NIBC

Terms & Conditions for Investment Services

NIBC Bank N.V.

Version 3 January 2018

NIBC

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1. TERMS & CONDITIONS INVESTMENT SERVICES

Article 1: Definitions

In these Terms & Conditions for Investment Services the following terms will have the following meanings assigned to them:

Terms & Conditions:	these Terms & Conditions for Investment Services of NIBC Bank
Investment Services:	the provision of Investment Services or ancillary services, both within the meaning of Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
Financial Instruments:	Financial instruments within the meaning of Section 1:1 of the Dutch Financial Supervision Act (including shares and bonds) in respect of which NIBC Bank offers its Investment Services
Marketplace:	location of performance within the meaning of Section 1:1 of the Dutch Financial Supervision Act
Client:	the natural person (or persons) or legal entity (or entities) that gives NIBC Bank an order to perform an Investment Service
Contract:	the Client contract concluded by NIBC Bank and the Client within the meaning of Section 4:89 of the Dutch Financial Supervision Act and, where appriorate, the legal relationship between the Client and NIBC Bank
NIBC Bank:	NIBC Bank N.V., having its registered office in The Hague, the Netherlands, and registered with the Trade Register (*Handelsregister*) of the Chamber of Commerce (*Kamer van Koophandel*) under number 27032036

Article 2: Applicability

2.1 The relationship between NIBC Bank and the Client, insofar as the Investment Services by NIBC Bank are concerned, is governed by the Terms & Conditions.

2.2 The relationship between NIBC Bank and the Client is also governed by the terms and provisions as agreed in the relevant Contract for the provision of the Investment Services by NIBC Bank.

Article 3: Amending conditions

3.1 NIBC reserves the right to amend these Terms & Conditions. The term 'amend' is understood to include the making of additions. Any amendment will be binding upon the Client upon expiry of a period of four (4) weeks after NIBC Bank has notified the Client in writing or by electronic means (including by way of publication on NIBC Bank's website: http://www.nibc.com) of the amendment. NIBC Bank will communicate to the Client where copies of the amended terms and conditions can be obtained.

3.2 If the Client does not agree to the imminent amendment (or amendments), the Client will be required to notify NIBC Bank accordingly in writing within four (4) weeks after the communication referred to in the first paragraph. Upon receipt of this notification, NIBC Bank will terminate the provision of the Investment Services with immediate effect.

Article 4: Investment Services

4.1 The provision of Investment Services by NIBC Bank will include the execution only Investment Services agreed in writing with the Client in advance and the Client and NIBC Bank have separately agreed in writing thereon, investment research and financial analysis or any other kind of general recommendations relating to transactions regarding Financial Instruments. Execution only services relate to the reception and transmission of Client orders relating to Financial Instruments, without there being an advisory relationship between NIBC Bank and the Client. The execution only Investment Services by NIBC Bank do not cover options, futures and derivatives, unless the Client and NIBC Bank have agreed differently in writing with respect thereto.

4.2 Letters, publicity activities, (personalised) mailings, internet tools, analyst reports, published buy/sell/hold recommendations and other means by which NIBC Bank alerts its Clients to particular Investment Services or Financial Instruments or proffers help in making a selection, may not be considered by the Client to constitute (personal) investment advice or a personal recommendation.

4.3 NIBC Bank will not be obliged to notify the Client of any public, non-public or third-party information relating to the Financial Instruments held by the Client, unless NIBC Bank is obliged by law to do so.

4.4 If the Client submits orders to NIBC Bank, the order will be deemed to have been submitted on the Client's own initiative. The Client is responsible for verifying whether its transactions match its personal and financial situation.

Article 5: Representations of the Client
5.1 On a continuing basis the Client represents, warrants and undertakes to NIBC Bank that:

(a) If the Client is a legal person, the Client has been duly incorporated or formed, has obtained all required governmental and regulatory authorisations and licences and is validly existing under all applicable laws;

(b) the Client has and will have all requisite capacity and full power to enter into the Contract and to perform its obligations thereunder;

(c) each person who places orders on behalf of the Client is and will be duly authorised to give such orders on behalf of the Client;

(d) the Client shall inform NIBC Bank immediately when any person who places orders on behalf of the Client no longer has the authority to place such order (or its authority has been affected or changed);

(e) the Client has complied and will comply with the applicable laws and regulations and that the Client shall provide NIBC Bank (at its reasonable request) with copies of all relevant authorisations, approvals, licences, orders or notices;

(f) any information provided by or on behalf of the Client to NIBC Bank will not be misleading and will be complete, true and accurate in all material aspects; and

(g) the Client will inform NIBC Bank in writing about changes to the information provided to NIBC Bank that relate to its client classification or that will or may impact its capacity and ability to trade with NIBC Bank.

Article 6: Risks of investment
6.1 The features of the Financial Instruments to which the Investment Services of NIBC Bank relate, including their associated specific investment risks, have been explained to the Client in the chapter "Features and Risks of Financial Instruments" of this document provided to the Client. The text of that chapter is not exhaustive. NIBC Bank will provide additional information (by telephone) at the Client's request.

6.2 By signing a Contract for the provision of Investment Services by NIBC Bank, the Client expressly declares:

(a) to have received adequate information from NIBC Bank about the risks and consequences associated with investing in Financial Instruments;

(b) to be fully aware of the risks and consequences associated with investing in Financial Instruments; and

(c) to accept and heed these risks and consequences.

Article 7: Liability
7.1 NIBC Bank will carry out all transactions, more in particular the execution of orders of the Client concerning Financial Instruments and the associated settlement, for the risk and at the expense of the Client. This applies as well if NIBC Bank contracts in its own name.

7.2 NIBC Bank will not assume liability for any direct and indirect loss or damage resulting from a decline or increase in value of Financial Instruments, losses, loss of profits, damage or any disadvantage whatsoever sustained by the Client, except if and insofar as it is established (at law) that such damage or loss was the direct consequence of wilful misconduct (*opzet*) or gross negligence (*grove nalatigheid*) on the part of NIBC Bank as part of the provision of its services.

Article 8: Price specifications
8.1 NIBC Bank is under no obligation to provide the Client with price specifications.

8.2 NIBC Bank will not assume liability vis-à-vis the Client or third parties for any – direct or indirect – loss or damage arising from or in connection with the price specifications or price information provided by NIBC Bank.

Article 9: Regulation and custom

The Client will submit to and is bound by the legislation and regulations applicable to the services, including the Dutch Financial Supervision Act, as well as the rules of Euronext or those of any other Marketplace, the rules of Euroclear Nederland and Euroclear NIEC, and all other rules, regulations and customs applicable on the platform of execution/settlement.

Article 10: Conflicts of interest

10.1 NIBC Bank has a policy in place regarding conflicts of interest. This conflicts of interest policy applies to, among other things, the relationship between NIBC Bank and the Client. The most recent version of this policy can be consulted on http://www.nibc.com at all times.

10.2 Information barriers have been installed within NIBC Bank's organisation to prevent the dissemination of price-sensitive or other confidential market information. Irrespective of the extent of any relevant legal requirements, NIBC Bank is under no obligation to make public or otherwise use in the provision of its services to the Client any price-sensitive or other confidential market information that has come to its knowledge.

