NATIXIS
WEALTH MANAGEMENT

GENERAL INFORMATION DOCUMENT

March 2021

In accordance with Directive 2014/65/EU of the European Parliament and Council of 15 May 2014 on markets in financial instruments (the "MIFID II" Directive) aimed at increasing investor protection, the Bank communicates a certain amount of information to its Clients regarding its investment services.

One of the specific purposes of this document is to provide Clients with information on the following subjects:

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- Information guide on structured products

For any other information prescribed by the Mfid II Directive and not explicitly listed in this General Information Document, reference is made to the provisions of the General Terms and Conditions.

INFORMATION ABOUT THE BANK

Name	**Natixis Wealth Management Luxembourg**
Registered office and postal address	51, avenue J.F. Kennedy L-1855 Luxembourg
Trade Registry number	B32160 Luxembourg
Telephone number Fax number	+352 46.38.16 +352 46.37. 53
Email address	informations@lu.natixis.com
Website	www.wealthmanagement.natixis.com
Group	Natixis Wealth Management Luxembourg is a subsidiary of Natixis, a company listed on the Paris stock exchange, and is part of the BPCE Group.
Activities	The Bank is registered in Luxembourg with the Financial Sector Supervisory Commission as a credit establishment
Supervisory Authority	Commission de Surveillance du Secteur Financier [Financial Sector Supervisory Commission] 110, route d'Arlon L-1150 Luxembourg

OVERVIEW OF THE ESSENTIAL FEATURES AND RISKS OF FINANCIAL INSTRUMENTS

The information in this document aims to provide an overview of the essential features and risks of the financial instruments in which you might invest or in which the bank might invest on your behalf. If you have any specific questions or if you are interested in specific financial instruments, please contact us for further information.

However, this document does not address the tax and legal consequences of transactions involving financial instruments. We therefore suggest that you contact specialists for personalised advice on these matters prior to any investment.

1 – BASIC RISKS

These risks apply to all types of investment. However, depending on the financial instrument involved, one or more of the risks described below may apply cumulatively, leading to an overall increase in the level of risk incurred by the investor.

1.1 - Economic risk

Changes in the activity of a market economy always have repercussions on the prices of financial instruments and exchange rates. Prices vary more or less according to the rhythm of the downturns or upturns in the economic cycles. The duration and extent of the downturns and upturns in the economic cycles vary as does their impact on the various sectors of the economy. Moreover, economic cycles may differ from country to country.

Failure to take changes in the economic cycle into account or to analyse them correctly when making an investment decision may lead to losses. It is particularly important to consider how the economic cycle impacts investment prices.

Given the fluctuations in the economic cycles, among other factors, the past performance of a financial instrument is no guarantee of the future performance of that instrument. Losses in value, which result in losses for the investor, are always possible.

Investors must therefore always ensure that their investments are appropriate to the economic situation and, if applicable, make the necessary reallocations.

1.2 - Inflation risk

If there is a drop in the value of the currency, investors may suffer financial losses in relation to investments made. In this respect, such a loss in value may have an impact on the real value of existing assets as well as on the real rate of return that ought to be obtained from those assets. Decisions should therefore be made on the basis of real rates of return, i.e. the difference between the interest rate and the rate of inflation for fixed-rate products.

Thus, when the rate of inflation exceeds the return generated by the financial instruments (capital gains and interest), this will lead to a loss of value of the capital actually invested.

1.3 - Country risk and transfer risk

It is possible that a foreign debtor, although solvent, might not be able to pay interest and its debt at maturity, or might even default completely due to the lack of the capacity or available currency required to make transfers in the debtor's country of origin, caused, for example, by economic, political or social instability in the country in question.

Thus some payments to which an investor is entitled may not be paid if currency is not available or if there are restrictions on foreign transfers. With regard to financial instruments issued in foreign currency, an investor may receive payments in a currency that is no longer convertible due to exchange restrictions.

Furthermore, even in the absence of any crisis, State intervention in some sectors of the economy (e.g. nationalisation) may influence the value of investors' assets. In certain extreme cases, investors' assets may sometimes be confiscated or frozen by local authorities or investors' rights may be restricted.

In principle, there is no way to protect oneself against such risks. However, country ratings published in the financial press can be useful indicators for investors in this regard.

Lastly, and more generally, political and/or economic and/or social instability in certain countries may lead to rapid fluctuations in exchange rates.

1.4 - Exchange risk

Since exchange rates vary with regard to each other, there is an exchange risk when financial instruments are held in foreign currency. Depending on the exchange rate, the same investment may generate a profit or lead to losses.

Moreover, since companies' activities are, to a greater or lesser extent, related to exchange rates, fluctuations in exchange rates are likely to affect the value of the financial instruments that they issue.

The main factors influencing the price of a country's currency are the country's rate of inflation, the interest rate and productivity differentials with respect to other countries, assessments of the economic cycle, the global political situation and the security of the investments. Furthermore, events of a psychological nature, such as loss of confidence in political leaders, may weaken a country's currency.

1.5 - Liquidity risk

For an investor, liquidity is the ability to sell the financial instruments they hold at any time, at market rates.

Hence, if there is insufficient liquidity on the market, investors may not be able to sell their financial instruments at market prices. In principle, it is necessary to distinguish between a lack of liquidity resulting from the effects of supply and demand, and a

lack of liquidity related to the inherent features of the financial instrument itself or to market practice.

A lack of liquidity arising from the effects of supply and demand exists when there is only or almost only supply (selling price) or only or almost only demand (buying price) for a financial instrument at a given price. In these circumstances, a contract to buy or sell cannot be executed immediately and/or can be executed only partially (partial execution) and/or under unfavourable conditions. Furthermore, higher transaction costs may be applied.

A lack of liquidity due to the inherent features of the financial instrument or to market practice occurs, for example, in lengthy transcription procedures for transactions involving registered shares, lengthy execution periods as a result of market practice or other trading restrictions, or a short-term liquidity need that cannot be covered by the sale of financial instruments before being able to perform a transaction, particularly for alternative funds.

1.6 - Psychological risks

Irrational factors can affect how prices evolve, such as trends, opinions or rumours likely to lead to significant drops in prices, even though the financial situation and prospects of the companies concerned have not deteriorated.

1.7 - Credit risk

The purchase of financial instruments funded by credit carries several additional risks. On the one hand, additional guarantees may be required – sometimes in the very short term – in the event that credit limits are exceeded as a result of variations in the prices of the pledged assets. If investors are not able to obtain such guarantees, the bank may be forced to sell financial instruments deposited at an unfavourable time. Moreover, the loss suffered when prices fall may exceed the initial investment. Changes in the prices of pledged financial instruments may thus have a negative effect on the capacity to repay loans.

It is important to bear in mind that the leverage effect created by buying financial instruments on credit generates a greater sensitivity to price changes and thus offers opportunities for higher gains but at the same time risks of higher losses. The risks related to such purchases increase in proportion to the leverage effect.

1.8 - Interest-rate risk

Generally, a change in interest rates, whether in the short or long term, may have significant negative consequences on the valuation of financial instruments.

1.9 - Risk of the issuer's solvency or the solvency of the clearing and settlement system

The insolvency of the issuer of financial instruments or the clearing and settlement system within which such instruments are traded may lead to the investor losing all or some of the funds invested.

1.10 - Additional risks on emerging markets

Emerging markets are markets in countries with an average or low income per capita as defined by the World Bank. More specifically, these are markets in countries that are experiencing a certain level of political instability, in which markets and economic growth are relatively uncertain, the financial market is still developing and the economy is not prosperous. Many markets in Latin America and Eastern Europe as well as in some Asian countries fall into this category.

Generally, the risks described above are higher on such markets.

Thus political or economic changes (such as inflation or exchange rates) will have more influence on the value of investments in emerging markets than in other countries. Similarly, emerging markets often react more strongly and for longer periods in the event of a natural disaster or act of war.

Moreover, emerging markets often have less stringent rules for settlement or clearing of transactions such that accounting errors or defective delivery of instruments may occur more often.

Lastly, prudential supervision of such markets and the rules protecting investors are often weak.

1.11 - Other basic risks

1.11.1 Information-related risks

This risk corresponds in fact to the risk of making inappropriate investment choices due to insufficient, incomplete or incorrect information. It may be related to the investor's use of unreliable sources, or his misunderstanding of information he received, or it may be related to communication errors.

1.11.2 Transmission risks

When placing an order, the investor must provide the bank with a certain amount of information that is necessary for its execution (instrument, type of order, volume, execution date, etc.). The more precise the order issued, the lower the risk of a transmission error.

1.11.3 Risks related to transaction costs

The bank and other national or foreign intermediaries (e.g. brokers) may be involved in the execution of an order, in which case the commissions and fees applied by these people will be charged to the investor.

An investment only becomes profitable once all of these costs have been covered.

2 – SPECIFIC RISKS RELATED TO INVESTMENTS

2.1 - TIME DEPOSITS

These are cash deposits with a fixed maturity date and remunerated at a predetermined rate.

a) Features

- *Return*: interest payments;

- *Duration*: short term (< 4 years), medium term (4-8 years) or long term (> 8 years);

- *Interest*: interest depends on arrangements that are specific to each deposit; for example, a fixed interest rate for the whole term or a variable interest rate often linked to a financial market rate (e.g. LIBOR or EURIBOR).

b) Advantages

Depending on market conditions, these products may generate more interesting returns than the other fixed return products.

c) Risks

Such products are mainly exposed to inflation risk, exchange risk, interest rate risk and counterparty risk as described in point I. above.

<u>2.2 - BONDS</u>

Bonds are negotiable, registered or bearer, securities, issued by a commercial company or a public authority to those lending it capital. The nominal value of each bond, at the time of issue, corresponds to a portion of the total amount of the loan. There are fixed-interest or variable-interest bonds. The duration and redemption method are established beforehand. Some structured products adopt the legal form of a bond and therefore will be presented in the section "Structured products".

The buyer of a bond (the creditor) is the holder of a claim in respect of the issuer (the debtor).

a) Features

- *Return*: interest payments, possible increases in value (difference between purchase/issue price and sale/redemption price);

- *Duration*: short term (< 4 years), medium term (4-8 years) or long term (> 8 years);

- *Currency:* the investor's national currency or a foreign currency. Redemption of the principal and payment of the interest may be made in different currencies. In this case, the bond may be associated with an option to limit the exchange risk.

- *Form*: individual securities with a specific nominal value (that may be remitted to investors) or represented collectively by a global note deposited with a custody bank;

- *Issue value*: at par (100% of the nominal value), below par (issue price is less than nominal value) or above par (issue price is higher than nominal value);

- *Place of issue*: this may be the investor's domestic market but also a foreign market;

- *Payment*:

- at predetermined dates: except where provided otherwise or where the issuer is insolvent, the loans are repaid either at maturity of the bond, or in annual instalments (generally after a lock-up period), or on different dates by drawing lots (generally after a lock-up period);
- at unspecified dates: the issuer may reserve the right to redeem the bonds at date to be determined subsequently by the issuer at its discretion;

- *Interest*: interest depends on the terms and conditions of the loan; for example, interest fixed for the whole duration or variable interest often linked to a financial market rate (e.g. LIBOR or EURIBOR). In the latter case, a minimum and/or maximum rate may be established;

- *Specific features (e.g. relations between issuer and investor):* established under the conditions for the issue of the bond concerned.

b) Advantages

Depending on market conditions, these products may generate more interesting returns than the other fixed return products.

c) Risks

c.1) Insolvency risk

The issuer may be temporarily or permanently insolvent, leading to their incapacity to pay interest and/or to redeem the bonds. The solvency of an issuer may change due to variations in certain factors during the period of the loan. This may be due, for example, to changes in the economic cycle, to changes relating to the company, the issuer's business sector and/or the country concerned as well as to political changes having significant economic consequences.

This risk is more or less significant depending on whether the bonds are issued by a public authority or a private institution. The risk also depends on the nationality of the issuing public institution or the type and business sector of the private entity issuing the bonds (bank, industrial company, etc.) and, more generally, its financial robustness.

