durable medium - written (signed) or by e-mail;

7.1.2. must be sufficiently detailed in relation to the Client so that the Client can make an informed decision about a service that may give rise to a conflict of interest.

7.2. The measure mentioned in the item is the last possible option and is used only in special cases where all other measures provided do not guarantee that the risk of damage to the Client shall be avoided. An investment or ancillary service may be provided only after the Client explicitly expresses his consent to the provision of an investment service in the event of a conflict of interest.

7.3. If the Bank decides not to provide investment services because of a conflict of interests, the information about such situation is not disclosed to the Client.

7.4. A worker, having determined the circumstances which, in his opinion, may give rise to a conflict of interest, must inform the Bank's Compliance Officer and the Direct Manager. In case of uncertainty regarding the assessment of the situation, it is necessary to consult the Compliance Officer.

7.5. An employee may transfer information that may give rise to a conflict of interest to third parties only in the manner prescribed by law, where such information is necessary to protect the Bank's interests.

7.6. The Bank must keep and regularly update information about the investment and (or) additional services provided by the Bank and investment activity, which caused or may arise a conflict of interests which is liable to cause damage to the interests of one or several Clients. This information is being compiled and the data is being updated according to the Bank's units providing investment and ancillary services by the Department of Conformity and Prevention.

VIII. RESPONSIBILITY AND INTERNAL CONTROL

8.1. All the Bank's units, Bank's employees and managers mentioned in the Procedure are responsible for the proper performance of the functions specified in the Order.

8.2. The Compliance Officer prepares and regularly updates the list of financial instruments for which there is a potential conflict of interest in the provision of investment and ancillary services or transactions. This list is compulsory introduced all Related Persons.

8.3. The Compliance Officer carries out an inspection of transactions in financial instruments, which informs the management of the Bank about potential conflicts of interest and about the reported violations.

IX. FINAL PROVISIONS

9.1. The Procedure is owned by the Market and Treasury Department, which is responsible for the administration of the Procedure (coordination, renewal, submission to the Board of the Bank) and consulting.

9.2. The Procedure is regularly reviewed, at least once a year, by its organizers and they take all appropriate measures to eliminate the deficiencies. If in practice the excessive reliance on the fact that the resolution of conflicts of interest is possible through the disclosure of information about them to the Clients, this is considered a deficiency of this Procedure and the applicable measures must be reviewed.

9.3. In case of a new risk of conflicts of interest, the Procedure is amended and supplemented accordingly.

9.4. Employees must also follow the Code of Ethics and the Rules for Personal Transactions that are designed to reduce the risk of conflicts of interest.

Šiaulių Bankas AB