Article 11: Instructions and communications

11.1 The Client can give instructions to NIBC Bank in writing, by telephone or by electronic means, including orders to carry out, at the Client's risk and expense, transactions in Financial Instruments, if and insofar as the Client is allowed, under the terms of the Client's relationship with NIBC Bank, to make use of the means of communication in question.

11.2 NIBC Bank is authorised but (subject to legal obligations) not obliged to record on a sound recording medium any instructions given by the Client by telephone as well as telephone conversations conducted with the Client. Subject to any legal obligations, NIBC Bank is not obliged to store and/or archive recorded conversations or to make them available to the Client in whatever form.

11.3 NIBC Bank is authorised not to execute an order given by the Client if the Client gave the order not in a manner as agreed, if the order fails to fulfil the conditions set by NIBC Bank, if the order is in breach of any legislation or regulation (including guidelines, policy rules and instructions of financial supervisors De Nederlandsche Bank (*DNB*) and the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*)), or if the order is unclear or self-contradictory. In none of these cases will NIBC Bank be liable for the late execution or non-execution of the order.

11.4 The Client will be responsible for maintaining a sufficient funds to settle any debt the Client owes or will owe to NIBC Bank by virtue of the provision of the Investment Services.

Article 12: Power of attorney

12.1 The Client may authorize a third party in writing, giving this third party power of attorney to carry out such legal act (or acts) relating to the sale and purchase of Financial Instruments as described in said power of attorney. The Client will be required to present a copy of this power of attorney to NIBC Bank. NIBC Bank may attach conditions to the power of attorney.

12.2 The power of attorney ends:

(a) when the Client or the attorney-in-fact dies, is declared bankrupt, becomes subject to a debt rescheduling scheme, is granted a (provisional) suspension of payments, is placed under guardianship, or if an administration order is issued against the Client or the attorney-in-fact;

(b) when the Client withdraws the power of attorney or the attorney-in-fact terminates the power of attorney; or

(c) when the period for which the power of attorney was granted expires.

With regard to the grounds mentioned under (a) and (b), above, the termination of the power of attorney can only be invoked following a written notification to such effect to NIBC Bank, save for any express requirements of mandatory law.

12.3 NIBC Bank is authorised but not obliged to refuse a power of attorney if it believes that granting such power of attorney might harm its position, the Client's position or the quality of provision of the Investment Services.

Article 13: The execution of orders

13.1 When executing orders of Clients relating to Financial Instruments, and when placing and transmitting orders to third parties, NIBC Bank will act in accordance with its own Best execution policy as amended from time to time. The most recent version of this policy can be consulted on http://www.nibc.com.

13.2 When giving orders, the Client will be deemed to give NIBC Bank permission to execute and transmit orders in accordance with the Best execution policy as updated from time to time on http://www.nibc.com. Such permission will encompass the use of possibilities by NIBC Bank to execute an order outside a regulated market or a multilateral trade facility (MTF) (OTC), insofar as this is in line with the Best execution policy of NIBC Bank.

13.3 Clients are responsible for educating themselves to a sufficient extent of any changes to the Best execution policy before taking investment decisions.

13.4 Orders relating to Financial Instruments that NIBC Bank transmitted to a Marketplace for execution purposes and not submitted as day orders by the Client will expire on a date predetermined by NIBC Bank. This date will be shown on the order confirmation.

13.5 When executing orders, NIBC Bank observes the rules and customs of the Marketplace concerned. NIBC Bank will not be liable towards the Client for any damage or loss the Client may sustain as a consequence of such rules and customs.

13.6 NIBC Bank is authorised to merge Clients' order with orders of other Clients, in which case orders will not be submitted directly to the Marketplace for execution. NIBC Bank is authorised only to exercise this authority if it is unlikely that the merging of orders will be detrimental to the Clients involved. However, the possibility cannot be precluded that in a specific case the merging of orders is detrimental to the Client after all. NIBC Bank will not be liable for any damage or loss resulting therefrom. Orders are allocated pro rata to the size of the original orders.

13.7 If the Client submits a limit order which, for its size or other circumstances, cannot be executed immediately, the Client will be deemed to instruct NIBC Bank not to make public the existence and the characteristics of the order.

Article 14: No LEI no trade

14.1 In case the Client is an undertaking or a legal person, the Client is required to provide NIBC Bank with its unique Legal Entity Identifier ("**LEI**") number prior to giving its first order. If the Client fails to provide its LEI number in time, NIBC Bank is not obliged to carry out any transactions for the Client.

14.2 The Client undertakes to update its LEI annually. In case NIBC Bank does not receive proof of such annual update, NIBC Bank is not obliged to carry out any transactions in Financial Instruments for the Client going forward.

Article 15: Settlement orders

15.1 Orders of Clients shall generally be settled following the principle of 'delivery versus payment'. However, some orders can only be executed by way of preregistration and payment before the delivery of the Financial Instruments. In such transactions, the Client needs to be aware of the risk that the issuer could go insolvent before the Financial Instruments are delivered. This could have great negative consequences for the Client (especially in case of secured Financial Instruments like, for instance, covered bonds).

15.2 If the Client fails to pay or to transfer Financial Instruments on the day of the settlement of an order, NIBC Bank is entitled to, without prior notification to the Client, settle the Client's order and to buy or lend Financial Instruments to that end, as NIBC Bank's deems desirable at its discretion.

15.3 If the Client fails to pay or to transfer Financial Instruments on the day of the settlement of an order, or otherwise defaults in connection with the settlement of an order, the Client shall indemnify NIBC Bank against any and all costs and (direct and indirect) damages that NIBC Bank has incurred or suffered resulting from the Client's default (except if and to the extent that it is established (at law) that these costs and/or damages are a direct result of willful misconduct (*opzet*) or gross negligence (*grove nalatigheid*) on the part of NIBC Bank while carrying out its provided Investment Services), including, but not limited to:

(a) any default interest charged to NIBC Bank;

(b) any other costs and/or damages resulting from an increase or decrease in the (market) value of the Financial Instruments or of a (re)sale or (re)purchase of the Financial Instruments that were initially pertained or sold, in particular as a result of any resale procedures; and

(c) any other costs and/or damages of third parties (whether or not appointed by NIBC Bank for the performance of the order) for which NIBC Bank is responsible or is held liable.

15.4 If the Client gives an order to sell Financial Instruments, the Client is deemed to be the owner of those Financial Instruments, unless explicitly agreed differently in writing between you and NIBC Bank regarding the relevant order.

NIBC Bank accepts orders of the Client with the expectation that the Client has the sold Financial Instrument available for settlement. The Client is at all times responsible for having its Financial Instruments available for settlement.

Article 16: Special circumstances

Without prejudice to the provisions of the Terms & Conditions, in the event of special circumstances (such as the failure of an order system) NIBC Bank will not be liable towards the Client for any damage or loss the Client may sustain as a result of the late or incomplete execution or non-execution of orders, except if and to the extent that it is established (at law) that these damages or losses are a direct result of willful misconduct (*opzet*) or gross negligence (*grove nalatigheid*) on the part of NIBC Bank.

Article 17: Keeping of records

NIBC Bank keeps, for its own account, records that comply with the rules and requirements imposed by or by virtue of the Dutch Financial Supervision Act.

Article 18: Costs, associated charges and rates

18.1 In return for the Investment Services provided by NIBC Bank will charge the Client costs and associated charges, as communicated from time to time by NIBC Bank to the Client by means of a rates overview relating to such costs and associated charges.

