

TERMS AND CONDITIONS RELATING TO SECURITIES FINANCING

Revised as at 7 May 2019

1. THE COMPANY

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2. OBJECTIVE

These terms and conditions for securities financing (the "Terms and Conditions") and the annexes regulate the relationship between the Company and the client when trading through a securities financing scheme in which the client is allowed credit when paying for securities traded through the Company.

The Terms and Conditions are a supplement to the client agreement/terms and conditions for the provision of investment services between the Company and the client, which among other things contain the Company's general business terms and conditions for trading in financial instruments. In the case of any conflict, these Terms and Conditions shall take precedence. The Terms and Conditions must also be viewed in connection with the terms and conditions for trading and clearing of derivatives and the terms and conditions for share loans.

3. LOAN LIMIT

The client will be allocated a facility setting a limit for securities trading. It is a prerequisite for using the loan limit that the collateral value of the securities provided as collateral is at least the same as the amount of the loan limit used at any time. The amount available to borrow will thus be the lower of the total collateral value of the securities provided as collateral and the loan limit that has been granted.

The amount of the loan limit that is used at any time is to be regarded as a loan provided by the Company to the client.

The client must ensure that the credit at no time exceeds that which the client is entitled to according to the above. Before any amount can be drawn on the credit that has been granted, the client must ensure that there are sufficient assets in either the client's Central Securities Depository (VPS) account or the client's trading account.

The client is responsible for keeping informed of changes in the collateral value of the financial instruments in the client's VPS account. The client is responsible for having a sufficient credit amount/buffer available to cope with changes in the value of the collateral. The Company may at any time change the loan limit that has been granted.

4. TRADING THROUGH THE SECURITIES FINANCING SCHEME

The loan provided is linked to the client's account/client ledger no. with the Company. In order for the loan to be used, the client's own-account trading must take place using this account.

5. COLLATERAL VALUE

Securities that are provided as collateral will be assigned a value measured as a percentage of their market value. This percentage rate is called the *collateral value*. The collateral value is determined individually for each of the securities. The Company may, for individual securities or

in special market situations, reduce the collateral value on an independent basis and in a way that is binding on the client. The Company is also entitled to reduce the collateral value of shares held for individual clients, for example due to a high concentration of exposure to a few securities.

The following securities are to be assigned a collateral value:

- Government bonds/certificates
- Shares listed on a regulated market
- Other financial instruments may in special cases be assigned a collateral value following prior agreement with the Company.
- Derivatives on the above issued and cleared by the Company and regulated by an agreement relating to trading and clearing of derivatives.
- Cash

Collateral values are to be determined by the Company and are subject to general review at any time. For clients that are classified as retail customers, changes in the collateral values and debt to asset ratio shall not take effect until six weeks after the client has been informed in writing of the change(s) in the debt to asset ratio(s). The client may under no circumstances avoid liability for any excess borrowing by referring to the fact that the Company has not informed the client of the prevailing total borrowing value.

In order for financial instruments to be assigned a collateral value, the VPS account and custody account linked to the client's securities financing account must be charged in favour of the Company.

The client accepts that any cash collateral will **not** be treated as client assets but will instead be treated as a credit balance that falls due for payment at the same time as the positions for which it has been provided as collateral are redeemed/closed and settled.

6. INSUFFICIENT COLLATERAL

If the total collateral value of securities provided as collateral is not at least as large as the loan amount that has been utilised, it is the client's responsibility to immediately initiate measures to rectify this matter. If the matter has not been rectified by the time the stock exchange opens on the next stock exchange day, the Company is entitled, but not obliged, to sell all or parts of the client's portfolio for the client's expense and risk in order to thus rectify the matter. Such a sale may be carried out immediately, without any further warning.