This risk is more limited if guarantees are associated with the bonds. However, in this case, the additional protection afforded to the investor will depend on the status and solvency of the guarantor.

In this regard, bonds issued by entities considered to be safe generally offer lower returns. However, the risk of total loss of the investment is correspondingly lower.

Deterioration in the issuer's solvency also has negative repercussions on the price of the financial instruments concerned.

c.2) Interest rate risk

Uncertainty regarding changes in interest rates means that the buyer of a fixed-rate financial instrument risks seeing the price drop if interest rates rise. The sensitivity of bonds to change in interest rates depends

in particular on the remaining period to maturity and the nominal interest rate.

c.3) Early redemption risk

Bond issuers have the option to reserve early redemption rights for themselves and may use them in particular if market interest rates fall. Such early redemption may affect the return expected by the investor.

c.4) Risks of bonds redeemable by drawing lots

Loans redeemable by drawing lots have a term that is difficult to determine, and there may be unforeseeable changes in the expected return of the corresponding bonds.

c.5) Risk related to the country of issue

If the bond is issued on a foreign market, it will, in principle, be subject to the laws of the country of issue. Investors should therefore inform themselves of how the application of this foreign law might affect their rights.

c.6) Risks specific to certain types of bond

Additional risks may be associated with certain types of bond: for example *floating rate notes*, *reverse floating rate notes*, *zero coupon bonds*, foreign currency bonds, convertible bonds, index or option bonds, subordinated bonds, *etc.*

For such bonds, investors are advised to inform themselves of the risks referred to in the issue prospectus and not to purchase such securities before having assessed all the risks.

The details below are only an overview of the additional risks incurred by investors in relation to such special bonds.

c.6.1) Floating rate bonds

Floating rate *bonds* may come in several forms, such as:

- floor floater *bonds* are bonds for which a minimum interest rate is guaranteed. Thus, if the sum of the reference rate and the margin is below a certain level, the investor will receive interest at least equal to the set minimum rate. Likewise, for *cap floater bonds,* the interest that investors may receive is limited to a predetermined maximum rate.

For such bonds, it is impossible to foresee, at the time of issue, the effective return on the investment since it depends on changes in market rates.

- for some variable-rate bonds, it may also be the case that the interest rate changes in the opposite direction to market rates (*reverse floating rate bonds*). For these medium or long-term bonds, the rate of interest to be paid to the investor is calculated on the basis of the difference between a fixed rate and a reference rate (e.g. 16% less LIBOR). This means that the amounts paid to the investor increase when the reference rate falls. The value of such bonds is generally subject to greater volatility than fixed-rate bonds with the same maturity.

- there are also *convertible floating rate* bonds which entitle the investor or issuer (depending on the bond issue conditions) to convert the bond into a traditional fixed-rate bond. If this right is reserved for the issuer, the bond's return may be less than that expected by the investor.

c.6.2) Zero coupon bonds

Zero coupon *bonds* have no coupons. Instead of regular interest, investors receive the difference between the redemption price and the issue price (plus redemption of the capital). Such bonds are generally issued at below par value and redeemed at par value. The size of the discount granted to the investor depends on the bond's maturity, the borrower's solvency and the rates generally practised on the markets.

Such bonds thus entitle the holder to be paid a single amount at a future date if the bond is held until maturity (which may have different tax consequences depending on the country). On the other hand, if sold prior to maturity, the investor will receive payment of the sale proceeds only.

Consequently, if market rates fall, the value of such bonds falls more than that of identical bonds with the same maturity. In addition, if such bonds are held in a foreign currency, the exchange rate risk is higher since there is no payment of interest at regular intervals – rather a single sum is paid at a predetermined future date.

c.6.3) Combined-interest bonds or step-up bonds

For so-called *combined-interest bonds* or *step-up bonds*, investors do not receive interest payments at a single rate throughout the bond's lifetime. However, such bonds are similar to fixed-rate bonds insofar as the interest rate is predetermined at issue and does not depend on changes in market rates. On the contrary, the interest rate only varies during the bond's lifetime according to a plan determined at the time of issue.

Thus, for *combined-interest bonds*, it is agreed that there will be no entitlement to interest payments during the first years of the bond's lifetime but that the investor will subsequently be entitled to interest at a higher than average rate for the remaining years. Such bonds are generally issued and redeemed at par value.

For *step-up bonds*, relatively low interest is paid initially and higher rates of interest are then paid to the investor in the following years. Such bonds are generally issued and redeemed at par value.

c.6.4) Phased interest rate type bonds

These bonds are in fact a combination of fixed-rate bonds and variable-rate bonds. They generally have a 10-year duration and give rise to the payment of interest at a fixed rate for the first few years. Then, during the next few years, investors receive interest calculated according to a variable rate depending on market rates. During the last years of the bond's duration, the investor

once again receives interest payments calculated on the basis of a fixed rate.

c.6.5) Index-linked bonds

For these bonds, the redemption price and/or interest is determined according to the level of an index or a predetermined managed account – at the time of redemption or interest payment – and is(are) thus not fixed. Such bonds are often zero coupon bonds.

Generally, these bonds are issued in two tranches: *bull bonds* (bonds with a value that increases if the index rises) and *bear bonds* (bonds with a value that increases if the index falls). The risk for investors is therefore that they may see the value of their bonds fall if the index falls (*bull bonds*) or rises (*bear bonds*).

c. 6.6. Subordinated bonds

For these bonds, investors should ascertain the bond's ranking with respect to the issuer's other bonds, since in the event of the issuer's bankruptcy, the bonds may be redeemed only when all higher-ranking creditors have been repaid (preferential bonds and *pari passu* bonds).

However, generally speaking, the better the investor's position in the event of bankruptcy, the lower the bond's return will be.

c.6.7) Convertible/warrant bonds

In this case, investors are entitled to swap their bonds, at a certain date or during a certain period, for the issuer's shares, at a predetermined rate. There is generally a minimum lock-up period during which the investor cannot exercise his right to convert the bonds. If the right of conversion is not exercised, the bonds will remain fixed-rate bonds, redeemable at par value at maturity.

Due to the existence of the right of conversion, this type of bond entitles the holder to interest payments that are lower than the return on ordinary bonds. The value of such bonds depends primarily on the value of the underlying shares. Thus if the share price falls, the value of the bond also falls. The risk of losses in the bonds' value is therefore higher than for bonds without a right of conversion (but generally lower than the risk of losses associated with direct investments in the shares in question).

There are also bonds that grant investors a right to subscribe to the issuer's shares in addition to the bond and not as an alternative. The investor's right to subscribe is materialized in the form of a *warrant* that can be detached from the bond. The warrant can be traded separately. Investors can subscribe to the bond issuer's shares by presenting the warrant, according to predetermined conditions. In addition, the investor retains the bond until its maturity. As in the case of bonds with a right of conversion, regular interest payments are generally low. Moreover, the value of such bonds, if the warrant has not been detached, also depends on the value of the underlying shares. If the warrant has been detached, the bonds are traditional bonds and their value thus depends primarily on market rates.

Some variants of the bonds described in the previous paragraph entitle warrant holders to buy or sell another predetermined bond at a fixed price.

2.3 - SHARES

Shares are securities issued to a shareholder to record their rights in a capital company. They may be registered or bearer securities. Shares represent a fraction of a company's share capital.

a) Features

- *Return*: dividends and price increases are possible;

- *Shareholders' rights*: financial rights and participatory rights; such rights are determined by the law and by the articles of association of the issuing company;

- *Transfer of shares*: unless there are legal provisions to the contrary, bearer shares can be transferred, in principle, without any specific formalities, whereas there are often restrictions relating to registered shares.

b) Advantages

In principle, investors have voting rights and share in company profits. They may also benefit from higher returns than for investments in time deposits or bonds.

c) Risks

c.1) Company risk

Purchasers of shares are not creditors but providers of capital and thus become co-owners of the capital company. Consequently, they participate in the company's development as well as in the opportunities and risks relating thereto, which may lead to unexpected changes in the investment's value. The extreme case consists of the bankruptcy of the issuing company which may lead to the total loss of sums invested.

c.2) Price risk

Share prices may be subject to unforeseeable variations leading to risks of losses. Price increases or decreases in the short, medium or long term occur in turn without it being possible to define the duration of these cycles.

In principle, it is important to distinguish between general market risk and the specific risk relating to the company itself. These two risks affect share prices.

c.3) Dividend risk

Share dividends are mainly determined by the profits made by the issuing company. Thus, if low profits or losses are made, dividends may be reduced or even not distributed.

2.4 - OBLIGATIONS DE JOUISSANCE [bonds guaranteeing the enjoyment of rights]

Obligations de jouissance represent proprietary rights as defined in the issue conditions for these instruments.

a) Features

These are generally receivables with a nominal value giving rise to entitlements to profits.

In principle, a distinction needs to be drawn between obligations de jouissance with fixed or variable distribution rights and those with option or conversion rights.

b) Risks

b.1) Risks of no distribution or reduced redemption

In the event of losses suffered by the issuing company, there is a risk of interest not being distributed where no minimum interest has been established, as well as a risk of reduced redemption of the principal.

b.2) Insolvency risk

The risk of total loss of the amount invested in the event of the issuing company's bankruptcy.

2.5 - INVESTMENT FUND

An investment fund is a company or jointly-owned entity which collects money from a number of investors with the aim of investing it in various assets according to the principle of risk diversification, and to provide its shareholders or members with the profits from the management of their assets.

a) Features

- *Open-end funds*: in an open-end fund, the number of shares and, consequently, of members cannot *a priori* be determined. A fund may issue new shares or redeem shares issued previously. As regards the investor, the fund must redeem the shares at the fund's expense, at the agreed redemption price and in accordance with contractual provisions;

- *Closed-end funds*: in a closed-end fund, issues are limited to a specific number of shares. Unlike open-end funds, the fund is not obliged to redeem shares. Shares may be sold only to third parties or, where appropriate, on a market. The price achieved is determined according to supply and demand.

b) Advantages

Shareholders receive part of the fund's income.

Diversification in underlying investments made by the fund enables the probability of gains to be increased or at the very least the risk of losses to be limited.

Regarding the investments that it makes, the fund benefits, in principle, from more favourable conditions (particularly costs) than those available to an investor investing directly in the same products.

c) Risks

c.1) Management risk

Given that the return on investments in a fund depends, inter alia, on the capabilities of the managers and the quality of their decisions, errors of judgement in managing funds can lead to losses or lower valuations.

c.2) Risk of a drop in the price of the shares

Shares in investment funds are subject to the risk of a fall in price. This reflects a corresponding fall in the value of the securities or currencies that make up the fund's assets. The more investments are diversified, the lower the risks of significant losses, in theory. Conversely, risks are higher where a fund has more specialized and less diversified investments. Attention must therefore be paid to the general and specific risks attached to the financial instruments and currencies contained in the funds.

Investors should inform themselves about the risks specific to each fund, in particular by consulting the relevant prospectus.

2.6 - DERIVATIVE INSTRUMENTS

Derivatives are financial instruments whose value changes according to a base asset known as an *underlying*; this asset may be a share price, a stock exchange index, an interest rate, a currency, a commodity price, or even another derivative.

When discussing derivatives, we can distinguish between:

- options transactions,

giving one of the parties the right, but not the obligation, to conclude a transaction. One party (the party selling the option) makes a firm commitment whereas the other (the party buying the option) has a simple option which it is free to exercise or not;

- forward transactions,

where parties conclude a transaction that must be executed at a fixed future date. In a forward transaction, the parties make firm commitments to one another to perform the transaction that they have concluded at the agreed time.

Transactions relating to such products generate significant risks of losses and can even lead to the loss of all the capital invested. Such transactions may give rise to margin calls during the product's lifetime, and investors must ensure that they have sufficient liquidity before initiating such transactions.