18.2 Solely in case the Client qualifies as a professional investor or an eligible counterparty: The Client agrees that NIBC that NIBC Bank will not provide the following information to the Client:

(a) the illustration showing the cumulative effect of costs on return within the meaning of article 50(10) of the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (the "**Delegated Regulation**"); and

(b) where any part of the total costs and charges is to be paid in or represents an amount of foreign currency: an indication of the currency involved and the applicable currency conversion rates and costs within the meaning of article 50(3) of the Delegated Regulation.

18.3 Solely in case the Client qualifies as a professional investor or an eligible counterparty: The Client agrees that NIBC Bank will express or notify the (aggregated) overall costs for its provision of investment services only as a monetary amount or as a percentage, but not as both within the meaning of article 50(2) of the Delegated Regulation.

Article 19: Cancellation

If Financial Instruments change, through, for example, a split-up, reduction in the nominal value, commencement of trading ex-drawing possibility or a fund going ex-dividend, any current orders of the Client will under circumstances be cancelled by NIBC Bank or by a regulated market, multilateral trading facility or other trading platform.

Article 20: Bankruptcy and attachment

The Client is obliged to notify NIBC Bank without delay, in writing, of (any petition seeking) the Client's bankruptcy, applications requesting the grant of a (provisional) suspension of payment and of the order granting such suspension, or of (any petition seeking) the placement under guardianship or the appointment of an administrator.

Article 21: Market abuse

21.1 The Client is required to act in accordance with the applicable regulations on market abuse, including the prohibitions of market manipulation and insider trading. If NIBC Bank suspects that the Client acts in violation of the requirements of the market abuse regulations, NIBC Bank is required to report this to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) ('AFM'). The Client will not be informed of this report.

21.2 NIBC Bank is not responsible for any damage or loss suffered by the Client as a result of a report as referred to in the previous paragraph.

Article 22: Personal Data Protection

NIBC Bank will ask for personal data to be provided. NIBC Bank is responsible for the processing of your personal data by itself and its group companies. NIBC informs you about how NIBC treats your personal data at http://www.nibc.com: NIBC Bank's privacy statement.

Article 23: Complaints
If the Client is dissatisfied with the provision of services by NIBC Bank, the Client can register a complaint with NIBC Bank. NIBC will process your complaint, record it and deal with it in a timely fashion.

Article 24: Communications
Unless agreed otherwise, communications between the Client and NIBC Bank, including correspondence in writing, by telephone or by electronic means, will be in the English or the Dutch language. Telephone conversations will be recorded in accordance with Article 12 of these Terms & Conditions.

Article 25: Term and termination
25.1 Unless expressly agreed otherwise in writing, the legal relationship concerning the Investment Services by NIBC Bank to the Client (hereinafter: the "**relationship**") has been entered into for an indefinite period of time.

25.2 The Client and NIBC Bank are both entitled to give notice of termination of the relationship with immediate effect by means of a written notice to the other party.

25.3 The relationship will end with immediate effect without any notice of termination being required, if the Client:

(a) being a legal entity, is declared bankrupt or applies for a (provisional) suspension of payment;

(b) being a legal entity, ceases to exist; or

(c) being a natural person, deceases.

25.4 Unless otherwise agreed in writing by NIBC Bank and the Client:

(a) any transactions in Financial Instruments not settled on the date of termination of the relationship will be settled by NIBC Bank to the extent possible; and

(b) each party will, for the duration of such settlement, continue to be bound by the agreement (or agreements) concluded by the parties, and by the Terms & Conditions.

Article 26: Applicable law and jurisdiction
26.1 The relationship between NIBC Bank and the Client will be governed by Dutch law to the exclusion of all other laws.

26.2 Any disputes between the Client and NIBC Bank will be decided by the Dutch courts, unless otherwise required by mandatory legislation or international treaties.

26.3 Notwithstanding the preceding paragraph, the Client may be entitled to submit – with due observance of the applicable rules – any disputes to the Financial Services Complaints Authority (*Klachteninstituut Financiële Dienstverlening*) (KiFID), if the Client acts as the claimant.

Article 27: Information about NIBC Bank
NIBC Bank has been licensed as an investment firm within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and NIBC Bank is registered as an investment firm in the registers held by De Nederlandsche Bank N.V. ('DNB') (contact details: PO Box 98, 1000 AB Amsterdam, the Netherlands / www.dnb.nl) and the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) ('AFM') (contact details: PO Box 11723, 1001 GS Amsterdam, the Netherlands / www.afm.nl).

2. CHARACTERISTICS OF FINANCIAL INSTRUMENTS AND THE ASSOCIATED RISKS

This text aims to explain the key characteristics of the different securities and financial instruments that a client can trade in or that can be traded in on the client's behalf. This text is merely an introduction of the most relevant issues and consequently cannot be comprehensive. The information contained in this text may no longer be up-to-date because of certain changes. Please let us know if you would like to receive the most recent version of this text. The most recent version can also be found on our website.

NIBC Bank N.V. ('NIBC Bank') has the appropriate licence within the meaning of the *Wet op het financieel toezicht* (Act on Financial Supervision) ('Wft') and is registered as such with De Nederlandsche Bank N.V. (the Dutch central bank) and the *Stichting Autoriteit Financiële Markten* (Authority for the Financial Markets) ('AFM').

1. Investment Services

Investing with NIBC Bank is possible only by way of execution only services. This means that you make your own investment decisions without receiving any investment advice or asset management services. NIBC will merely execute your orders, to the extent your balance is sufficient and will not interfere in the composition of your investment portfolio. Execution only investing is suited only for investors whose knowledge and experience is sufficient to assess the risks.

Being able to understand and carry the risks of investing in general is important for all forms of investment. Before taking any specific investment decisions, you should again ask yourself whether you have sufficient insight in the risks of the financial instruments in question and whether you want to and are able to carry these risks. If you have limited knowledge of and experience in investing, it is important to equip yourself with such knowledge before taking any investment decisions. The information in this text can be used for such purpose. In addition, we always advise to examine any prospectuses or Key Investor Documents to get better insight into the risks and workings of certain financial instruments. This text provides additional information about simple and more complex securities.

2. Characteristics of financial instruments and the associated risks

The value of your investments may fluctuate. Please note that past performance is no guarantee of future results. After all, all types of investments carry risks. The risks depend on the type of investment. An investment can be speculative to a greater of lesser extent. Generally, investments with higher expected returns tend to be riskier. Particularly when investing in foreign securities, government policy in the country concerned may have a negative impact on the value of the investment.

In addition, if you invest in foreign financial instruments you should make allowance for the exchange rate risk. NIBC Bank would like to stress that all taxes relating to the holding, selling or purchasing of financial instruments are to be paid by the investor. Investors should consult their own tax advisers, also in view of their particular circumstances. The characteristics of financial instruments and their particular investment risks will be discussed below:

3. Shares

Shares are participations in the share capital of a company. From an economic perspective, the shareholder may consider himself the owner of part of a company's assets. Shares can be registered shares or bearer shares. Shares are risk-bearing capital. If the company is declared bankrupt, their value could decrease to zero. Their performance primarily depends on the realised and expected operating profits and the dividend policy of the company in question. Shareholders do not receive any dividend until all other capital providers have received the return they are entitled to. It follows that the risks associated with investing in shares can vary greatly, depending inter alia on developments in the company and the quality of the management. If the issuing institution is declared bankrupt, the shareholders will generally bear the first loss and are therefore carry the highest risk of all creditors.