7. CALCULATION OF INTEREST

Interest is calculated on the client's account monthly. The loan amount utilised will be debited with a debit interest rate, while balances in the client's favour will be credited with a credit interest rate. The Company determines the interest rate for each month. If amounts are drawn in excess of the loan limit granted or in excess of the total collateral value of securities provided as collateral, the Company reserves the right to charge interest on the overdrawn amount according to the prevailing statutory interest rate on overdue payments.

8. LIABILITY

The Company is not liable in damages for any loss the client may suffer as a result of circumstances linked to the Terms and Conditions provided the Company has acted with due care. The Company is under no circumstances liable for indirect losses. Compensation may only be claimed for foreseeable losses.

9. TEMPORARY STOPPAGES AND CANCELLATION, ETC.

The Company is entitled to temporarily stop any further credit at any time. In such case, the client shall be notified as quickly as possible after the stoppage has taken place.

Each of the parties may cancel the credit during the contract period by giving at least 14 days' notice in writing. The Company may also stop any further debits to/payments from the credit account and block the account for the use of payment instruments. In addition, the loan may be cancelled immediately if:

- a) the client exceeds the available loan limit,
- b) the client fundamentally breaches any other loan conditions, including a fundamental breach of the duty to pay interest and repayments or other obligations according to the borrowing terms and conditions; the borrower has given the Company erroneous information on some important item; or there is a fundamental breach of the assumptions on which the Terms and Conditions are based,
- c) the client fundamentally breaches other commitments entered into with the Company,
- d) the client dies or is placed under the protection of a legal guardian without any adequate collateral for performance existing or, after notice being sent, being provided within a reasonable time,
- e) the client suspends payments, petitions for debt settlement proceedings pursuant to the Norwegian Bankruptcy Act or some other debt settlement proceedings, goes bankrupt or is made liable to enforcement proceedings,
- f) factors as mentioned in items b), c) d) and e) above affect any guarantor or owner of deposited collateral, and the client does not provide new satisfactory collateral by the deadline set by the Company,
- g) a major change takes place in the ownership, composition of the board or general management of the client's business or the auditor resigns and this is in the Company's opinion of significant importance to the contractual relationship.

10. TAXES

The parties are each responsible for their own taxes and other costs that the respective party incurs in relation to the Terms and Conditions.

11. The COMPANY'S FINANCING OF A LOAN TO THE CLIENT

Arctic Securities AS has entered into a loan agreement with an external lending institution, currently DNB Bank ASA (the external lending institution or DNB Bank ASA is hereinafter called the "Bank") in order to finance lending to the client. In connection with such financing the client is hereby informed about the following:

In relation to this agreement Arctic Securities AS has given the following pledge to the Bank:

- 1) 1st priority pledge of Arctic Securities AS' claim against the client under these Terms and Conditions and any loans under the Terms and Conditions.
- 2) 1st priority pledge of Arctic Securities AS' collateral that is given in accordance with the above paragraph, cf. the Mortgages and Pledges Act §1-10.

If the Company breaches its obligations under the loan agreement with the Bank so that the loan falls due for payment, the Bank shall not have any further rights to the above collateral than Arctic Securities AS has. In such event the Bank is entitled to notify the client that the client may only make payment with discharging effect to the Bank. The Bank will in such circumstances provide account payment details. In such a case the Bank is entitled to realise the pledged claims by demanding payment directly from the client or in any other way that the Bank deems necessary, as well as using the assets that have been pledged on as security for the claim against the client. The Bank is given an irrevocable authorisation to transfer a claim, or terminate the claim that is pledged to the Bank.

12. AMENDMENTS

The Company reserves the right to amend the Terms and Conditions. Significant amendments take effect as from the date when they are notified in writing to the Client. The Client is regarded as having agreed to receive notification of amendments by e-mail if he/she/it has informed the Company of his/her/its e-mail address. Other amendments come into force from the date when they are published on the Company's website. Amendments will not affect orders, trades, transactions, etc., that are entered into or completed prior to the date when the amendments are notified.