2.6.1 Options transactions

Options are derivative instruments the value of which changes as the underlying changes. A party that buys an option receives a right to buy (*call*) or sell (*put*) the underlying asset at a certain date or during a certain period for a designated base price, in return for payment of a premium to the counterparty, the seller of the option.
The features of the option may be standard or defined on an individual basis between the buyer and the seller.

a) Features

- *Duration*: the duration of the option is the period from the subscription date until the date on which the option matures;

- *Relationship between the option and the underlying*: this relationship describes the number of units of the underlying that the holder of an option may buy (*call*) or sell (*put*) by exercising his option right;

- *Strike price* : the strike price is the price agreed previously, at which the option holder may buy or sell the underlying when exercising his option right;

- *Strike date:* options that can be exercised at any time until their maturity are known as "American" options. Options that can only be exercised on the maturity date are known as "European" options. The latter may, however, be traded freely on the secondary market prior to their maturity if the market is liquid;

- *Methods of exercising options:* the option may be with physical delivery in which case the buyer of a *call* option is entitled to delivery of the underlying in return for payment of the strike price, and the buyer of a *put* option is entitled to deliver the underlying to the seller in return for payment of the strike price by the seller. The option may also be settled in cash, in which case the difference between the strike price and the market value of the underlying is due, insofar as the option is "*in-the-money*";

- *In-the-money, out-of-the-money, at-the-money options:* A *call* option is *in-the-money* when the market value of the underlying is higher than the strike price. Conversely, a *call* option is *out-of-the-money* when the current market value of the underlying is lower than the strike price;

- A *put* option is *in-the-money* when the market value of the underlying is lower than the strike price. Conversely, a *put* option is *out-of-the-money* when the current market value of the underlying is higher than the strike price. When the market value and the strike price are the same, the option is referred to as *"at-the-money"*;

- *Option values:* the option price depends on its intrinsic value and on a number of other factors *(time value)*, in particular the time remaining to maturity, and the volatility of the underlying. The *time value* reflects the probability that the option will be *in-the-money*. Hence the latter value is more important for long-term options relating to a very volatile underlying;

- *Margin:* during an option's lifetime, the seller must provide either an adequate quantity of the underlying, or other collateral. The margin is determined by the bank. Markets require a minimum margin for listed options. If the level of margin constituted by the investor is insufficient, the bank will be entitled to require further guarantees, sometimes in the very short term;

- *Form:* Option certificates (warrants, listed options): the rights and obligations attached to the option in question are guaranteed by the issuer. They are sometimes listed on a market.

- *Traded options*: these are standardised options for which rights and obligations are not guaranteed and which are traded on certain specific markets;

- *Over-the-counter* (OTC) options: these options are traded off-market or over the counter. The degree to which they are standardised depends on market practice. They may also be personalized depending on investors' needs. This type of option is not listed and is rarely securitised in the form of a warrant;

- *Leverage effect*: any price change in the underlying leads, in principle, to a proportionally larger change in the price of the option;

- *Buying calls or puts*: buyers of *call* options hope that during the option's lifetime, the price of the underlying will increase, leading to an increase in the value of their options, whereas buyers of a *put* option can make profits when the price of the underlying falls;

- *Selling calls or puts*: sellers of *call* options anticipate a fall in value of the underlying whereas sellers of *put* options can make profits if the value of the underlying increases;

- *Information Documents*: investors' attention is also specifically drawn to information documents about trading options issued by the markets on which such options are traded, and in particular the following documents:

"*Characteristics and Risks of standardised options*", a fact sheet on options traded on the Chicago Board Options Exchange market, available upon request from the Bank, and from the website www.cboe.com;

"La note d'information (COB ref. No. 00-1228 of 4 July 2000)", on options traded on the Euronext MONEP market (the market for options traded in Paris), available upon request from the bank, and from the website www.monep.fr;

"*Officieel bericht opties en futures*", on options and futures traded on AEX, available upon request from the bank.

By signing this document, the client recognizes and accepts that the Bank may presume that clients issuing orders relating to these types of options listed on these markets have consulted the fact sheet issued by the relevant market before doing so.

b) Advantages

During the option's period of validity, the beneficiary of the option is granted a right to buy or sell certain assets. Opportunities for gains are considerable due to the leverage effect relating to the use of an underlying. For the counterparty, such transactions mainly enable the return of an existing position to be improved.

c) Risks

c.1) Price risk

Options are traded on a market or off-market and are subject to the laws of supply and demand. A key point

in determining the option price is knowing whether there is a sufficiently liquid market for the option in question, as well as actual or expected movements in the price of the corresponding underlying. A *call* option falls in value when the price of the underlying falls, whereas the opposite is true for *put* options. Option prices are not only determined by changes in the price of the underlying, but also by a number of other factors, such as for example the duration of the option or the frequency and size of changes in the underlying's price (volatility). Consequently, there may be a risk of the option's value falling even where the underlying's price remains the same.

c.2) Leverage effect risk

The option's leverage effect reacts, in principle, proportionally more sharply to variations in the price of the underlying and thus offers, during its lifetime, opportunities for higher gains but, at the same time, risks of higher losses. The risks relating to the purchase of options increase with the size of the leverage effect.

c.3) Purchasing an option

Purchasing options is a highly volatile investment and the probability that an option will have no value at all at maturity is very high. In this case, the investor will have lost all of the sums used to pay the initial premium plus commission. After buying an option, an investor may maintain the position until maturity or perform a transaction in the opposite direction, or for "American" options, exercise it before maturity.

Exercising the option may involve either settlement of a differential in cash or buying or delivering the underlying. If the option relates to *futures* contracts, exercising it will mean taking a position on *futures* and accepting the obligations relating thereto which consist of meeting the margin requirements.

c.4) Selling an option

Selling an option generally involves a higher risk than buying.

Even if the price obtained for the option is fixed, the losses that may be generated for the option's seller are potentially unlimited.

If the market price of the underlying varies unfavourably, the seller of the option will be obliged to adjust the margin in order to maintain the position. If the option sold is of the "American" type, the seller may at any time be required to settle the transaction in cash or to buy or deliver the underlying. If the option sold relates to *futures* contracts, the seller will take a *futures* position and will be subject to obligations relating to adjusting the margin.

The seller's risk exposure may be reduced by taking a position on the underlying (securities, index or other) corresponding to the position relating to the option sold.

c.5) Acquiring the underlying when short selling

The seller of an uncovered call option is not in possession of the underlying when concluding the contract (short selling).

For options with physical delivery, the risk of loss for the investor corresponds to the difference between the strike price at which the underlying will be delivered when option rights are exercised and the price that they will have to pay to buy that underlying. For options with cash settlement the risk of loss for the investor corresponds to the difference between the strike price and the market value of the underlying.

Since the market value of the underlying may significantly exceed the strike price when the option is exercised, the risk of loss for the investor selling the option cannot be determined in advance and, at least in theory, is unlimited.

This risk is higher for so-called "American" options, which can be exercised at any time and thus at a time that is not opportune for the seller of the option.

An additional risk for the investor selling the option is that he may not be able to obtain the underlying required when exercising the option, or may only be able to obtain it on very unfavourable conditions (particularly regarding cost) in view of the market situation.

In this context, it must be remembered that any losses may exceed the amount of margin lodged by the investor.

c.6) Specific risks related to over-the-counter (OTC) options

A position resulting from buying or selling an OTC option can only be liquidated with the counterparty's agreement.

c.7) Specific risks related to option combinations

This relates to the conclusion of two or more option contracts concerning the same underlying, differentiated by type of option or the option's features.
Many combinations are possible. Therefore the risks related to each combination cannot be described in this document. It is therefore incumbent upon the investor to obtain information about the risks that are specific to the combination envisaged.

However, we may note that for any combination, the elimination of one or more options at a certain stage may lead to significant changes in the investor's risk position.

c.8) Specific risks related to "exotic" options

These options are subject to additional clauses or conditions. Their payment structures cannot be achieved by any combination of transactions.

They may be "tailor-made" OTC options or option warrants.

The range of exotic options that can be envisaged is unlimited, and therefore it is impossible in this document to describe the risks relating to each "exotic" option.

However, the "exotic" options generally encountered have the following additional risks with respect to traditional options.

c.8.1) Options depending on overall movements in the underlying

The market value of the underlying is decisive throughout the option's lifetime and not only at maturity or when exercised. Investors must therefore take into account any fluctuations in the underlying throughout the option's lifetime in order to assess the probability of gains or losses.

c.8.1.1) Barrier options

The rights relating to such options arise (*knock-in options*) or are extinguished (*knock-out options*) fully and irreversibly when, during a given period, the market value of the underlying reaches a set threshold.

c.8.1.2) *Payout* options

These options give rise to the payment of a fixed amount, determined in advance.

- "Digital" options: Payment is only made if, at maturity, the market value of the underlying is above (*digital call*) or below (*digital put*) the strike price. In this case, if the option is *in-the-money*, the seller of the option owes the amount initially established.

- *Lock-in* options: Payment is only made if during the option's lifetime or a given period within that lifetime, the market value of the underlying reaches a previously established level. Thus, when the level established is reached, the seller of the option must pay the amount initially established, regardless of subsequent changes in the price of the underlying.

- *Lock-out* options: Payment is only made if during the option's lifetime or a given period within that lifetime, the market value of the underlying never reaches one or more previously established level(s). For these options, as soon as the established level(s) are reached, the option loses its validity and therefore all value, regardless of subsequent changes in the price of the underlying.

c.8.1.3) Asian options

For these options, an average value is calculated from the market value of the underlying over a specified time period. This average is used to set the value of the underlying to be delivered (*average-rate option*) or the strike price to be paid (*average-strike option*). Such reference to an average value may lead to the following scenarios:

- *average-rate option*: the option's value at maturity is lower for the buyer and higher for the seller than the difference between the strike price and the market value of the underlying at maturity;
- *average-strike option*: the strike price of the call option is higher than the price initially established, or the strike price of the put option is lower than the price initially established.

c.8.1.4) *Lookback options*

The market value of the underlying is determined at regular intervals during a specified period.

For *strike lookback options*, the lowest price (*call*) or the highest price (*put*) is deemed to be the strike price.

For *price-lookback options*, the strike price is unchanged but the highest price (*call*) or the lowest (*put*) is used to establish the value of the underlying.

The risk is thus that the strike price or the value of the underlying asset differs from the market values at maturity. Hence, in the above cases, the seller must be aware that when the option is exercised, the least favourable strike price or market value will be applied.

c.8.1.5) *Contingent options*

Buyers of such options only need to pay the premium if the market value of the underlying reaches or exceeds the strike price during the option's lifetime ("American" options) or at maturity ("European" options).
The risk is thus that the whole premium may have to be paid even if the option is just *in-the-money* or *at-the-money*.

c.8.1.6) *Cliquet* and *ladder* options

- *Cliquet* options: the strike price is readjusted from time to time for the subsequent period – generally at regular intervals – in line with the underlying's market value. An intrinsic value is then, where applicable, locked in and accumulated during the option's lifetime.

- *Ladder* options: in this case adjustments only take place from time to time if the underlying reaches specific market values. Normally, only the highest market value is used.

In addition to any intrinsic value of the option at maturity, the seller of a *cliquet* option must pay all of the accumulated market values and the seller of a *ladder* option must pay the highest market value. For the seller, the amount to be paid may therefore be considerably higher than simply the intrinsic value of the option at maturity.

c.8.2) Options with several underlyings

c.8.2.1) *Spread* and *outperformance* options

These two types of options are based on two underlyings.

In *spread* options, the absolute difference in movements in the prices of the two underlyings forms the basis for calculating the option's value.

The value of an *outperformance* option is based on relative difference, i.e. the best performance of one underlying compared to the other.

The risk is that even if the underlyings' market prices perform positively, the difference between the underlyings may remain constant or even diminish, thus impacting the option's value.

c.8.2.2) ***Compound options***

The underlyings of such options are options.

Such products therefore have high leverage effects, which may lead to high financial commitments.

2.6.2 Forward transactions

Futures are contracts traded on markets and standardised with regard to the quantity of the underlying and the maturity of the transaction. *Over-the-counter (OTC)* or "*forward*" transactions are contracts that are not traded on a market, with standard specifications or specifications agreed individually between the buyer and the seller.

a) Features
b)

- *Initial margin required*: whether buying or selling an underlying forward, an *initial margin* is set when concluding the contract. This margin is generally expressed as a percentage of the contract value.