4. Depositary Receipts for Shares

Depositary receipts for shares are securities representing shares. Usually, the shares underlying the depositary receipts are held by a Trust Office. The Trust Office acquires the shares in its own name and becomes the holder of the shares (the legal owner) while the economic rights attached to the shares are vested in the holder of the depositary receipt. The Trust Office will hold the shares by title of administration for the risk and account of the holder of the depositary receipt. The term 'depositary receipt' (*certificaat*) means the rights of claim that the holder of depositary receipts has vis-à-vis the Trust Office. Not all the rights attached to the shares also apply to the depositary receipts (often the voting

rights attached to the shares are restricted). There are non-exchangeable and exchangeable depositary receipts for shares, and depositary receipts with limited exchangeability. The term exchangeable refers to the exchanging of the depositary receipt for the underlying share. Exchanging non-exchangeable depositary receipts is not possible while - unrestricted - exchangeable depositary receipts may be exchanged at all times. Depositary receipts with limited exchangeability may be exchanged in certain circumstances or on certain conditions only. In principle, the risks associated with depositary receipts for shares are similar to those for ordinary shares.

5. Bonds

Bonds are debt instruments of a loan issued by a – governmental – issuing institution. Usually, the issuing institution will pay a predetermined interest rate on the debt. Almost all bonds are redeemable. Bonds are part of a company's debt capital (borrowed money). There are special types of bonds. These types may relate to the manner in which the interest is paid or redemption is made, or how the bonds are issued and whether any special loan conditions are attached to them. For instance, the return on bonds may – also – be made dependent on the current interest rate (for example, surplus bonds and interest-index bonds) or on the profit of the institution that issued the bond (such as profit-sharing bonds and income bonds). There are also bonds that do not pay any interest during their term (zero coupon bonds/notes). The return on these types of bonds is derived from the difference between the issue price and the subsequent redemption price. Investing in bonds also involves risks. In general, the price of a bond depends primarily on the interest rate level which means that price fluctuations can occur. Another important factor is the solvency of the issuing institution. If the issuing institution is declared bankrupt, bondholders are classified as ordinary creditors of the issuing institution, unless special security has been stipulated on behalf of the bondholder or if the bondholder stands as a subordinated creditor vis-à-vis the other creditors (subordinated bond loan). The price of bonds whose return depend on factors such and indices or interest rates, may drop sharply if these returns decline, either temporary of permanently.

6. Convertible bonds and reverse exchangeables/reverse convertibles

Some products have the characteristics of both shares and bonds. These are, for instance, convertible bonds or reverse exchangeables/reverse convertibles. You should make detailed enquiries about the specific functioning and risks of these hybrid products. Often, the risks are 'compensated' by a relatively high interest compensation. For example, in the end the conversion may render the investment less profitable. In any event, you should not at any time presume that the functioning and risks of such products are similar to those of bonds. Subject to specific conditions, convertible bonds may during a specific period be converted into shares in the company that issued the bond or into shares in another company. The investor may opt for conversion or payment in cash, subject to certain conditions. It is for this reason that the coupon price is usually somewhat less than that an ordinary bond. For a reverse exchangeable or reverse convertible not the investor has the right to opt for conversion in shares on the redemption date of the bonds, but rather the issuing (financial) institution may decide whether it wants to pay the nominal value of the reverse exchangeable in cash or in shares. If the bond is redeemed with shares, the associated risk for the investor is that at that time the shares may represent a value that is less than the nominal value of the reverse exchangeable. However, in return for the risk there is a relatively high coupon which the investor receives every year. The risks of convertible bonds can be compared to the risks of ordinary corporate bonds. The risks of reverse exchangeable bonds can be compared to investing in shares. Investing in these types of bonds may cause you to lose your entire investment.

7. Turbos, speeders, etc.

Turbos or speeders are names or brand names of listed financial instruments. These financial instruments allow you to speculate on price fluctuations in the underlying values. The underlying values can be shares, indices, currencies or commodities. You only invest part of the value of the underlying value, the remainder is financed by the institution that issues the turbos or speeders. The costs you have to pay for the financing are included in the price of the product. Irrespective of any subsequent price movements, the product is settled at the moment the underlying value reaches a certain level: then you either lose your investment *or* part of it will be paid to you. A relatively small movement of the underlying value may trigger a value change in the turbo or speeder that exceeds the rise or fall in value many times over. This is known as leverage. A turbo or speeder is more complex than shares or bonds and is meant for experienced investors that are familiar with leverage. Turbos or speeders may be used to complement your portfolio, however, they are primarily regarded as speculative instruments with a high risk of losing your investment.

8. Warrants

A warrant represents the right to buy during a fixed period of time a certain number of – depositary receipts for – shares or bonds (or in some cases a certain amount of foreign currency) at a specified price from the company that made them available. A warrant is similar to a call option, the difference being that a warrant represents a right vis-à-vis

the company in question. The risks associated with warrants are comparable to the risks associated with buying call options.

9. Options

An option confers on the buyer the right to buy (call option) or sell (put option) during a fixed period (the time to expiry) a specified quantity of the underlying value at a specified strike price. The underlying value refers to a fixed number of shares or bonds, a quantity of a product or commodity, an index or currency.

9.1 Functioning and margin requirements

An investor who buys an option makes an opening buy and is referred to as the buyer. The amount an investor pays for the option is referred to as the option premium. The resulting buying position in call options or put options is also known as a long position. The buyer is entitled to buy (call option) or to sell (put option) the fixed quantity of the underlying value at a fixed price (call option) until the option expires. At some time the option will expire; this is referred to as the expiration. If the buyer wishes to exercise his right, he has to exercise his option. He can do this only before the expiration. Some stock exchanges and types of options allow buyers to exercise their right only at the date of expiration, at least at a specific time. In any event, once the option has expired, and consequently also the right to exercise it, it ceases to exist. If the buyer fails to exercise his right during the time to expiry, his option expires without value and his loss is equal to the option premium paid. The loss for the buyer is limited to the option premium he paid. A buyer wishing to liquidate his option prior to expiration can sell the option. Such sale is to be effectuated by way of a closing sell. The buyer is the party that buys the right and the seller, also referred to as the writer, is the party that sells the right. The writer took up his position by way of an opening sell. If the buyer so requires, the writer is obliged to deliver (call option) or to buy (put option) the specified quantity of the underlying value. The selling position of the writer is also referred to as a short position. The writer receives the option premium paid by the buyer when the short positions are established. If prior to the expiration the writer is not 'assigned', his profit is the option premium received. A writer of an option wishing to unwind his option before expiration can buy back the option. This is to be effectuated by way of a closing buy. A call option that is written while the underlying value is held in the writer's account is referred to as 'covered'. An investor may also write a call option while the underlying value is not held in his account. This is referred to as 'naked option' writing. Written put options are always uncovered. Short positions come with risks. The writer is required to hold a margin so as to ensure that he can fulfil his obligations. The option writer can be exposed to - unlimited - losses that may exceed the received premium many times over. Here a distinction should be made between covered and uncovered option writing. For example, writing covered call options may increase the return on a securities portfolio. When writing uncovered call options the losses can, in principle, be unlimited. You should always carefully consider whether such transaction is suitable for you, also in view of your financial position and your investment objectives. From an economic perspective, a contract is concluded between a buyer and a selling party when the buyer buys an option. However, there is no direct relationship between the buyer and the writer of an option. A clearing house administers all long and short positions that have arisen as a result of the trade and, from a legal point of view, takes up a position between the buyer and seller. Usually, there are more parties involved than just the buyer and seller and the clearing house such as their respective banks or stockbrokers and a clearing member. It follows that the buyer and the seller do not know each other. Buying and selling options carries risks. An investor should not buy an option if he is unable to bear the risk of losing the premium he paid. In addition, an investor should not write an option if he is unable to bear the risk of a substantial financial loss. A stock exchange or regulator may demand access to all data relating to orders and transactions to monitor compliance with the applicable rules and regulations. This may also include a client's identity. In specific cases such data may also be made available to the judicial authorities, for instance if – there is reason to believe that – the rules laid down by or pursuant to the law have been breached. Some stock exchanges have made agreements with other stock exchanges that data may also be transferred to – foreign – stock exchanges or - foreign - regulators if this is considered necessary or desirable to identify and prevent any breaches or criminal offences.

