

Risks associated with financial instruments

This chapter provides a general description of the financial instruments covered by the investment service and the risks associated with them, as required by the regulations and guidelines of the Financial Supervisory Authority. The description is by no means exhaustive and does not include all possible risks associated with the financial instruments described. The suitability of a financial instrument must always be assessed on an investor-by-investor basis. Investors should familiarise themselves with the terms, characteristics and obligations of the financial instrument before making an investment decision in order to understand the risks associated with the financial instruments and the potential impact on their financial position. The investor should carefully consider the suitability of the financial instrument for the intended purpose, including in changing circumstances.

Shares

A share is an equity security issued by a public limited company. The value of a share is based on the prevailing view of the value of the company issuing the share. An investment in a share also entitles the investor to a dividend paid by the company.

Shares may be traded on a regulated market (stock exchange or similar trading system) or other multilateral trading facilities. In addition, shares may be traded outside a regulated market or MTF.

The risks associated with equity investments are the risk of fluctuations in the price of shares (market risk) and the risk of trading in shares and trading volume (liquidity risk). Share price volatility is influenced both by general market developments and by information on factors affecting the issuer's performance. Equity investments include the possibility of losing all the capital invested if the issuer goes bankrupt. In general, the risk is also affected by the issuer's sector of activity, changes in legislation, the number of shares issued and the distribution of ownership, among other factors. The value of shares denominated in a foreign currency is also affected by changes in exchange rates. Investing in emerging market equities can be considered riskier than other equity investments because of the unstable environment and legislation, political risks, strong currency fluctuations, counterparty risks and lower stock market liquidity. Subscription rights and warrants, which give the right to subscribe for shares in the issuing company, are also treated as shares. The price of a subscription or option right depends not only on the price of the issuer's share, but also on the exercise price of the option, the volatility of the share, the level of interest rates and the remaining life of the option. The volatility of subscription and option rights is higher than that of the share below, due to the lower amount of capital committed (the so-called leverage effect).

Money market instruments

Money market instruments include government debt certificates, certificates of deposit, commercial paper, municipal certificates and ECPs (Euro Commercial Paper). Short-term money market investments are generally 'zero coupon' certificates (discount paper), where the issuer pays the holder the face value on the maturity date indicated on the certificate. The maturity of the contracts is typically between 1 and 12 months. The investment carries an inherent credit risk for the issuer. The return on money market investments with a zero interest rate is the difference between the purchase price and the nominal (or redemption) value. The

purchase price and the redemption price are obtained by discounting the nominal value by the interest rate quoted for the period from the trade value date to the maturity date. The contract may be sold on the secondary market if necessary. Repurchase is at the market price at the time of purchase. The risk associated with money market instruments, as with other fixed income instruments, can be divided into two parts. One is the risk associated with interest rate fluctuations and the maturity of the instrument (interest rate risk), the other is the risk associated with the issuer's / depositor's ability to pay (credit risk). Credit risk is particularly important in fixed income instruments where the issuer has a low credit rating: if the issuer defaults, it cannot meet its obligations to the investor, and the investor may lose all or part of the capital invested, any return on the investment, the premium paid and the fees and charges.

Bonds

Bonds and notes are cash flow based instruments whose value is determined by their cash flows or present values of their cash flows. While all the cash flows of a fixed rate bond are known, the cash flows of a floating rate bond depend on interest rate fluctuations. The cash flows consist of coupon interest and repayments of principal on the loan. In this case, the value of the bond is determined by the prevailing market rate of return, the discount rate.

The issuer of a bond may be a government, a municipality, a company or an insurance and financial institution. The criteria for determining the yield on bonds issued are set out in the terms and conditions of each individual bond. The amount of the yield may also be affected by the issue price and any underwriting fee charged.