- *Variation margin*: throughout the contract's lifetime, a *variation* margin is determined and required by the investor at regular intervals. It represents the accounting gain or loss resulting from a change in the contractual value or the value of the underlying. The variation margin can reach an amount several times that of the initial margin. The way in which the variation margin is calculated during the contract or in the event of liquidation depends on the stock market rules and the contractual specifications inherent to each contract. Investors must immediately reply to requests received from the bank to lodge a variation margin;

- *Liquidation*: in principle, investors may at any time during the contract unwind or liquidate that contract prior to its maturity date, either by selling the contract or by concluding a reverse contract with regard to delivery and receipt commitments. In the latter case, the conditions of the reverse contract will be such that the obligations of delivery and receipt arising from the two contracts will cancel each other out.

Liquidation ends the risk positions entered into: gains and losses accumulated up to liquidation are crystallised.

- *Performance*: contracts not unwound at maturity must be honoured by the parties involved. For contracts where the underlying is an asset, they may, in principle, be honoured either by physical delivery of the underlying or by cash settlement (although the first practice is the most common), whereas contracts in which the underlying is a reference rate (apart from currencies) cannot be honoured by means of physical delivery of the underlying. In the event of physical delivery of the underlying, the contractual consideration must be provided in full, whereas for cash settlements, only the difference between the price agreed when concluding the contract and the market value at the time of the contract's performance needs to be paid.

For this reason, the investor requires more liquidity for a contract providing for actual delivery of the underlying than in a contract with cash settlement.

c) Advantages

Possibility of significant gains depending on the forward market value of the underlying, all the more so since the capital invested initially is low. Existing positions can also be guaranteed.

d) Risks

c.1) - Variations in the value of the contract or that of the underlying

Investors run a risk if variations in the actual value of the contract or that of the underlying are not in line with projections made by the investor when the contract was concluded.

If the value of the contract or underlying increases, the future seller must nevertheless deliver the underlying at the price initially agreed, which may be considerably less than the current price. For the seller, the risk thus comes down to the difference between the price agreed when the contract was concluded and the market value at maturity. Since theoretically there is no limit to how much the market value can increase, potential losses for the seller are unlimited and may be considerably higher than the margins required.

If the value of the contract or underlying falls, the forward buyer must nevertheless agree to receive the underlying at the price initially agreed, which may be considerably higher than the current price. For the buyer, the risk thus amounts to the difference between the price agreed when the contract was concluded and the market value at maturity. The buyer's risk is thus at most a loss equivalent to the price initially agreed. This loss may be considerably higher than the margins required.

Transactions are valued regularly (*mark-to-market*) and investors must have sufficient margin at all times. If there is insufficient margin during the course of the transaction, the investor must provide additional margin very rapidly, or their transaction will be liquidated early, in principle at a loss.

c.2) Difficulty or impossibility of liquidating the contract

In order to limit extensive price variations, a market can establish price limits for certain contracts. In this case, the investor must keep in mind the fact that when a price limit has been reached, it may be very difficult to unwind the contract, and even temporarily impossible to unwind it. Hence any investor must find out whether such price limits exist before entering into forward contracts.

It will not always be possible (depending on the market and the terms of the transaction) to carry out transactions allowing the risks relating to an outstanding transaction to be eliminated or reduced.

Stop-loss transactions, insofar as they are possible, will only be executed during the bank's office hours. They do not allow losses to be limited to the amount indicated, but will be executed once the limit has been reached on the market and will then become "at best" orders.

c.3) Acquiring the underlying when short selling

Selling a forward underlying without owning it when concluding the contract (short selling) means also running the risk of having to buy the underlying at a very unfavourable market price so as to be able, at maturity, to honour the commitment to make physical delivery of the underlying.

c.4) Specific risks related to over-the-counter (OTC) transactions

For standard OTC transactions, the market is, in principal, transparent and liquid. Hence it is generally possible to unwind contracts. There is no market for OTC forward transactions in which the contractual specifications are non-standardised and agreed between the parties. It is for this reason that liquidation is only possible with the agreement of the counterparty.

c.5) Risks specific to forward exchange products

A *forward exchange* transaction allows currency to be bought or sold at a future date at a price established when the contract is entered into.

Using this kind of investment allows foreign exchange risks to be eliminated. In addition, no premium has to be paid when the contract is entered into.

The main risk for the investor is the loss of profit if exchange rate variations are more favourable than the exchange rate variations anticipated when the contract was entered into.

c.6) Specific risks related to combinations

Many combinations are possible. Therefore the risks related to each combination cannot be described in this document. It is therefore incumbent upon investors to obtain information about the risks that are specific to the combination envisaged.

However, it must be recalled in general that the risks relating to such transactions may change during the unwinding of the transactions forming the combination.

2.7 - STRUCTURED PRODUCTS OR EMTNs[1]

Structured products are combinations of two or more financial instruments that together form a new product. At least one of these instruments must be a derivative.

The most frequently traded structured products are those with capital protection.

Such products may be traded on a market or over the counter.

Due to the many possible combinations, each structured product has its own risks insofar as the risks relating to each of the instruments forming it are reduced or eliminated or heightened as a result of that combination. It is therefore incumbent upon investors to obtain information about the risks that are specific to the structured product in question. Such information is available, for example, in sales brochures or *form sheets* describing the product.

[1] For more detailed information on structured products you may consult the "Structured Products Information Guide" in the Appendix to this document.

2.7.1 Specific case of structured products with capital protection (for example GROI, PIP, PEP, GRIP)

a) Features:

- *Dual component:* such products generally have two components: a fixed-income investment product (e.g. bonds or money market investments) and an option or combination of options. This enables the investor to take advantage of changes in the value of one or more underlyings whilst at the same time limiting risks of losses. Capital protection may, in some cases, only cover some of the assets invested. In addition, the capital protection element and the participation element can be divided into separate components to guarantee their independence, or even to enable them to be sold separately.

- *Capital*: fully or partially guaranteed (at maturity). The capital protection component enables the proportion of the product's nominal value to be returned to the investor at maturity to be determined, regardless of any variations in the value of the participation component.

- *Return*: the option component or direct investment in the underlying risky asset determines how and to what extent the investor can benefit from changes in the underlying's value. This component thus enables the potential gain over and above the capital protection component to be assessed.

- *Flexibility*: products can be adapted to each client's needs and to any type of underlying.

b) Advantages

Investing in a market whilst reducing the risk of capital loss that would exist in the event of direct investment in that market. Returns may be higher than investments in money markets or bonds, with an equivalent level of protection.

c) Risks

c.1) Risks regarding the capital protection component

Capital protection is a function of the product's nominal value and not its issue price or purchase price on a secondary market. Investors therefore benefit only from a guarantee up to the product's nominal value, such that capital protection does not necessarily mean repayment of 100% of the capital invested. The protection is reduced accordingly if the purchase price or issue price is higher than the nominal value and, correspondingly, increases if the purchase price or issue price is lower than the nominal value, in particular when subscribing at a price other than par or following a transaction that occurred after the initial issue. The robustness of the guarantee depends on the robustness of its issuer. Capital is thus only guaranteed if the guarantee's issuer can honour its commitments.

The maximum loss risk is thus limited to the difference between the price paid and the capital protection offered at final maturity. However, during the product's lifetime, its price may fall beyond the amount of capital protection, which increases the risk of losses if sold before maturity. Capital protection is only assured for the investor if the product is retained until its maturity but is not assured in the event of early redemption.
At maturity, if the capital is not 100% guaranteed the investor will not recover all the sums initially invested.

c.2) Risks regarding the option/direct investment component

Depending on changes in prices on financial markets, this component may have no value at maturity. The risks relating to this component correspond to the risks related to the option or combination of options or direct investment used.

In exchange for the capital guarantee, investors may obtain a lower return than they would have obtained had they invested directly in the underlying.

c.3) Liquidity risk

The investment's liquidity is, in principle, assured only up to a certain amount, and is most often subject to a Bid/Offer spread and/or a penalty for exiting prior to maturity.

2.7.2 Specific case of structured products without capital protection such as convertible reverse or discount certificate

a) Features

- *Forward product*: the investor receives a coupon that is guaranteed in a certain currency but accepts a risk with regard to the capital at maturity;
- *Underlying:* shares, indexes, baskets, etc.

- *Capital*: preserved if the market value of the underlying is no less than the strike price at maturity;

- *Redemption:* in cash or by delivery of the underlying, at a predetermined strike price, if that price has fallen or risen. At maturity, if the value of the underlying is higher than the strike price, the investor receives the guaranteed coupon plus 100% of the capital initially invested (in cash). If the value of the underlying is lower than the strike price, the investor receives the guaranteed coupon plus the underlying at the strike price;

- *Flexibility*: products can be adapted to any type of underlying;

- *Discount certificate*: in this case, the investor receives the coupon upon maturity only, but initially buys the product at a reduction.

b) Advantages

Income is higher than for investments in money market products.
These are generally short-term investments so it is easier to assess potential yields.

c) Risks

c.1) Capital risks

Capital is not protected if, at maturity, the investor receives the underlying instead of the capital invested.

The risk here is closely linked to variations in the underlying's market value.

c.2) Liquidity risk

The investment's liquidity is, in principle, only assured above a certain amount.

c.3) Exchange rate risk

For products denominated in currencies other than the currency of the underlying, the investor is exposed to an additional foreign exchange risk.

2.7.3 Specific case of certain credit derivatives

***2.7.3.1 Credit linked notes* (“CLNs”)**

a) Features

An investment in a CLN is comparable to a direct investment in a variable rate *note* issued by the same issuer.

b) Risks

b.1) Dual risk

Investors buying CLNs are subject both to the credit risk of the CLN's issuer and the credit risk of the underlying reference entity(ies). If a credit event occurs, the investor will receive a debt instrument (security or loan) issued or guaranteed by the reference entity, or payment in cash at the value of the debt instrument, calculated according to the credit event in question.

b.2) Risk accentuated by the concept of credit event

The term “credit event” is defined in the broadest sense and covers more than simply default of the reference entity in question. This concept also includes, for example, the rescheduling of a repayment instalment or a reduction in a loan's interest rate. A credit event may thus lead to losses for the holder of a CLN, even if there has been no default within the actual meaning of the term. In other words, the occurrence of a credit event is more probable than default.

b.3) Extent of the risk of loss

For CLNs, a credit event can lead to losses greater than the average losses on securities recorded by the reference entity, since the issuer of the CLN generally has a wider choice of debt instruments to be delivered in the event of default and can thus opt for the cheapest security. In some structures, this risk is attenuated by defining recoverable amounts in advance, which, for example, predetermines losses if a credit event should occur.

Moreover, losses may be higher for deliveries of securities or loans with a longer term than the CLN, or if

a valuation is based on such a security/loan. However, the leading ratings agencies are aware of these two features and take them into account when valuing CLNs.

***2.7.3.2 Collateralised debt obligations* ("CDOs")**

a) Features

CDOs are also structured products, formed from an underlying basket or portfolio of debt instruments, in particular bonds, loans and/or *credit default swaps*.

CDOs are generally divided into several tranches with different risk levels for the underlying basket of debt instruments. In principle, the lowest-ranking tranche is formed of equity and each of the subsequent tranches corresponds to a higher ranking and a higher credit rating.

b) Advantages

These synthetic structures enable investments to be made in underlying loans that are not always available through direct bond investments.

c) Risks

c.1) Risk relating to the tranche system

Losses recorded at the level of the portfolio first affect investors in the equity tranche, and then those in a rank with higher priority. Investors in a higher tranche only suffer losses if a credit event occurs that has led to the loss of all equity and capital in the lower tranches. Tranches other than equity are thus partially protected from losses, whilst the equity tranche and the lower tranches are far more exposed to variations in the underlying portfolio.

Credit events affecting a small portion of the underlying portfolio may trigger significant losses, or even the total loss, of the capital invested in the equity tranche and the lower-ranking tranches.

c.2) Risk related to the long-term investment nature

The value of credit derivatives is subject to various factors and may vary significantly prior to maturity, for example when credit events or changes in the portfolio's credit spread occur.