9.2 Contract details

9.2.1 Standardization

Options that are traded on stock exchanges have to comply with a number of standard conditions. The standardization relates to the size of the contract, the period to expiry, the expiration date and the strike price. This kind of information is included in the contract specifications. The option price (the premium) is the only element that is variable and is quoted per unit of the underlying value. The contract size is the amount of underlying value to which a single option relates. For instance: 100 shares, the AEX index or another – share – index, USD 10,000 of another currency, etc. The period to expiry of an option is the maximum period within which it represents a right or an obligation. When the

option expires, it becomes worthless. Options are traded with different maturities. This could be a month, but also several years. The last trading day of an option is the last day on which trading in the expiring option series is possible. In Amsterdam, for example, this is the third Friday of the month in which the contract expires. However, when that Friday falls on a day that is not a trading day the expiration date is on the trading day immediately before the third Friday. The strike price is the price at which the option holder can buy or sell the underlying value upon exercising the option; the strike price is quoted per unit of the underlying value. When trading in expiring options has ceased, it is often still possible to exercise the right to buy or sell for some hours. This can be different for each securities institution and stock exchange. The deadline for the sale and the deadline for indicating whether you wish to exercise your option, are set out in the applicable terms and conditions. NIBC Bank will notify the clearing of the exercise of an option. Whether clients may place orders for early exercise and for transactions in expiring series is at the discretion of the individual institution. An option series, once listed on a stock exchange, will under normal circumstances continue to be negotiable until the expiration date. However, stock exchanges may prohibit or limit opening transactions in these series.

9.2.2 Option styles

There are two option styles: American and European. American style options allow the holder to exercise his option at any time before or at expiration. European style options allow the holder to exercise the option only at expiration. Of course, open positions may be closed before expiration. Please contact NIBC if you wish any additional information on this topic.

9.2.3. Exercising options

Settlement upon exercise is possible in two different ways: by physical delivery, as in the case of share options, or by cash settlement, as in the case of index options and currency options. Cash settlement is effectuated on the basis of the strike price and the settlement value, also referred to as the settlement price. Cash settlement means that on the expiration date the holder of a call option will receive the difference between the strike price and the settlement price, but only if the strike price is the lower of the two. The holder of a put option also receives the difference between the strike price and the settlement price, but only if the strike price is the higher of the two.

9.2.4. Underlying Values

The relevant stock exchange selects the values on which options are quoted – the underlying value. In making their choice they prefer underlying values that are widely spread and actively traded, primarily on official stock exchanges. They will make their choice based on a number of criteria, such as the spread of the assets of the relevant underlying value, the stock market turnover and the stock market price fluctuation. The issuers of the underlying values on which the options are traded receive this information from the relevant stock exchange, or at least are aware of it. A stock exchange may decide to remove an option class from listing on the ground of compelling circumstances.

9.2.5 Currency

When a stock exchange selects a new option class it also determines the main market for the underlying value. In general this will be the domestic market: the country of origin of the underlying value. The currency of the country of origin of the underlying value will often also become the currency in which the options on these values are listed.

9.2.6 Option Premium

The option premium, the option price, is determined by the supply and demand of the parties trading on the stock exchange. Usually, the parties make this determination based on the price and the volatility of the underlying value and the remaining life of the option. The option premium is also affected by any dividend on the underlying value and the interest. As with all market forces supply and demand, and thus also the premiums, can be affected by irrational factors such as emotions among the public.

9.2.7. Adjustment

A stock exchange may adjust the underlying value in the event of recapitalisation, a share split, a rights issue or a bonus issue and the like. The trading unit, strike price, the quantity of the underlying value and the number of options may be adjusted as well. Other instances, such as a public bid on a listed company, a merger or liquidation may also prompt an adjustment of the underlying value. In principle, no adjustment is made if a cash dividend, whether in the form of a stock dividend option or otherwise, is released for payment. In such a situation a clearing house may decide, depending on the circumstances, that the share of the target company will at some point be replaced by another share (for instance that of the acquiring company). The clearing house may also determine that exercising the option will result in

a cash settlement rather than in a physical delivery of the share or that another adjustment in the underlying value and/or other contract specifications will be effected.

9.3 The objectives of an option investor

9.3.1 To make a profit

The buyer of an option expects the price of the underlying value to change. The buyer of a call option hopes for a price rise, the buyer of a put option on a drop in price. In both cases, the investor can make a – relatively – larger profit in options than if he were to trade the same amount in the underlying value because with a much smaller investment, i.e. only the premium, he can profit from price fluctuations. This is referred to as the leverage effect of options. If the underlying value rises above the strike price this will generally prompt the price of the call option to rise as well. Likewise, if the underlying value falls below the strike price this will prompt the price of the put option to rise. This is how an investor can make price gains on options.

9.3.2 Generating additional income

An investor may also decide to write call options as a means to receive option premiums. If the investor has in fact the underlying value in his portfolio, the option premium he receives is an additional return on his portfolio. However, if he is assigned to provide the underlying value, he – usually – has to sell the underlying value below market value. If the holder of a put option has exercised his right, the writer will have to buy the underlying value at a price that exceeds the market value. In both cases the writer's loss, although reduced by the option premium received, may be significant if the change in the price of the underlying value is substantial.

9.3.3. Protection against a price drop

Options also provide investors the opportunity to protect themselves against price drops in the underlying value. Investors who seek such protection – at an amount of the investor's choice –- may do so by buying put options. If the holder of the put option has exercised his right, the writer of the put option will have to buy the underlying value – usually – at a price that exceeds the market value. Writing call options also provides partial protection against a price drop. The protection is, however, limited to the amount of the options premium received.

9.3.4 Fixing the price of the sale or purchase price of the underlying value

Options also allow investors to fix the price at which the underlying value can be traded in the future. For example, an investor wanting to fix the maximum purchase price will be interested in buying call options. An investor who wishes to fix the minimum price will be interested in buying put options.

9.4 Buying Options

9.4.1 Buying Call Options

The buyer of a call option can profit from price rises in the underlying value during the life of the option. His call option gives him the right to buy the underlying value at a specified price.

