Information about general risks associated with trading in certain financial instruments

Introduction
This information sheet is provided to clients who enter into foreign currency, derivatives and securities financing transactions. The purpose is to give you a clear understanding of the risks associated with these types of products.

Derivatives are financial instruments that derive their value from underlying assets or other factors. The underlying assets/factors ('underliers') may be market assets/factors such as interest rates, foreign exchange rates, equities, commodities, or other financial or economic interest or property of any kind.

For the purpose of this information sheet, derivatives are defined as over-the-counter (OTC) and certain exchange-traded linked derivatives, including swaps, options, forwards and futures on any type of underlier.

Securities financing transactions entail that one party transfers legal title to a security or basket of securities to another party for a specified period, in exchange for a transfer of legal ownership of cash or assets that represent collateral.

This information sheet does not describe all of the risks and other significant aspects of trading in foreign currency and derivatives and entering into securities financing transactions. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts into which you are entering and the extent of your exposure to risk.

Please also refer to product-specific information sheets, which offer more information about swaps, options and forwards on various underliers. The information sheets are available on www.danskebank.se.

Before trading
Trading in foreign currency and derivatives and entering into securities financing transactions may entail significant risks. The risks depend on the type of transaction and the nature of the underlier. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. If you believe that you need assistance in this regard, you should consult appropriate advisers.

As your arm's length contractual counterparty to foreign currency, derivatives, and securities financing transactions, our interests are directly adverse to yours. Accordingly, you alone are responsible for assuming the risks associated with the foreign currency, derivatives and securities financing transactions into which you enter into.

Derivatives and securities financing transactions can be used for investment, financing and for hedging financial risks, but whether such transaction is right for you depends on several factors, including the investment/financing or hedging purpose and your investment profile. Different instruments involve different levels of exposure to risk, and in deciding whether to trade an instrument, you should be aware of the following risks:

Market risk
Market risk is the risk of loss arising from adverse changes in the value of the underlying foreign currency or derivative instrument or the financial instruments exchanged under or in connection with a securities financing transaction. Similarly, adverse changes in the volatility of or correlation or relationship between these factors may contribute to losses occurring.

The market risk of a foreign currency or derivatives transaction may increase if a foreign currency or derivatives transaction includes complex pay-out calculations or a leveraged element. Transactions with such features may be subject to significant changes in value because of relatively small changes in the prices or levels of an underlier or other market factor. Such features include, but are not limited to, leverage, multipliers and option-like pay-outs, transactions with knock-in or knock-out rights, etc.

Credit risk
Credit risk is the risk that a counterparty fails to meet its contractual payment obligations because of insolvency or default.

Because of the credit risk, our and your (and your guarantor's, if any) creditworthiness is a material consideration when entering into or determining the terms of a foreign currency, derivatives and securities financing transaction, and this has an impact on the pricing of the transaction.

Liquidity risk
Liquidity risk is the risk of losses attributable to a lack of liquidity (for example if there are very few active market participants) in a particular market. This is usually indicated by wide bid/offer spreads and very few transactions being carried out in a particular product or market.

The risk is that changes in the underlying market price may be infrequent but very large. This may entail that it is not possible at all to unwind or transfer a particular transaction or that it is not possible to unwind or transfer a particular transaction in a timely manner, at or near the price you had expected, or at all.

In assessing this risk, you should consider that transactions may be terminated, modified or transferred pursuant to the terms of the particular transaction or by mutual agreement of the parties only. If our consent is required, we may withhold it for a variety of reasons, which we are not required to disclose to you. Further, even though market-makers and dealers may quote indicative prices or mid-market valuations, there is no assurance that another dealer is willing to accept a transfer of your rights and obligations under a particular transaction between you and us. Accordingly, it may not be possible for you to modify, terminate or transfer your rights and obligations, or your exposure to the risks associated with a particular transaction, prior to its scheduled termination date.

Pricing risk
For complex foreign currency, derivatives and securities financing transactions, pricing may be determined using various assumptions and mathematical models. Pricing risk is the risk that these models do not accurately reflect conditions in the market and that mispricing causes a loss.

Operational risk
In this context, operational risk covers a wide-ranging number of risks such as losses arising from inadequacies in or failures of procedures, systems or controls in connection with foreign currency, derivatives and securities financing transactions.

Examples of operational risks include:

- recording, monitoring and quantifying risks and contractual rights and obligations
- making payments or deliveries
- exercising rights before they expire, including option rights, in a manner that complies with the terms of the relevant transactions
- meeting regulatory filing, reporting and other requirements
- detecting human errors or computer systems failures

Losses from operational risk can be substantial, including the entire value of a transaction, for example an unexercised and expired in-the-money option.

Legal and documentation risk
Legal and documentation risks include the risk that transactions and/or their related framework arrangements may not be legally enforceable or that the conduct of the parties violates applicable laws and regulations.

Framework agreements
The related framework agreements contain various events of default provisions entitling a non-defaulting party to terminate all or some of the transactions under such a framework agreement. If you are subject to events that may constitute a default under the framework agreement, we have no obligation to consider your interests in determining whether or when to terminate a transaction.

There are EU-based rules on recovery and resolution for distressed financial institutions such as banks to be applied under certain conditions as an alternative to bankruptcy proceedings. The designated national resolution authority may take a variety of actions of a preventive, early intervention or resolution nature, which may lead to restrictions on your ability to terminate and otherwise exercise your rights under a framework agreement. Further, under certain conditions, the resolution authority has a number of resolution tools and powers ('harmonised toolkit'), including the right to exercise certain so-called bail-in powers, involving the write-down of certain eligible liabilities of the distressed institution, delay performance and/or convert certain claims against the distressed institution, into other types of claims, such as shares.

A safeguard under the rules on recovery and resolution for distressed financial institutions is that counterparties to a distressed institution cannot incur losses greater than what they would suffer if the institution were to become subject to bankruptcy proceedings.

Taxation

Trading in foreign currency and derivatives and entering into securities financing transactions is subject to specific tax rules. The tax rules that apply depend on:

- the type of instrument
- whether you are a private individual or a legal person
- whether settlement is affected through delivery of the underlying assets

Due to the complex nature of the tax rules, we recommend that you consult an accountant, tax adviser or other professional adviser to clarify tax and accounting consequences before entering into a foreign currency, derivatives or securities financing transaction.