Furthermore, the initial rating of a credit derivative can improve or be downgraded, as for all debt instruments. The credit rating for a given instrument reflects the (long-term) risk of default of said instrument up to maturity, and not the short-term market risk. Generally, investors opting for credit derivatives are advised to have a long-term investment strategy and to be able to retain securities until maturity.

c.3) Risk related to low liquidity

Credit derivatives are rarely liquid, even if a secondary market may exist.

2.8 - SYNTHETIC PRODUCTS

Synthetic products – mainly passive investments and warrants – are characterized by the fact that they have gain and loss structures that are identical or similar to those of certain traditional financial instruments (shares or bonds). Synthetic products are combinations of two or more financial instruments that together form a new product. Basket warrants covering a given selection and quantity of shares are a typical example.

Synthetic products are traded on or off stock exchanges.

Due to the many possible combinations, each synthetic product has its own risks. However, generally, it should be remembered that the risks related to synthetic products are not necessarily the same as the risks of the financial instruments included in such products. Before buying such products, it is thus very important to find out precisely what risks are involved, for example by referring to the product description.

2.8.1 Passive investments (e.g. BLOC warrants, DOCU, GOAL's)

a) Features

- *Limited losses:* when buying a passive investment, an investor acquires an underlying (share, bond or currency) and at the same time subscribes to a *call* option on the same security. The investor receives a premium in return. The premium limits the investor's loss if the price of the underlying falls;

- *Limited potential for gains*: the potential gain linked to the underlying's capital gains is limited to the option's strike price;

- *Guarantee*: the investor must, for traditional passive investments, lodge the underlying as a guarantee, thus becoming a passive investor;

- *Synthetic passive investment*: this type of investment is based on the idea of reproducing or replicating traditional passive investments. However, such reproduction is achieved by means of a single transaction. The acquisition of the underlying and the issue of a *call* option both take place synthetically, using derivatives. The purchase price of such products is the same as the price of the underlying, less the premium received for the sale of the *call* option. The product is thus sold at a better price than the underlying;

- *Performance*: at maturity, the contract is performed either by means of a payment in cash, or by physical delivery of the underlying. If the price of the underlying is higher than the strike price, the investor receives a certain sum of money in cash. However, if it is lower than the strike price, the underlying is physically delivered to the investor.

b) Advantages

By selling a *call* option (traditional passive investment) or using the income from the sale of the *call* option included in the price of the product (synthetic passive investment), a reduction in the price of the underlying gives rise to smaller losses than might be incurred by direct investment in that underlying.

c) Risks

Contrary to capital-guaranteed structured products, synthetic passive investments offer no protection against capital losses relating to the underlying.

Thus, if the price of the underlying increases and if, at maturity, it is higher than the option's strike price, the investor will receive the initially established price in the form of a cash payment. If the value of the underlying at maturity is not as high as expected by the investor when he/she/it bought the product, the product's return may be lower than the return on an investment in the money markets with the same maturity date.

If the price of the underlying, at maturity, is the same as or lower than the option's strike price, the underlying will be delivered to the investor. The potential loss that may be suffered by an investor is thus related to any loss in the market value of the underlying up to maturity. The risk of loss is therefore unlimited, as if the investor had invested directly in the underlying.

However, the option premium limits the consequences of a reduction in the value of the underlying.

2.8.2 Warrants/EMTNs (e.g. PERLES [Performance Linked to Equity Securities])

a) Features

- *Diversification:* a warrant enables an investor to buy a debt based on several underlyings or whose value is composed of several indicators;

- *Some common warrants:*

- index warrants: reflecting a whole market, they are based on an official index (e.g. DAX, CAC, etc.);

- regional warrants: they are composed of indexes or companies from a given region (e.g. Eastern Europe, Pacific Rim, etc.);

- basket warrants: they are composed of a selection of national or international companies in the same sector (e.g. biotech, telecommunications, etc.), indexes, bonds or other underlyings;

- *Guarantee:* such warrants are guaranteed;

- *Maturity and tradability:* maturity of such warrants is generally established at from one to three years. However, these warrants can be traded at any time.

- *Limited duration:* as they are incorporated into certificates, warrants have a limited duration;

- *Investors' rights:* no voting rights or rights to dividends or interest related to the underlyings;

- *Redemption:* redemption takes place at maturity and relates to:
- a certain amount per index point, for index warrants;
- the difference between the stock exchange price at maturity and the strike price, for regional warrants or basket warrants.

b) Advantages

Even with a modest contribution of funds, the investment can be spread over several investment instruments or risk factors and thus minimize risks.

This type of product offers the same potential for gains or losses as a comparable direct investment in the underlyings but, through the index's diversification, risks that are specific to the companies forming the index can be limited or even ruled out, and the overall risk of loss can thus be limited.

In principle these are cheap products (in particular due to the fact that such products do not give rise to dividends/interest and no voting rights are attached).

c) Risks

c.1) Transferred risks

Investments in index, regional or basket warrants involve the same risks of losses as direct investments in the shares concerned. However, they do enable such risks to be spread.

The risks do not, however, disappear completely, and may be transferred to the market or sector to which the warrant relates.

c.2) Absence of rights

Contrary to direct investments, the investor has no voting rights and receives no dividends or interest in relation to the underlyings.
Therefore, a fall in the warrant's price cannot be compensated for by receiving dividends or interest.

c.3) Risks related to the issuer

In addition to the risk of insolvency of the companies included in the warrant as underlyings, investors are exposed to the issuer's risk, i.e. the del credere risk of the banking institution issuing the warrants.

c.4) Leverage effect risk

The warrant's leverage reacts, in principle, in a proportionally more sensitive way to variations in the underlying products' prices and thus offers, during its lifetime, opportunities for higher gains but, at the same time, risks of higher losses. The risk attached to the purchase of a warrant increases in line with the latter's leverage effect.

Such warrants are, in principle, more volatile than traditional warrants and may lose all of their value very quickly.

2.9 - ALTERNATIVE INVESTMENTS

a) Features

- *"Alternative investments"* are investments in a domestic or foreign mutual investment fund which differs from traditional investments in shares and bonds by the type of investment made by said fund.

The most well-known forms of "alternative" investment are, for example, *hedge funds,* whose investment strategies often include short selling, leverage effects or derivatives.

Investments in *private equity funds* (venture capital, financing company takeovers) also fall into this category. In the context of alternative management, assets may also be invested directly in financial instruments (shares, fixed-rate or floating bonds or zero coupon or convertible bonds and money market instruments). The choice of financial instrument will not be limited either in terms of industry, sector or geographical location, or as regards the type of security or instrument, or in terms of the currencies in which they are held, or in financial instruments reproducing the performance of an index.

Generally, alternative management refuses to compare its performance to a reference index or benchmark: its aim is absolute (positive) performance. Alternative management is based on a very wide range of investment strategies, any classification of which is rather arbitrary. Moreover, many funds use several styles in their day-to-day management, or use management methods which include features belonging to more than one of the main styles described below. Each of these styles has its own profile in terms of return, risk and correlation (or market risk).

- *Hedge funds: Hedge funds* are free to choose the products and markets (including emerging markets) in which they wish to invest as well as their trading methods. Such funds generally have high minimum investment levels for investors. The remuneration of the managers of such funds is often linked to the fund's performance.

Their basic strategy aims to reduce the risk of a long position in a securities portfolio by short selling other securities. Having thus reduced their exposure to market risks, they use leverage to increase the return. They are often *long* on securities deemed to be undervalued and *short* on positions deemed to be of lower quality. The *short* part may also comprise positions on "indexes". When examined in more detail, the following can be distinguished:
- *long*/*short* shares or bonds: this is the 'pure' style as described above. *Stock picking* is the main source of performance for this type of fund. It is generally the result of a fundamental analysis;
- *aggressive growth funds invest in shares* that seem likely to see accelerated income growth. This leads to a frequent bias towards *small caps*. Funds specializing in a particular sector (technologies, media, telecommunications, etc.) often fall into this category;
- *value* funds invest in securities deemed to be highly undervalued for various reasons compared to their intrinsic value;
- so-called *"market neutral"* funds invest in a balanced way in *longs* and *shorts*, with the aim of minimizing market correlation. This strategy owes a great deal to good fundamental analysis and *stock picking*, but above all to thorough risk analysis. The *short* compartment generally consists of "share" positions;
- *short sellers* are funds that practice short selling only. Securities deemed to be overvalued and for which a fall in value is expected are sought out by these funds. Their main selection criterion is the deterioration of the issuer's fundamentals.

- *Event funds* take advantage of specific events in the lives of companies: restructuring, mergers, *spin-offs*. This type of strategy is generally little affected by market trends.

- opportunistic strategy funds take advantage of IPOs or takeover bids, income surprises and other one-off events concerning the issuer;
- distressed securities *funds* invest in securities, mainly debt instruments or banking securities, that are highly undervalued due to bankruptcy or recovery plans. This type of strategy is mainly used in the United States, where legislation is favourable to it.

- *Arbitrage* funds use market imperfections to generate return. They attempt to identify price or return differentials, which are not justified by the issuer's financial situation. They enter the market when they see a strong likelihood that such anomalies will disappear. Some people refer to them as *relative value funds.* The following trends can be distinguished:

- *fixed income arbitrage*: the fund captures price anomalies on bond markets;
- *convertible bond arbitrage*: arbitrage by the fund is between convertible bonds, generally long, and shares, generally shorted;
- *merger arbitrage*: the fund focuses on mergers & acquisitions.

- *Traders/CTA (commodity trading advisors)* take both bear and bull positions, and with a significant leverage effect, on markets (shares, bonds, futures, commodities, Forex, etc.). Generally these funds do not take long-term positions in advance. They attempt to capture excessive price variations in the short term, or to follow trends (*trend followers*). Their correlation with stock and bond markets is low. Thus:

- systematic funds invest according to a quantitative computerized model;
- discretionary funds are based more on fundamental market analysis.

- *Macro players* are funds that take advantage of overall macro-economic trends. They apply an opportunistic strategy. They are based on fundamental macro-economic analysis and rely on market reactions to changes in economic policy (interest rates, currency movements, etc.). They invest in all kinds of financial assets and all markets, depending on opportunities. They also use the leverage effect.

- *Special situations:* funds take advantage of very specific situations and sometimes go as far as creating the event themselves – i.e. by forcing a company's management to change strategy. They are also called *niche players*. They include, for example:

- opportunistic funds that have no established strategy but simply take advantage of opportunities for return as they arise;
- funds of funds, which are funds investing in other alternative investment funds, are active in one or more of the segments described above. All of these strategies may also be classified by geographical location or sector, as for traditional funds.

Each fund has its own risks, so it is not possible to give a comprehensive description of the risks relating to investments in such products in this document but only to provide some general information. Investors are invited to obtain information on a case-by-case basis before investing in such products, for example by consulting the fund prospectus.

b) Advantages

Prospects for obtaining gains are generally attractive for the level of risk incurred (volatility risk).

c) Risks

c.1) Leverage effect

In this area, investment strategies may lead to high risks. For example, through the leverage effect, small changes in the market may lead to high gains but also to substantial losses. In some cases, the whole investment may disappear.

c.2) Lack of transparency

The net asset value of such investment instruments is not generally known when the investor decides to make or to liquidate an investment. This is explained by the fact that a notice period is, in principle, necessary prior to any such transaction. Consequently, the net asset value can only be calculated once the investment has been made or liquidated.

Moreover, investors in “alternative” investments often have little information at their disposal. The investment funds’ sometimes extremely complex strategies often lack transparency for the investor. Investors often do not clearly understand, or indeed completely underestimate, strategy changes, which may lead to a considerable increase in risks.

c.3) Potentially limited liquidity

Alternative investments have very diverse degrees of liquidity. Liquidity may be very limited.
Most of these investments are subject either to *lock-up periods* or to penalties if they are liquidated before the end of a given period. This is explained by the relatively low liquidity of the investments incorporated in such instruments, designed more for the long term.