If the price of the underlying value rises, the holder of a call option must take action himself if he wishes to realise his option profit. He has two options:

1. He can sell his call option on the stock exchange by way of a closing sell. Sell to close specifies that the holder is more interested in the rise in the option premium than in acquiring the underlying value. In general, the option premium of the call option will rise if the price of the underlying value rises. The profit is then made up of the proceeds from the sale minus the option premium and transaction costs paid. Given the leverage, a small price increase in the underlying value can lead to a high profit ratio on the original investment in call options.

2. The holder may also decide to exercise the call option. This is, of course, possible only for American-style options. After all, European-style call options can be exercised only on the expiration date. Upon exercise the underlying value will be delivered to the holder or will be settled in cash, depending on the option specification.

If the price of the underlying value remains unchanged or drops, the holder of a call option may lose part or all of the amount he invested. In principle, the maximum loss of the buyer of a call option is the sum he invested, namely: the option premium paid plus the transaction costs.

9.4.2 Buying Put Options

The buyer of a put option can profit from price drops in the underlying value during the life of the option. His put option gives him the right to sell the underlying value at a specified price.

If the price of the underlying value drops, the holder of a put option must take action himself if he wishes to realise his option profit. He has two options:

1. He can sell his put option on the stock exchange by way of a closing sell. In general, the option premium of the put option will rise if the price of the underlying value drops. The profit is then made up of the proceeds from the sale minus the option premium and transaction costs paid. Given the leverage, a small drop in the price of the underlying value can lead to a high profit ratio on the original investment in put options.

2. The holder may also decide to exercise the put option. This is, of course, possible only for American-style options. After all, European-style put options can be exercised only on the expiration date. Upon exercise the underlying value will be delivered by the holder or will be settled in cash depending on the option specification.

The question what in a specific case is the most profitable option, to sell or to exercise the option, usually depends on the costs, dividend data, objectives, etc.

If the price of the underlying value remains unchanged or rises, the holder of a put option may lose part or all of the amount invested. In principle, the maximum loss of the buyer of a put option is the sum he invested, namely: the option premium paid plus the transaction costs.

9.5 Writing Options

9.5.1 Call Option Writing

The writer of a call option assumes the obligation to sell the underlying value at the strike price if he is assigned to do so. In exchange he collects the option premium.

Writing call options with underlying value: the main objective for investors writing call options on an underlying value they already hold (covered call option writing) is generating an additional return on an investment portfolio by collecting the premium. A consequence of this objective is that the investor accepts the risk of having to sell the underlying value at the price he specified, the strike price. If the price of the underlying value drops below the strike price, the option is likely to expire without being exercised and the writer may keep the proceeds, being the premium received. As long as the option has not been exercised, the writer may also elect to liquidate his position by concluding a closing transaction on the stock exchange, a closing buy. However, if the share price of the underlying value exceeds the strike price, the call option is likely to be exercised. The writer will then be obliged to deliver (sell) the underlying value. The effective selling price (excluding costs) will then be equal to the strike price (the price at which the writer must deliver the underlying value) plus the option premium received. Irrespective of the price of the underlying value, the writer will never receive more than the effective selling price. Generating additional return by receiving option premiums can also be regarded as fixing the selling price of the underlying value. The selling price is also equal to the strike price plus the option premium. Of course, if the call option is not exercised the writer does not have to deliver the underlying value.

Writing call options without underlying value: investors writing call options without owning the underlying value (naked option writing) should realise that they are in principle exposed to an unlimited risk. If the price of the underlying value exceeds the strike price, the call option is likely to be exercised. The writer will then be obliged to deliver the underlying value at the strike price. As the writer does not own the underlying value, he will have to buy it (at the then current higher share price). In theory, the price of the underlying value can rise indefinitely, which means that the writer of a naked call option is exposed to an unlimited risk. It follows that this type of investor must have sufficient financial capacity to be able to buy and deliver the underlying value if the option is exercised. It follows that NIBC Bank will require the writer to deposit a margin. The type and amount of the margin is determined by NIBC Bank.

In view of the risk of incurring substantial losses, writing call options is suitable only for investors that are financially capable of bearing such losses and who know the risks and oversee them. The level of the writer's risk will greatly depend on the question whether the investor wrote covered or naked call options. A writer of a covered or naked call option, who expects to have to deliver because of a price rise in the underlying value may, as long as he has not yet been assigned, close his position through a closing buy at the stock exchange whereupon his obligation to deliver the underlying value will be eliminated.

9.5.2 Put Option Writing

The writer of a put option assumes the obligation to buy the underlying value at the strike price if he is assigned to do so. In exchange he receives the option premium.

The main objective of investors who write put options is generating additional return on an investment portfolio by collecting the option premium. A consequence of this objective is that the investor accepts the risk of having to buy the underlying value at the price he specified, the strike price. If the price of the underlying value exceeds the strike price, it is likely that the option will expire without being exercised and the writer can keep the return, being the premium he received. As long as the option has not been exercised, the writer can also elect to liquidate his position by concluding a closing transaction on the stock exchange, a closing buy. However, if the share price of the underlying value drops below the strike price, the put option is likely to be exercised. The writer will then be obliged to take delivery of (buy) the underlying value. In addition to generating return by collecting the option premium, the aim of writing a put option may also be to fix the purchase price of the underlying value. It follows that the purchase price (costs) is equal to the strike price less the option premium. However, if the option is not exercised the underlying value will not be delivered to him; he may keep the option premium he received.

The writer of a put option exposes himself to the risk of having to buy the underlying value at a price that is much higher than the current share price. A put option that has been written is always considered to be uncovered. It follows that the writer of a put option must have the financial capacity to buy the underlying value if the option is exercised. It follows that NIBC Bank will require the writer to deposit a margin. The type and amount of the margin is determined by NIBC Bank. The writer of a put option, who expects to have to buy because of a drop in the price of the underlying value may, as long as he has not yet been assigned, close his position through a closing buy at the stock exchange whereupon his obligation to buy the underlying value will be eliminated.

9.6 Risks in exceptional circumstances

Stock exchange rules and regulations often allow for the possibility to take measures that limit the trade in one or more products, make it subject to special conditions, suspend trading or halt it altogether. A stock exchange may also decide to cancel certain transactions. Of course, such measures are taken only in exceptional circumstances, if the stock exchange considers it to be in the interest of maintaining an orderly and fair operation of the markets. If exceptional measures are taken, like the measures described above, the holder, but also the writer, of an option may find himself in a situation where he is unable to realise his profit at any given moment. In theory, trade can be suspended or halted for all types of options if the market on which the underlying value of such option is traded is distressed or interrupted. Usually, the trade in index products will be halted if the trade in the underlying values that count towards the calculation of the index, is distressed or halted fully or partly or if the stock exchange no longer has the undisturbed and uninterrupted disposal of the index value as calculated. Failure of the internet connection, telephone or other communication lines or of the computer systems may disrupt trade and may also have a negative effect on investors and securities institutions. Stock exchanges and clearing houses – as well as NIBC Bank – do not accept any liability for any loss and/or damage suffered by a client as a result of circumstances like the ones described above or any loss and/or damage or on any other basis, with the exception of willful misconduct (*opzet*) and gross negligence (*grove nalatigheid*). In principle, NIBC executes orders, or has them executed, only on well-regulated markets with proper supervision, but this does not offer any guarantee that irregularities will not occur. NIBC does not accept any liability for any loss and/or damage resulting from such irregularities.

