

## CLIENT CLASSIFICATION

SpareBank 1 SMN ("SMN") is SpareBank 1 Markets AS ("SB1 Markets") Mother Company. Some Clients will establish a customer relationship with both SMN and SB1 Markets when purchasing investment services. The two companies have decided to establish a common Best execution policy. This document therefore applies both for Clients that solely have a customer relationship with SB1 Markets, and for Clients that have a customer relationship with both companies.

### 1. Classification

SB1 Markets AS ("SB1 Markets") is obliged to classify all clients in different client categories depending on professionalism. Clients are to be classified as retail clients, professional clients or eligible counterparties, cf. the Norwegian Securities Trading Act of 29 June 2007 no. 75 and the accompanying regulation of 29 June 2007 (No: Verdipapirforskriften) section 10-1 to 10-7 a – d.

The extent to which the client is protected by legislation depends on the client category. Below is an account of the main features of the investor protection applicable to each client category. This account is not exhaustive.

To a certain extent, the legislation allows clients that so wish to ask SB1 Markets for a transfer to a different client category. We underline that a transfer to a different client category must be approved by SB1 Markets. Even if the conditions for a reclassification stated below are met, we are nonetheless free to decide whether or not we wish to comply with a request.

### 2. Retail client

Clients classified in this client group have the highest level of investor protection. This means, among other things, that SB1 Markets is obliged, to a greater extent than for the other client categories, to adapt the services it provides to the client's individual needs and qualifications.

In addition to SB1 Markets' services to the client being subject to the general code of good business conduct, SB1 Markets will consider, before any trading takes place or advice is given, whether a service/transaction, including a financial instrument, is appropriate or suitable for the client. Investment advice will be given on the basis of the information provided by the client on his/her investment goals, financial position and experience and knowledge of the service/transaction in question.

Should the client wish to carry out a transaction that SB1 Markets does not believe to be appropriate, taking into account the client's knowledge and experience, SB1 Markets has a duty to advise against this. However, the transaction may nonetheless be carried out if the client so wishes despite the warning. SB1 Markets' duty to consider whether a service/transaction is appropriate does not apply in all cases. Among other things, there is an extensive exception for online trading.

Status as a retail client also entails an extensive right to receive information from SB1 Markets. SB1 Markets is obliged, among other things, to inform the client of the financial instruments in question and of the risks relating to these, of the trading systems and marketplaces SB1 Markets uses, and of the prices and other costs of all transactions so that the client is enabled to make an informed investment decision.

#### 2.2 Opportunity to be reclassified

Retail clients may ask to be treated as professional clients or as eligible counterparties provided more detailed conditions are met and a further specified procedure is followed. Such a reclassification results in a lower level of investor protection.

##### 2.2.1 From retail client to professional client

###### 1) The absolute requirements

The client must meet at least two of the following criteria:

1. the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters,
2. the size of the client's financial instruments portfolio, defined as cash deposits and financial instruments, exceeds an amount which in NOK equals €500,000,

3. the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the relevant transactions or investment services.

## 2) Procedure

Clients must inform SB1 Markets in writing that they wish to be treated as a professional client. The client will be asked to document that the requirements stated in item 1 above, are met. In addition, clients must in a separate document declare in writing that they know the consequences of losing the protection which is afforded by being classified as a retail client and which are mainly stated in this letter. SB1 Markets may be contacted for further information.

SB1 Markets must carry out a concrete assessment of whether the client – based on the client's expertise, experience and knowledge and the planned transactions – is capable of making own investment decisions and understands the risk involved.

### 2.2 From retail client to eligible counterparty

Should a retail client ask to be reclassified as an eligible counterparty, the client must first become a professional client. For a reclassification from a retail client to an eligible counterparty, refer therefore to the information on reclassification from retail to a professional client in item 2.2.1 and from a professional client to an eligible counterparty in item 3.2.2.

## 3. Professional client

### 3.1 Level of investor protection

Clients classified as professional clients are protected by the legislation to a slightly less extent than retail clients. Professional clients are in some areas regarded as able to safeguard their own interests, and the services provided will therefore to a lesser extent be adapted to suit the client's individual needs.

Basically, the code of good business conduct applies in full to professional clients. However, the extent of SB1 Markets' obligations is slightly reduced. Among other things, professional clients are normally expected to have sufficient knowledge to assess whether a transaction is appropriate. Our investment advice will thus be based on the investment goals stated by the client and we will basically not ask for information on the client's financial position or knowledge/experience. SB1 Markets will not assess whether carrying out the transactions in question is appropriate, thus has no duty to advise against a transaction as it has in relation to retail clients. The execution of transactions will thus be slightly less elaborate than it is for retail clients. This may affect the rate at which the transaction in question is executed. Another consequence will be that professional clients can have access to a wider range of products.

Professional clients are also assumed to be able to determine the information that is necessary in order to make an investment decision. This means that professional clients must, to a greater extent than retail clients, themselves obtain the information they regard as necessary. However, professional clients will receive reports on services that have been carried out and other important information, such as SB1 Markets' order execution policy and security rights or possessory liens in financial instruments or assets.

### 3.2 Opportunity to be reclassified

Professional clients may ask to be classified as retail clients, thus achieve a higher level of investor protection. Professional clients may also ask to be classified as eligible counterparties, which will result in a lower level of investor protection. Professional clients are responsible for SB1 Markets being kept continuously informed of any change that may affect their classification.

#### 3.2.1 From professional client to retail client

It is the professional client's duty to request a higher level of protection when the client feels unable to make a correct risk assessment. Such a change of client classification is to be documented by a written contract between SB1 Markets and the client.

#### 3.2.2 From professional client to eligible counterparty

Professional clients that are legal entities and meet two of the three criteria stated in item 2.2.1, no. 1) above, may ask to be treated as eligible counterparties. Express confirmation is to be obtained from the client, in which the client agrees to be treated as an eligible counterparty.

## **4. Eligible counterparty**

### **4.1 Level of investor protection**

An eligible counterparty has the lowest level of investor protection.

Clients with the status of an eligible counterparty basically have the same protection as a professional client, refer to item 3. However, the investor protection for this group is significantly reduced when SB1 Markets provides the following investment services: the receipt and imparting of orders, execution of orders for the client's account and the own-account sale of financial instruments. When providing such services to eligible counterparties, SB1 Markets is not subject to the Norwegian Securities Trading Act's provisions regarding good business conduct, best execution (including SB1 Markets' Order Execution Policy) and certain rules linked to order processing.

As regards the requirement of assessing suitability and appropriateness, the rules applying to professional clients will apply correspondingly to eligible counterparties.

The exemption from the provision regarding good business conduct means, among other things, that some of the rules stipulating requirements as to information and reporting are not applicable to this client category. This basically also applies to the rule that SB1 Markets must ensure that the client's interests are safeguarded in the best possible way. However, the requirement of good business conduct as a general principle must apply irrespective of the exemption from the Securities Trading Act provision, and eligible counterparties will thus to a certain extent be protected by general principles of good business conduct.

### **4.2 Opportunity to be reclassified**

Eligible counterparties may ask to be reclassified as a professional client or retail client, thus achieve a higher level of investor protection.

#### **4.2.1 From eligible counterparty to professional client**

Eligible counterparties may ask to be treated as a professional client if they wish a higher level of investor protection and to be covered by the rules regarding good business conduct.

#### **4.2.2 From eligible counterparty to retail client**

Should clients that are initially classified as eligible counterparties wish a higher level of investor protection, they may ask to be treated as a retail client. Item 3.2.1 above will apply correspondingly in the case of such a request.