In addition, among the techniques used in alternative investments, many relate to illiquid financial instruments or those subject to legal, transfer or other restrictions. It is therefore possible for sale of an alternative investment to be authorised only occasionally or at certain dates, following a notice period of several weeks, for example four times a year, on specific dates. Due to differences between the sale price and the purchase price, the proceeds of the sale may not correspond to the instrument’s net asset value.

For *hedge funds*, redemptions are only possible on a monthly, quarterly or annual basis. For *private equity funds*, the *lock-up* period may be more than 10 years.

Lastly, due to the complexity of the underlying investments made by such funds, adjustments to the net asset value may be necessary once audited annual accounts have been received. Consequently, if an investor decides to sell 100% of his/her/its shares, some “alternative” investment funds retain some of those shares until receipt of the revised annual accounts.

c.4) Short selling

UCIs in which the bank invests on the client’s behalf may carry out short sales of securities that may expose the part of the UCI’s assets involved in such activities to unlimited risks, due to the absence of any upper price limit for such securities. However, losses will be limited to the amount invested in the UCI in question.

c.5) Valuation of the UCIs

The net asset value per share of funds in which investments are made is not audited (except for the value calculated at the financial year-end). Therefore, in valuing said funds, the bank uses mainly unaudited financial information provided by the funds, by administrative agents and/or by market makers. If the financial information used by the funds to determine their net asset value per share is incomplete, inaccurate or if the net asset value does not reflect the value of the investments made by the funds, the valuation of these assets will be inaccurate.

c.6) Performance-related fees

Due to the specialized nature of these funds, some or indeed most of them may charge performance-related fees.

c.7) Duplication of costs

Investing in an investment fund rather than directly in the financial instruments in which the fund will itself invest generates additional costs for the client.

c.10) Additional risks related to private equity funds

Investments in *private equity* typically have the following additional risks:

- No guarantee of return for the investor:

The risk for the investor is failure to recover all of the capital invested, and even losing the whole of the capital invested. Past performance of such investments in no way constitutes a guarantee for the future, in particular because the investment environment is constantly changing (new geographical areas, new specialist fields, etc.). In particular, an upturn in the economic cycle often generates strong competition in terms of company acquisitions, while in a downturn it is difficult to withdraw from such investments.

- Low liquidity:

These funds generally have a duration of 7 to 15 years. There is no recognized secondary market for this type of investment. Consequently, for withdrawals from a *private equity fund* (which may require payments over several years) penalties may be high, going as far as forfeiture of all rights to amounts already invested in this type of investment.

Regarding availability of the funds promised, investors need to pay careful attention to notice periods –

generally very short (sometimes no more than 7 days) – and ensure that they have sufficient liquidity that can be mobilized at short notice in the event of calls for capital.

2.10 - PROPERTY INVESTMENTS

Property investment refers to investments in real estate, such as residential accommodation, office buildings, commercial premises, etc.

a) Features and advantages

These investments are generally made via investments in investment funds or listed companies, providing a degree of diversification. This diversification helps, in principle, to reduce the volatility of the portfolio and to protect against inflation.

Some property investments may have the features of *private equity* investments.

b) Risks

b.1) Potentially limited liquidity

The liquidity and tradability of property investments are subject to significant variations. Such investments are generally illiquid and do not always allow gains to be realised in the short term.
Listed investment companies and open-end funds investing in property generally have a daily market. On the other hand, property investments in the form of closed-end funds may only offer monthly, quarterly or annual liquidity, with a compulsory holding period of several years.

b.2) Leverage effect

In the event of a leverage effect, market fluctuations may generate considerable profits but also extensive losses.

2.11 - SPECIFIC RISKS RELATED TO THE LENDING OF FINANCIAL INSTRUMENTS

The lending of financial instruments by an investor entails the transfer of ownership of such instruments (including the rights relating to and any receivables arising from such instruments) to the borrower. As lender, the investor acquires a contractual right to repayment in instruments of the same type, quantity and quality by the borrower.

The investor is thus exposed to the risk of bankruptcy, insolvency, restructuring proceedings or other similar proceedings involving the borrower, or seizures or asset freezing measures affecting the borrower.
The investor may dispose of the loaned financial instruments only when they have been returned to the investor. Therefore, whilst awaiting their return, which may take several days, the investor may be unable to sell such financial instruments at a time when their market value is increasing. Moreover, the investor can have no guarantee that the financial instruments will be returned on a specific date, so that the investor may not be able to exercise rights in good time (e.g. voting rights relating to the financial instruments).

It may be that when the borrower has to return the financial instruments, it is unable to acquire the instruments on the market. In that case, the investor may, at a given time, receive a sum of money equivalent to the value of the loaned financial instruments instead of the financial instruments themselves.

If the borrower provides a security interest to guarantee the repayment of the loan of the financial instruments, it may be that the value of the assets over which the security interest is granted is less than the value of the loaned financial instruments when the security interest is enforced.

3 – IMPACT OF COSTS AND CHARGES ON THE RETURNS OF FINANCIAL INSTRUMENTS

The purpose of this paragraph is to illustrate the impact of costs and charges on the returns of the main types of financial instruments that may be executed by the Bank.

The examples given are simulations and estimations that in no event may be considered as real cases. The returns, cost amounts and other numbered elements are in no event real and do not indicate any future cases.

Bonds

An investor purchases 500 bonds today at a fixed 10-year rate at €105. They pay a coupon every year equal to 2%. The investor wishes to know the value acquired by this investment at maturity. At the time of purchase, the investor paid a 0.50% transaction commission to the bank on the amount of the transaction. Furthermore, the investor has paid custody fees of 0.10% per annum on the value of the bond.

Purchase value	€52,500.00
Coupon	1.25%
Number of years	5
Maturity value	€55,781.25

Gross return	€3,281.25
Purchase transaction fee	€262.50
Custody fees	€272.51
Net return	€2,746.24

If the investor decides to sell this bond in year 2, he pays a 0.50% transaction fee on the transaction amount at the time of the sale of the bond.

Purchase value	€52,500.00
Coupon	1.25%
Number of years	2
Maturity value	€53,812.50

Gross return	€1,312.50
Purchase transaction fee	€262.50
Sale transaction fee	€269.06
Custody fees	€106.98
Net return	€673.96

Listed shares

An investor purchases, today, 500 shares listed at the market price of €105 with a 0.50% transaction fee on the amount of the transaction. After a holding period of five years, he decides to sell the shares at a market price of €120 with a transaction fee of 0.50%. Furthermore, the investor has paid custody fees on the value of the share at 0.10% per annum.

Purchase value	€52,500.00
Sale value	€60,000.00
Gross return	€7,500.00
Purchase transaction fee	€262.50
Sale transaction fee	€300.00
Custody fees	€284.63
Net return	€6,652.87

If the investor decides to sell the shares at the end of 5 years at a market price of €107, the return will therefore be less.

Purchase value	€52,500.00
Sale value	€53,500.00
Gross return	€1,000.00
Purchase transaction fee	€262.50
Sale transaction fee	€267.50
Custody fees	€265.49
Net return	€204.51

Investment fund

An investor has purchased 500 shares in a fund with a net inventory value of €105 and a 0.50 % transaction fee on the amount of the transaction. After holding the investment for 5 years, the investor decides to sell his shares in the fund with a transaction fee of 0.50 %. On the day of the sale, the net inventory value is calculated by the fund management company at €120.

Net inventory value at purchase	€52,500.00
Gross inventory value at sale	€60,000.00
Fund return	€7,500.00
Purchase transaction fee	€262.50
Sale transaction fee	€300.00
Custody fees	€284.63
Net return	€6,652.87

If the investor decides to sell the shares in the fund at the end of 5 years and the net inventory value calculated by the management company at this date is 100, the return will therefore be negative and increased by the impact of costs and charges.

Structured products

An investor has purchased a structured product with a maturity of 7 years for amount of €100,000. If at each annual observation date, the underlying is above or equal to 100% of its initial value, a coupon of 2.50% of the nominal value is paid for the previous year. If on the contrary the underlying has fallen in relation to its initial level, the investor will not receive a coupon for the current year. At maturity, the amount of the capital is guaranteed up to 40% of the loss on the product. Subscription fees are 0.50% per annum, calculated on the amount of the purchase and on the duration of the maximum lifetime of the product, collected fully upon subscription with a minimum of 1% and a maximum of 3%.

If, over its whole lifetime, the product has achieved a return on the underlying above 100% and at maturity the product is worth 105% then the return will be positive.

Purchase value	€100,000.00
Coupon revenue	€17,500.00
Capital reimbursement	€105,000.00
Maturity value	€122,500.00
Gross return	€22,500.00
Purchase transaction fee	€3,000.00
Custody fees	€538.77
Net return	€18,961.23

If the product has only achieved three years with a performance of the underlying above 100% and at maturity the product is worth 90% then the return will be less.

Purchase value	€100,000.00
Coupon revenue	€5,000.00
Capital reimbursement	€100,000.00
Maturity value	€105,000.00
Gross return	€5,000.00
Purchase transaction fee	€3,000.00
Custody fees	€478.67
Net return	€1,521.33

If the product has never achieved an annual performance of the underlying above 100% and at maturity the product is worth 60% then the product will be reimbursed at 100% but the return will be negative.

Purchase value	€100,000.00
Coupon revenue	- €
Capital reimbursement	€100,000.00
Maturity value	€100,000.00
Gross return	- €
Purchase transaction fee	€3,000.00
Custody fees	€404.30
Net return	- €3,404.30

Finally, if the product has never achieved an annual performance of the underlying above 100% and at maturity the product is worth 50% then the product will be reimbursed at 55% and the performance will be heavily negative.

Purchase value	**€100,000.00**
Coupon revenue	- €
Capital reimbursement	€55,000.00
Maturity value	**€55,000.00**
Gross return	**- €45,000.00**
Purchase transaction fee	€3,000.00
Custody fees	€389.65
Net return	**- €48,389.65**

The preceding provisions do not claim to describe all the risks inherent to investments in financial instruments. Their purpose is rather to provide some basic information and to make the client aware of the existence of risks inherent to all investments in financial instruments. Clients are encouraged not to make any investments before being sure that they understand all the risks and that they make sure their investments are appropriate to their wealth, needs and experience.

RULES APPLYING TO THE CATEGORISATION OF CLIENTS

Client categorisation

The Bank classifies Clients using investment services or performing investment activities or an ancillary service as “Retail Clients”, “Professional Clients” or “Eligible Counterparty Clients”, according to objective criteria set out by the legislation in force.

The level of protection and information that Clients will benefit from in the context of investment services and ancillary services provided by the Bank depend on this classification.

Retail Clients

“Retail Clients” enjoy the most extensive legal protection: this includes, in particular, a set of rules of conduct to be followed by the Bank when the latter provides investment services, the obligation for the Bank to execute the orders under the most favourable conditions for the Client, the application of order processing rules (in particular the rapid and fair processing of orders) as well as the obligation for the Bank to communicate to the Client detailed information on the services and products provided by the Bank, as defined by law.

Professional Clients

“Professional Clients” benefit by law from regulatory protection that is less extensive than that covering Retail Clients.

For example, the Bank is authorised to presume that Professional Clients possess the level of experience and knowledge required to understand the inherent risks related to their investments.

The Bank is nevertheless bound to comply with organisational obligations with regard to “Professional Clients”, in particular those intended to prevent conflicts of interest, those ensuring the continuity and regularity of the provision of investment services, or those intended to safeguard Clients’ rights to assets entrusted to the Bank.

Eligible Counterparty Clients

This category of Client has the lowest level of protection: when it deals with the an Eligible Counterparty Client the Bank does not have to apply the rules of conduct for the provision of investment services, the obligation to execute orders in the most favourable conditions for the Client and the rules on the processing of orders.

The Bank is, however, bound to comply with organisational obligations with regard to “Eligible Counterparty Clients”, in particular those intended to prevent conflicts of interest, those ensuring the continuity and regularity of the provision of investment services, or those intended to safeguard Clients’ rights to assets entrusted to the Bank.