10. Investment Funds

Investment funds invest money from investors on a collective basis. It follows that investors outsource the management of their investments to the investment fund manager, a specialist asset manager. Investment funds are usually classified by Investment Category. The main categories are equity funds, bond funds, property funds and mixed funds. Equity funds are often subdivided into regions (for instance, Europe, America, Asia or World), themes (for instance, ethical or innovation) or sectors (for instance, information technology or banks and insurers). Because most equity funds can invest in shares, depositary receipts, warrants and options the risks associated with of these types of securities also apply to equity funds. Likewise, the risks associated with bonds, convertible bonds and interest-rate options apply to most bond funds. However, there is a large degree of diversification in investment funds, which means that individual risks will generally have a smaller impact. The characteristics and specific risks of shares, depositary receipts, bonds, convertible bonds, warrants and options have been explained above. Investment funds must, in principle, provide a prospectus and a Key Investor Information Document. In these documents you will find all relevant information about the fund, the costs and the risks. Ask for these documents and read them before you decide to invest in the relevant fund.

11. Alternative Investment Funds

11.1 Hedge Funds

A hedge fund is an investment fund where the fund manager endeavours to achieve an optimal return independent of the direction of the stock market. The focus is on achieving an absolute return rather than on performing better than an index. One of the differences between hedge funds and traditional investment funds is that hedge funds use a wider range of instruments and trading techniques, such as derivatives. Selecting hedge funds, which often are not subject to supervision, requires a considerable effort which is why private investors often invest in hedge funds through a 'fund of hedge funds'. These funds of hedge funds invest in hedge funds as much as possible.

11.2 Investment funds in states with inadequate financial supervision

Hedge funds, but also other alternative investment funds, are often based in states where financial supervision is very limited. This leads to uncertainty. A fund may have an excellent track record and, for instance, a good annual return. However, the lack of financial supervision poses potential risks in respect of continuity, asset separation, risk management and the expertise, professionalism and reliability of the fund manager.

12. Trackers (ETFs)

Trackers, or ETFs (Exchange-traded fund), track an index. A tracker aims to offer investors the same return as the underlying market (the index). The price of the tracker rises or falls along with the underlying index, while the related management fee is often relatively low. In general, the price movement risks of a tracker are similar to those of a direct investment in the values of the underlying index. It follows that if you want to know the general investment risks of the tracker you should look at the risks as described for the underlying values, for instance shares or bonds. Of importance is the identity of the institution that issues the tracker, usually a bank, and you should check whether it is sufficiently solid, just as you would for bonds. If this party does not fulfil its obligations the tracker may become worthless. It is also possible that the tracker deviates from the index, in spite of its objective. This may be to the detriment of the investor. If, for example, a tracker's liquidity is low, this often results in a higher bid/offer spread on the stock exchange. This may also cause the tracker's performance to deviate from the underlying index. It follows that you have no guarantee that the price of the tracker will exactly follow the index. Trackers are often made up of a securities portfolio in which direct investments are made in values (usually shares or bonds) that comprise the underlying index. However, there are also synthetic trackers, where the institution that issues them is more dependent on third parties, with whom it has concluded derivative contracts, or to which it lent its own securities. If these third parties fail to meet their obligations, the tracker may become worthless even if the underlying index performs well. Synthetic trackers are considered more risky. We would recommend that you check with the institution that issues the tracker whether it is a synthetic tracker and what the risks are. The exact structure of a particular tracker can be found in de prospectus.

13. Investing in (financial instruments offered by) certain banks and investment firms

Investments in (depositary receipts issued for) shares, membership rights and similar instruments in and debt instruments (such as bonds) issued by certain banks and investment firms come with additional risks.

Under European legislation, certain banks (including NIBC Bank) and investment firms are subject to the European framework of rules for the recovery and resolution of banks and investment firms. The starting point for this European framework is that public money must not be applied to the rescue of weak and failing banks and investment firms but rather that the relevant costs should borne by the persons having invested in the institution in question, through equity, debt capital and otherwise. This means that your investments in weak or failing banks and investment firms may be written off completely (thus effectively extinguishing your investment) or may be converted into equity, such as share capital, in the event you invested in debt instruments. One should be aware that additional risks apply if compared to investments in different types of enterprise, which may result in you losing your entire investment.

Even if you have not invested directly in financial instruments issued by banks and investment firms, the European framework for recovery and resolution of banks and investment firms may have a negative effect on the value of your investments. This may be the case if, for example, you invested in units of participation issued by a fund which in turn invested in financial instruments issued by certain banks and investments firms.

13.1 Scope of application

The European framework for recovery and resolution of banks and investment firms applies to banks and large investment firms within the European Union (and after incorporation into the EEA Agreement, the European Economic Area) and entities within their groups (the "**Regulated Institutions**"). It may be that NIBC Bank receives orders from you or transmits orders in your name in relation to financial instruments issued by such Regulated Institutions.

The European framework for recovery and resolution of banks and investment firms offers European and national supervisory authorities specific tools to intervene (at an early stage) in weak and failing Regulated Institutions and their groups. The purpose of these tools is to prevent failing banks from entering into insolvency proceedings (recovery tools) or function as a substitute for insolvency proceedings (resolution tools). The underlying principle is that these measures are used to ensure the financial and economic continuity of the Regulated Institution (and/or its group) and minimise any negative consequences of that Regulated Institution's failure on the economy and financial system. This means, among other things, that these tools are to be used in a way that aims to prevent any capital injections with public funds (*bail out*).

13.2 Description of the tools available to supervisory authorities

European and national supervisory authorities have at their disposal a range of tools and measures to intervene in weak or failing Regulated Institutions, including (i) preparation and prevention measures, (ii) early-intervention measures, (iii) pre-resolution measures, and (iv) resolution measures.

Re (i) Preparation and prevention measures: Preparation and prevention measures are meant to prevent the failure of Regulated Institutions and their groups. One measure, for example, is that Regulated Institutions are required to prepare recovery plans that include measures to which the institutions must resort in order to safeguard or restore their financial stability following a considerable deterioration.

Re (ii) Early-intervention: Early intervention measures are devised to prevent the entry into resolution of the Regulated Institution concerned (or its group). The relevant supervisory authorities may resort to early intervention measures whenever a Regulated Institution fails to comply with certain European rules or if its financial situation should rapidly deteriorate. The measures at the disposal of the European and national supervisors may involve the imposition of an obligation upon the Regulated Institution to (a) implement the recovery plan, (b) call a meeting of shareholders/members, (c) remove from office or replace senior management, (d) draft a restructuring plan, and (e) review its business strategy and legal and operational structure.

Re (iii) Pre-resolution measures: Pre-resolution measures are devised to ensure that the capital instruments of Regulated Institutions (such as shares/membership rights, certain contingent convertible capital notes (cocos) and certain subordinated debt instruments (bonds) serve as buffer capital at the moment the Regulated Institution is no longer deemed viable. These measures are implemented before the actual resolution measures. Losses are absorbed by the buffer capital instruments by either withdrawing them completely, writing them off (reduction of the principal sum or any outstanding amount without redemption), or where capital instruments are concerned that qualify as debt, by converting them into equity capital (a process of writing-off and conversion also known as *bail-in*).