Option to request increased protection (“opt-in”)

The Bank may, on its own initiative or at a Client’s request:
- treat a client classified by default as an “Eligible Counterparty Client” as a “Professional” or “Retail Client”, by virtue of and pursuant to the legal provisions;
- treat as a “Retail Client”, a Client that is considered as a “Professional Client” by virtue of and pursuant to the current legal provisions;

Option to waive certain protections (“opt-out”)

The Bank informs “Retail Clients” that they are, subject to certain legal restrictions, entitled to request that they be treated as “Professional Clients”. Similarly, “Professional Clients” may be considered as Eligible Counterparties if they meet the legal requirements and the basic criteria of a company.

Such a request must be made in writing. The Client must declare that it is aware of the consequences of its waiver of the protections provided, the consequences of which shall be specified by the Bank.

Before deciding to accept the request for a category change, the Bank will take all reasonable steps to assure itself that the Client meets the criteria provided for by law.
It is incumbent upon the Client to inform the Bank of any change liable to lead to a change in the Client’s categorization.

The Bank is authorised to take appropriate measures if it finds that the Client no longer meets the conditions to be treated as a Professional Client.

Clients are informed that the Bank classifies all of its Clients by default into the category “Retail Client” for all transactions, services and products provided by the Bank.

When a Client is likely to be in another category and the Bank accepts to classify it in this other category, the Client is expressly informed of thereof by the Bank.

INVESTMENT SERVICES OFFERED BY THE BANK

The Bank offers various investment services and activities as well as ancillary services, in particular:

- reception and transmission of orders on one or several financial instruments
- execution of orders
- investment advice
- portfolio management
- custody and the administration of financial instruments on behalf of clients, including custody services.

Before providing any investment services, the Bank establishes the Investor Profile with the Client.

To this end, the Client is obliged to communicate to the Bank a certain amount of information on his/her/its knowledge and experience in financial instruments, his/her/its investment objectives, including his/her/its tolerance to risk, and his/her/its financial situation including his/her/its capacity for incurring losses. The Client undertakes to inform the Bank of any change in such information.

PORTFOLIO MANAGEMENT SERVICE

The Bank offers a discretionary portfolio management service which is broken down into different management profiles, as more fully described in its commercial brochures and specific contracts.

In order to benefit from the discretionary management services of the Bank, the Client concludes a discretionary management contract with the Bank. The Bank manages the portfolio of the Client in a discretionary manner according to the management policy defined with the Client and his/her/its Investor Profile.

It reports on its management by sending the Client periodic reports more fully described in the management contract.

NON-INDEPENDENT ADVISORY SERVICE

The Bank offers its Clients a non-independent advisory service: consequently it is subject to less strict rules with regard to, inter alia, the procedure for selecting recommended financial instruments and the links with the issuers or providers of the financial instruments proposed. Its recommendations are therefore based on a more limited analysis of different types of financial instruments and/or issuers and may in particular, according to the type of financial instruments, be limited to financial instruments issued or offered by companies having legal relations with it (for example companies belonging to the same group as the Bank) or economic relations (for example companies having a partnership with the Bank).
The Client remains responsible for the investment decision made on the basis of the investment advice received.

The Bank offers two investment advisory services that are not independent, as more fully described in its commercial brochures and the specific contracts.

In order to benefit from the Bank's advisory services, the Client concludes an investment advice contract with the Bank, which establishes in particular the investment sphere and the different financial instruments on the basis of which the Bank sends its recommendations to the Client. In any event, its recommendations are adapted to the Client's Investor Profile and management objectives.

Before the performance of the envisaged transaction, and in the interests of the "Retail Client", the Bank sends the Client a suitability report that includes, among other things, a summary of the advice provided and explaining why the recommendation made is adapted to the Client, including the way in which it complies with the objectives and the particular situation of the Client with regard to the required duration of the investment, the Client's knowledge and experience, the Client's attitude towards risk and his/her/its loss capacity.

In this report, the Bank indicates whether the recommended services or instruments are likely to require that the Client requests a periodic review of the agreed provisions and draws the Client's attention to this possible necessity.

When the purchase or sale agreement of a financial instrument is concluded using a remote communications method that does not allow for the prior transmission of the suitability report, this report may be provided on a durable support immediately after the Client is bound by an agreement.

The Client explicitly accepts that in case of a remote transaction the suitability report will be communicated to him/her/it on a durable support immediately after the conclusion of the transaction.

ORDER RECEPTION AND TRANSMISSION SERVICES

Complex products

When the Bank provides, at the initiative of the "Retail Client", an investment service which only includes the execution or the reception and the transmission of orders, with or without ancillary services, whenever this service concerns complex products, the Bank must proceed with an evaluation of the suitable nature of the transaction envisaged by the Client. This evaluation is intended to allow the Bank to act in the best interests of the Client.

If the transaction is evaluated by the Bank as being possibly inappropriate for the Client, the Bank informs the Client thereof. The Client may then decide either to withdraw from the envisaged transaction or confirm the transaction, despite the warning.

Non-complex products

When the Bank provides, at the initiative of the "Retail Client", an investment service which only includes the execution or the reception and the transmission of orders, with or without ancillary services (excluding the granting of certain credits and loans), the Bank is not obliged to evaluate the suitable nature of the envisaged transaction, insofar as the service concerns non-complex financial instruments within the meaning of the applicable regulation, namely:

a) shares admitted for trading on a regulated market or an equivalent market of a third country, or on a MTF, if it concerns company shares, excluding shares of joint investment entities that are not UCITS and shares incorporating a derivative;
b) bonds and other securities admitted for trading on a regulated market or an equivalent market of a third country, or on a MTF, excluding those incorporating a derivative or presenting a structure that makes the understanding of the risk incurred difficult for the Client;
c) monetary market instruments, excluding those incorporating a derivative or presenting a structure that makes the understanding of the risk incurred difficult for the Client;
d) shares or securities in UCITS, excluding structured UCITS within the meaning of Article 36, paragraph 1, second sub-paragraph of Regulation (EU) Nº. 583/2010;
e) structured deposits excluding those incorporating a structure that makes it difficult for the Client to understand the risk incurred with regard to the return or the early exit cost of the product;
f) other non-complex financial instruments.

The Client undertakes before purchasing shares in a UCITS to read the "Investor's Key Information Document" (IKID) which contains important information on the risks, nature and costs of the UCITS, and which is available either on the Bank's website or from his/her/its banker.

The Client undertakes before investing in a packaged retail and insurance-based investment product ("PRIIP") to consult the "Key Information Document" that contains important information on the risks, nature and costs of the PRIIP. This document is available either on the Bank's website or from the Client's private banker.

Concerning financial instruments that are subject to public offer, the Bank will provide to the Client information according to which the prospectus is made available to the public.

HOLDING, CUSTODY AND ADMINISTRATION OF FINANCIAL INSTRUMENTS SERVICES

The Bank offers a service for holding, custody and administration of financial instruments, as more fully described in its General Terms and Conditions and its Rates and Conditions in force.

THE BANK'S DUTY TO INFORM

In addition to the reporting provided for in the Account Opening Documentation or specific contracts, the Bank sends the Client (i) information on the costs and charges related to the products and services and (ii) if applicable, a warning in case of a drop in its portfolio, in the cases described below.

Information on costs and charges

In the cases provided by regulation and in order to allow the Client to make a decision on a transaction in full knowledge of the facts, the Bank sends him/her/it information on the costs and charges of the investment service and the product in question, before the transaction is executed (reporting ex-ante).

Annual reporting on the costs and charges (reporting ex-post) is also sent to the Client, in the cases prescribed by regulation.

By accepting this document:

- The "Professional Client" expressly authorises the Bank not to provide it with information ex-ante and ex-post on the costs and expenses related to the investment services and financial instruments.

However this authorisation is not applicable when the Bank provides investment advice or portfolio management services to the Client and, regardless of the service provided, when the relevant financial instrument includes a derivative.

- **T**he "Eligible Counterparty Client" expressly authorises the Bank not to provide it with information ex-ante and ex-post on the costs and expenses related to the investment services and financial instruments.

However this authorisation is not applicable when the relevant financial instrument includes a derivative and the Eligible Counterparty Client intends to offer it to its clients.

Duty to warn

In the event that the portfolio of a "Retail Client" includes leveraged positions on financial instruments or transactions involving possible losses, the Bank informs it when the value of each instrument depreciates by 10% in relation to its average purchase price and for each multiple of 10% thereafter.

This information is communicated by the Bank at the latest at the end of the business day during which the threshold was exceeded or, in the event the threshold is exceeded on a non-business day, at the end of the next business day.

ORDER EXECUTION POLICY

Pursuant to the laws in force, the Bank implements an order execution policy (hereinafter the "Policy") enabling it to obtain the best possible result when executing orders for its Clients.

For each category of financial instrument, this Policy includes information on the different systems based on which the Bank executes its clients' orders and the factors affecting the choice of execution system.

This document provides an overview of the arrangements relating to the execution of transactions involving instruments subject to the obligation to obtain the best possible result, as defined by the applicable legislation.

The Bank must obtain the consent of each of its Clients to its Policy; the consent of a Client will be deemed to have been obtained when, following receipt of this document, the Bank executes, at a Client's request, an order for said Client pertaining to a financial instrument, without it being necessary for the Client to sign and return this document.

A - SCOPE OF THE POLICY

I - FINANCIAL INSTRUMENTS

This policy applies to all financial instruments as listed in Section C of Appendix I of Directive 2014/65/EU of 15 May 2014 ("Directive MIFID II").

II - CLIENTS

The Policy applies to all "Retail" and "Professional" Clients, and any reference to the Client in this Policy refers to those two categories. Where the best execution obligation applies, the Bank will take all reasonable measures to obtain the best possible results for its Clients, taking into account the best execution criteria.

III - THE BANK'S ROLE

The Bank has, in principle, the role of receiving, placing and transmitting orders. However, depending on the type of order or financial instrument, the Bank may also execute certain orders itself.

Whatever role the Bank takes on, it must, typically, obtain the best possible results for the Client when it:

- selects an execution system;
- selects an intermediary; or
- executes an order.

B – "*BEST POSSIBLE RESULT*" CRITERIA

In order to comply with its obligation to act in its Clients' best interests, the Bank will take all reasonable and sufficient measures to achieve the best possible result for them.

The Bank's approach in order to obtain the best possible result for a Client will be determined on the basis of the total execution price as defined by the Regulation. The total price is composed of the price of the financial instrument and all costs of execution. The costs of executing the transaction include the costs incurred by the Client directly related to the execution of the order, including the execution system's fees, clearing and settlement costs and any other charges that may be paid by third parties having played a part in executing the order.

The total price is the Bank's main criterion in selecting an intermediary or execution venue.

The Bank may also take into account the following factors:

- speed of execution,
- the probability of the execution and settlement,
- the size and nature of the order, and
- any other considerations relating to the order's execution.

The Bank will determine the relative importance of the factors based on its commercial experience, market information available at the time of execution and the following criteria:

- Client category (Retail or Professional),
- order type,
- financial instrument concerned,
- possible execution systems.

Price, cost and liquidity are in many cases the most important factors to be considered in order to obtain the best possible result for the Client. Nevertheless, in certain circumstances, for certain clients, financial instruments or execution systems, the Bank may decide to take other factors in account. Such factors may be more important than or as important as price, cost or liquidity.

C – THE EXECUTION VENUE USED TO MEET THE OBLIGATIONS OF "BEST EXECUTION"

Insofar as the selection of an execution venue has a direct impact on the possibility of obtaining the best possible result, the Bank gives priority to execution venues offering the best liquidity to price ratio in the long term.

For the purposes of the Policy, an execution venue may be:

I - External execution venues

Regulated markets to which the Bank has access via local brokers that are the subject to a "Best selection" procedure;

A multilateral trading facility or "MTF" operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in accordance with non-discretionary rules – in a way that results in a contract;

- Organized trading system (OTS) or Organised Trading Facilities (OTF), a multilateral system other than a regulated market or a MTF, within which numerous purchaser and vendor interests expressed by third parties for bonds, structured financial products, issue quotas or derivatives may interact in such a way as to result in the conclusion of contracts on these instruments;

Systematic internaliser;

Market maker; or

Any other provider of liquidity or entity located in a third country carrying out a function similar to those described above.