Re (iv) Resolution measures: Resolution measures relate to the winding-up of the Regulated Institution (or its group) and are to be implemented when the Regulated Institution (or its group) cannot be wound up by means of normal insolvency proceedings without destabilising the financial system. Implementation of the resolution may be necessary if the Regulated Institution reaches a point where (a) it fails or is likely to fail, (b) it is unlikely that alternative public-sector measures (including early intervention measures and pre-resolution measures) will eliminate, within a reasonable period of time, the threat to the going-concern status of the Regulated Institution, and (c) the resolution is necessary in the public interest.

The general resolution tools to which a supervisor may resort in relation to a Regulated Institution comprise (1) the sale of the business or shares of the Regulated Institution in resolution, (2) establishing a bridge institution to which the business or shares of the Regulated Institution in resolution is or are transferred, (3) the division of the assets of the Regulated Institution into profitable assets and problematic or non-profitable assets, and (4) the conversion into shares/membership rights and the (complete or partial) withdrawal or writing-down (the reduction of the principal sum or any outstanding amount without redemption) of financial instruments (such as (convertible) bonds) and other liabilities of the Regulated Institution (other than capital instruments as described above under the heading "*Re (iii) Pre-resolution measures*") (the general bail-in tool).

As part of the resolution measures listed above, the relevant supervisors also have the general authorities (i) to amend or alter the tenor of certain debt instruments issued by the Regulated Institutions (such as bonds) and other debts or to amend their amounts or the interest rates due, including temporary suspension of payment, and (ii) to withdraw the listings of certain financial instruments.

13.3 Manner of resolution

The principle underlying the European framework for recovery and resolution of banks and investment firms is that losses are absorbed by shareholders and subsequently by creditors, subject to the condition that creditors must not be

worse off in a winding-up situation if Regulated Institutions are wound up in line with the processes set out in the European framework for recovery and resolution of banks and investment firms.

Therefore, a *bail-in* of Financial Instruments will be implemented as follows:

(a) First, the providers of equity, such as shareholders and members (Common Equity Tier 1).

(b) Second, the providers of equity which by and large may be placed on a par with share capital, such as the holders of contingent convertible capital notes (cocos).

(c) Third, the providers of subordinated liabilities.

(d) Fourth, the remaining providers of debt equity eligible for *bail-in*. However, certain liabilities are not eligible for *bail-in*, such as liabilities covered by security rights (such as rights of pledge and of mortgage) and deposits of consumers and certain SMEs that are covered by the deposit guarantee system. The deposit guarantee system covers a maximum of EUR 100,000 per client per institution. Thus, if you are a natural person or an SME, investing in financial instruments of a Regulated Institution carries in any event considerably more risk than holding a deposit with that same Regulated Institution if and to the extent they are covered by the deposit guarantee system.

13.4 Counterparty risk

Whether and when supervisors resort to (resolution) measures pursuant to the European framework for recovery and resolution of banks and investment firms constitutes an inherent risk. If they resort to certain such measures, this may have a major negative effect on the value of your investments and the chances of recovering your investment. In no event will the implementation of the results by supervisors as part of the European framework for recovery and resolution of banks and investment firms constitute a reason to default. As a consequence, it is not possible to recover or demand early redemption of your investment upon the implementation of such measures.

Any of your investments that are affected by the (pre-)resolution measures are susceptible to being withdrawn or written down in their entirety, causing you to lose your entire investment. If this comes to pass, you cannot exert any claim against the Regulated Institution, even though you lost your investment. There is a further risk that your investment in debt capital will be converted into simple equity such as shares/membership rights. Such conversion comes with additional risks, because shareholders normally are bound to absorb losses before providers of debt equity or other creditors. In the event of conversion of your financial instruments, you may also lose your investment because the shares/membership rights into which your financial instrument has been converted do not represent any (residual) value.

Please be aware that certain liabilities of Regulated Institutions are excluded from *bail-in*, as a consequence of which the relevant creditors are in a more favourable position than persons who are creditors of liabilities that are eligible for *bail-in*. Liabilities which are not eligible for *bail-in* include liabilities covered by security rights (such as rights of pledge and rights of mortgage) but also creditors of liabilities that may be covered by the deposit guarantee system. The deposit guarantee system does in some instances offer protection to consumers and SMEs that hold deposits with failing financial institutions, such protection being maximised at EUR 100,000 per client per institution. Thus, if you are a consumer or an SME, there may, for example, be considerably more risk involved in your providing liabilities to a Regulated Institution (by means of bonds, for instance) over holding a deposit with this Regulated Institution (if and to the extent such deposit is covered by a deposit guarantee system).

Lastly, you should be aware that resolution measures in relation to a Regulated Institution may have serious consequences for the financial instruments issued by this Regulated Institution. Among these consequences the resolution measures may have in relation to a Regulated Institution is that the tenor, the principal sum or of the interest due of a financial instrument is altered (including but not limited to a decrease of the principal sum or the interest due) or that payments are suspended.

However, the starting point is that the (pre-)resolution measures should not leave you worse off than you would have been if a winding-up order for the Regulated Institution were made. The consideration whether you would be worse off must be made on the basis of an independent valuation of the Regulated Institution. If you turn out to be worse off as a result of the (pre-)resolution measures than you would be if the Regulated Institution were wound up, you will be entitled to compensation. It is possible, however, that such compensation payments will take considerably longer to be effected than any contractual periods for payment you may have agreed with the Regulated Institution (just like waiting for payment to come from the insolvent estate may take longer than waiting for a regular payment).

13.5 Liquidity risk

The uncertainty concerning the implementation of early intervention measures and (pre-)resolution measures and the absence of any (implicit) government guarantee in relation to Regulated Institutions may have an adverse effect on the liquidity of financial instruments (eligible for *bail-in*). These adverse effects are likely to be augmented as soon as early intervention measures and (pre-)resolution measures are being prepared or implemented in relation to a Regulated Institution or if rumours to such effect abound.

Even where your financial instruments issued by Regulated Institutions are not liquid (for example, because there is little trade in this particular financial instrument on the secondary markets), you will find it difficult to respond to signals that the Regulated Institution is failing. In such circumstances it may be difficult, for example, to sell the financial instruments in order to avoid (further) losses.

Existing liquidity measures (such as repurchase agreements (repos) offered by the Regulated Institutions) may not offer any protection against the fact that you are compelled to sell the financial instruments issued by the Regulated Institution at a significantly lower price.

13.6 Concentration risk

If you hold many financial instruments issued by Regulated Institutions and your investment portfolio is insufficiently diversified, you run additional risks. These concentration risks are even larger if you hold (relatively) many financial instruments issued by a single Regulated Institution or by Regulated Institutions within the same group.

14. Miscellaneous

We have taken utmost care in describing the characteristics of securities. However, it goes beyond the scope of this annex to describe all characteristics of all securities and their associated risks. For this reason, NIBC Bank will not assume any liability for damage or loss arising from investments made, in whole or in part, on the basis of the characteristics of securities as described herein. In selecting potential investments, clients must make a sound assessment which securities fall within the perimeters of their investment objectives. All types of investment are associated with risks, some greater than others. Naked option writing in particular carries a huge risk. The client should only (give orders to) trade in such high-risk investments if the client is willing and is able to carry the loss, if any, and if they are keenly aware of the risks.