II- List of the main execution venues

The main execution venues of the Bank are the following:

- Euronext Paris: https://www.euronext.com/fr
- NYSE Frankfurt: http://deutsche-boerse.com/dbg-en/
- LSE London: http://www.londonstockexchange.com/home/homepage.htm
- Milan Stock Exchange: http://www.borsaitaliana.it/homepage/homepage.en.htm
- American Stock Exchange (New York): https://www.nyse.com/index
- Bloomberg ALLQ: https://www.bloomberg.com/quote/ALLQ:US
- MarketAccess: https://www.marketaxess.com/

D – MEASURES TO ENSURE "*BEST EXECUTION*"

The Bank will make its best efforts to execute orders in the Client's best interests, except where specifically instructed otherwise by the Client.

I - SELECTION OF INTERMEDIARIES

When the Bank receives, places or sends orders to third parties, the choice of intermediary has a direct impact on the transaction's price and cost and thus on the total price.

The Bank therefore only chooses intermediaries that combine high quality standards and efficient means of execution with the aim of obtaining best execution in the majority of cases. The Bank checks that the best execution policies and practices of its intermediaries comply with the requirements of the applicable legislation. In addition, the Bank regularly monitors and assesses its intermediaries' best execution practices and, where necessary, takes the required corrective measures.

II - SELECTION OF COUNTERPARTIES

If the Bank executes a Client's order itself,

- the Bank executes the transaction directly with a market maker, a liquidity provider or the issuer of a financial instrument;

- the Bank's responsibility is to select a counterparty offering the best possible result for the client in the majority of cases.

The choice of counterparty has a direct impact on the transaction's price and cost insofar as there is no intermediary between the Bank and the counterparty. However, in specific circumstances, the Bank may take factors other than price and cost into account when selecting a counterparty. Such factors may be more important than or as important as price or cost.

In order to comply with its commitments, wherever new execution venues offer the best liquidity/price ratio in the long term, the Bank will hold a meeting of its Execution Policy Committee to examine the need to change its Policy with the aim of acting in its Clients' best interests.

III - RULES FOR PROCESSING ORDERS

The Bank will execute Client orders in a loyal and diligent way in accordance with the rules described in its General Terms and Conditions.

The Bank may aggregate a Client's order and/or a transaction on its own account with other Clients' orders as long as no Client is favoured and the allocation of the orders executed is carried out in accordance with the Bank's order allocation policy. Although it is unlikely that aggregating orders and transactions will operate to the detriment of any Client, such aggregation may, in specific cases, operate to the detriment of the Client in respect of a particular order.

E - SPECIFIC INSTRUCTIONS

Any specific instructions from a Client regarding inter alia the price, venue, type of order or choice of broker will be executed by the Bank in line with such specific instructions.

However, the Bank informs the Client that when the Bank executes an order in accordance with a specific instruction issued by the Client, the Bank may be prevented, regarding items covered by such instructions, from taking the measures provided for and implemented under the Policy in order to obtain the best possible results for the Client.

All of the Client's specific instructions and the monitoring of the orders will be recorded.

F – ANNUAL PUBLICATION AND REVIEW OF THE EXECUTION POLICY

In accordance with the applicable legislation, the Bank publishes annually, on its website, the list of the five most used execution venues, by type of financial instrument, as well as summary information on the quality of execution obtained.

The Policy will be reviewed at least on an annual basis, and each time that there is a significant change affecting the Bank's capacity to continue to regularly obtain the best possible result when executing Clients' orders.

If, following the review, it transpires that the Policy needs to be substantially amended, the Bank will inform its Clients of this.

IDENTIFICATION AND MANAGEMENT OF CONFLICTS OF INTEREST

The Bank, as a subsidiary of the listed company Natixis and the BPCE Group (hereinafter referred to collectively as the “Group”) belongs to a global organization offering a wide range of services and carrying out various activities in the financial sector.

The Bank and its Clients are commercial partners each with their own interests. It may be that the Bank has interests which diverge from its Clients’ interests or which are in conflict with the obligations incumbent upon the Bank in respect of its Clients, in particular its obligation of loyalty. These may be, for example, conflicts between the interests of the Bank, the Group or its shareholders and employees on the one hand and the interests of the Bank’s Clients on the other, as well as conflicts of interest between Clients themselves.

Such situations of conflict of interests may sometimes be prejudicial to the Bank’s Clients.

The Bank, in its concern for its Clients’ best interests, has therefore drawn up a policy the aim of which is to identify and manage such conflicts of interest, if they are likely to harm its Clients’ interests.

The policy includes, in particular:
- criteria for the identification of situations that give rise to or are likely to give rise to a conflict of interests;
- procedures to prevent or manage such conflicts of interest. All these measures are aimed at ensuring that persons involved in activities where conflicts of interest may arise carry out such activities independently from each other.

Measures taken by the Bank include:
- organisational arrangements, such as separating tasks likely to generate conflicts of interest, a remuneration policy prohibiting, inter alia, direct incentives for the success of a specific transaction, procedures on personal transactions led by its employees, and training measures for its employees;
- provisions aimed at preventing or limiting as far as possible transfers of sensitive information between persons involved in activities where conflicts of interest might arise (i.e. “Chinese walls”);
- with regard to investment analysis/research, the Bank itself, financial analysts and other persons involved in producing investment research are prohibited from accepting benefits from persons with significant interests in the subject of such investment research. However, minor gifts or hospitality will not be deemed to be benefits in this regard.

In some cases, the measures and supervision implemented by the Bank may prove to be insufficient to guarantee, with reasonable certainty, that the risk of harm to the interests of the Client is avoided. The Bank may therefore, in last resort, be obliged to reveal to the Client, on a durable support, the general nature and the source of these conflicts of interest as well as the risks incurred by the Client and the measures taken to reduce these risks, in order to allow the Client to take a decision in full knowledge of the facts about the service in the context of which the conflict of interests arises.

The Bank may, where appropriate, have to refuse to execute a transaction on the Client’s behalf if it deems that the risk of harm to the Client’s interests is too significant.

The Bank’s Compliance Department monitors compliance with the conflicts of interest policy.

The aforementioned policy will be updated regularly, at least each year, in particular to adapt it to legislative developments, new services and products offered by the Bank, or the emergence of new sources of conflicts of interest.

At the request of the Client, further information on the conflict of interest management policy will be sent to him/her/it.

BENEFITS (OR INCENTIVES) PAID OR RECEIVED BY THE BANK

The information below relating to benefits paid to or received by the Bank is closely linked to conflicts of interest. The Bank's organizational structure, its systems, separation of duties and activities according to the "Chinese walls" principle, and more generally its conflict of interest management policy are aimed at ensuring that investment advice and recommendations, portfolio management decisions, and investment choices are not biased by benefits received or provided by the Bank.

Furthermore, the Bank ensures that any benefits received or paid improve the quality of service delivered to the Client and do not affect compliance with its obligation to act in an honest, fair and professional manner in the best interests of its clients.

In providing more detailed information below, the Bank has made a choice of a higher level of transparency in accordance with its commitment to integrity and loyalty.

A – MONETARY BENEFITS

The Bank may, under certain conditions, receive or pay monetary benefits related to the provision of services to the Client.

It permanently ensures that the purpose of these benefits (or incentives) is to improve the quality of service provided to the Client and does not affect its obligation to act in an honest, fair and professional manner in the best interests of its Clients.

For reasons of transparency, the Bank informs the Client of the existence, the type and the amount of advantages to be received before the relevant service is provided to it. If the amount of the advantage cannot be determined in advance, the Bank informs it of the calculation methods in a complete, exact and understandable manner.

All of the benefits received by the Bank in relation to the provision of its investment services to the Client are communicated annually to the latter, via the "Costs and Charges" reporting.

1 - Monetary benefits received by the Bank

1-1 In the context of the non-independent advice service and reception and transmission of orders

The Bank receives from issuers (or creators) of products, or from fund management companies, incentives (or benefits) in the form of a distribution or retrocession commission on management costs ("trailer fees"), generally calculated on the basis of the amount invested in the relevant financial product.

This incentive is justified by the provision of additional or higher level service to the Client, in proportion to the incentive received. In case of continuous incentives, it is justified by the provision of a continuous service to the Client.

In particular, the Bank allows its Clients access, at a competitive price, to a large range of financial instruments (Group funds or external funds) likely to meet their requirements, completed either:

(i) by the provision of value added tools such as objective information tools (prospectus, historic information, returns), helping the Client to take investment decisions or allowing it to monitor, to evaluate and to adapt the range of its financial instruments in which it has invested, or

(ii) by the provision of periodic reports on the performances of financial instruments and on the costs and expenses related thereto.

1-2 In the context of the discretionary management service

In principle, the Bank does not receive any monetary benefits from third parties in relation to the provision of the discretionary management service.

If exceptionally the Bank were to receive any monetary benefits in relation to a discretionary management service (for example "trailer fees") it would pay them back fully to the Client as soon as reasonably possible, following their receipt by the Bank.

In accordance with the regulations in force, the Bank is however authorised to receive minor monetary benefits that are likely to improve the quality of service provided to the Client when, by their amount and their nature, they are not considered as preventing the Bank from complying with its duty to act in the best interests of the Client.

2 - Monetary benefits paid by the Bank

2.1 Nature of monetary benefits paid by the Bank

The Bank may create partnerships with third parties (hereafter "Introducers") in relation with a clientele likely to be interested by the services offered by the Bank, in particular its investment services.

These Introducers, most often professionals in the financial sector, may be wealth management consultants or external managers, who cannot offer depository bank services to their customers, or establishments that are members of the BPCE Group, a part of whose clientele wish to benefit from management services and investment advice on an international scale.

The Bank may pay them a commission in the form:

(i) of a business introducer commission, paid in a single payment or spread out over time and calculated on the basis of assets contributed, in return for their service of presenting clients and the introduction of new assets,

or

(ii) a retro-cession of commissions, paid in a recurrent manner and calculated on the basis of commissions received by the Bank on the relevant assets.

The purpose of the recurrent payment of this commission is to remunerate the Introducer for the provision of services that it performs and that constitute a recurrent value added service on its part. These services may consist in particular in a continuous and regular assistance (i) in the updating and collection of information required for compliance with the Bank's obligations on the subject of anti-money laundering and terrorism financing and (ii) in the updating of information concerning the Investor Profile of the Client, and necessary for compliance with the Bank's obligations to provide advice adapted to the profile of the Client.

In any event, the Bank permanently ensures that the purpose of these paid monetary advantages is to improve the quality of the relevant service to the Client and do not harm compliance with the Bank's obligation to act in an honest, fair and professional manner in the best interests of its clients.

For reasons of transparency, the Bank informs the Client of the existence, the type and the amount of advantages to be paid to the Introducers, before the relevant service is provided to it.

If the amount of the advantage cannot be determined in advance, the Bank informs it of the calculation methods in a complete, exact and understandable manner.

All of the benefits paid by the Bank in relation to the provision of its investment services to the Client are communicated annually to the latter, via the "Costs and Charges" reporting.

B – NON-MONETARY BENEFITS

The Bank may also receive minor non-monetary advantages from the providers of products or other intermediaries. These consist generally in participations in seminars, conferences and other informational events.

The minor non-monetary advantages are disclosed to the Clients before the provision of the investment service. They may be described in a generic manner.
These non-monetary advantages are at all times compliant with the Bank's Code of Ethics as applicable and are subject, for those exceeding a threshold defined in the said Code, to a declaration by the relevant staff members to the Compliance department in charge of ensuring compliance with the said Code and, more generally, with the Policy and procedures concerning the management of Conflicts of interest.

The Bank is entirely at the Client's disposal for any questions that they may have regarding advantages (incentives).

INFORMATION TO THE CLIENT

The Bank sends to the Client annually the exact amount of advantages received and paid in relation to its investment services and in any event, for as long it receives continuous advantages related to the investment services provided to the Client.

In addition, in relation to the portfolio management service, and if applicable, the Bank informs the Client on the monetary advantages paid back to the latter through the periodic reporting sent to the Client.

Minor non-monetary advantages may be described in a generic manner.