The risks normally associated with bonds are interest rate risk and credit risk. Interest rate risk is the risk of fluctuations in interest rates. A rise in interest rates reduces the sale value of the bond in the secondary market, while a fall in interest rates increases the value. A bond also carries credit risk, i.e. the risk that the issuer will not be able to repay the interest or principal according to the terms of the bond. Settlement risk is the risk of loss between the parties in connection with payments and deliveries if the counterparty is unable to meet its obligations. There may not be a continuous daily secondary market for the loan during the life of the loan. If an investor wishes to sell his investment before the maturity date of the loan, the current market price of the bond may be higher or lower than the capital invested. The investor or the issuer may have the right to request early repayment of the loan, as specified in the specific terms and conditions of the loan. Foreign bonds may also involve foreign exchange risk.

A structured product is usually a bond, the return on which is usually partly or wholly linked to the performance of a predetermined underlying asset. A structured loan may involve a commitment by the issuer to repay to the investor at maturity at least the nominal amount of the loan or a specified proportion of the nominal amount of the loan. The commitment is fully effective only on the maturity date of the loan and involves the credit risk of the issuer. The commitment does not cover any premium or underwriting fee paid on the loan. In addition, it is possible that the issuer will not give the above commitment. The loans also involve a risk of changes in the value of the underlying asset during the life of the loan. If the investor sells the loan before maturity, he may receive a capital gain or suffer a capital loss. There may not be a continuous daily secondary market for the bond during the life of the loan, which would prevent the investor from selling the bond in the market. The market value of an index-linked or other structured loan during the life of the loan is affected by the level of interest rates and the change in value of the underlying asset. The underlying asset may be a stock (including a basket of stocks, an index of stocks or a basket of stocks), a commodity, an exchange rate (including a

basket, index or index basket), an interest rate or spread, inflation (including a consumer price index), credit risk or a combination of the above. The value of the underlying asset may rise or fall during the life of the loan. The structure of a structured bond may include a derivative structure which creates the risk that even a small change in the underlying of the instrument can have a large positive or negative impact on the yield and value of the instrument. A structured product involves credit risk, i.e. the risk that the issuer will not be able to repay the interest or principal in accordance with the terms of the debt instrument.

A debenture loan is a bond which, in the event of the issuer's bankruptcy, is subordinated to the issuer's other liabilities. Due to its higher risk and lower liquidity than ordinary loans, debenture bonds generally pay a higher interest rate than other bonds.

A convertible bond is a bond where the holder has the right to exchange the bonds he holds for shares in the issuer at a predetermined exchange ratio. The coupon rate is usually below the issuer's credit risk margin prevailing in the market.

A bond with warrants is a bond that includes the right to buy shares in the issuer of the bond at a fixed price for a specified period of time. The loan and the option may be traded separately on the secondary market.

Like a convertible bond, an option bond has a lower coupon rate than a normal bond because part of the coupon is used to buy a share option. If the issuer becomes insolvent, it cannot meet its obligations to the investor and the investor may lose the entire principal of his investment, some or all of the potential return on his investment, as well as any premium paid and fees and expenses.

Derivative contracts

Derivative contracts are options, forwards, futures, swaps, combinations of these and/or other similar contracts. Derivative contracts may be standardised or non-standardised (OTC derivatives). A derivative contract is a contract whose value may depend on changes in the value of the underlying, price volatility, interest rate fluctuations, the maturity of the contract or any other factor affecting the value of the derivative. The underlying of a derivative contract may be, for example, a stock, currency, interest rate, commodity, credit risk, index or a measure of the performance of such an underlying. The duration of derivative contracts varies from very short to several years. In addition to changes in the value of the underlying asset, i.e. market risk, the value of derivative contracts and the amount, timing and settlement of the counterparties' obligations may be affected by, among other things, changes in legislation and the risk of late settlement and credit loss due to counterparty default.

The ultimate return on a derivative contract depends on the performance of the underlying asset selected. The yield on the derivative contract will also be affected by other factors which may be specified in the terms of the contract and by the cost of any required collateral. In particular, changing the terms of a non-standardised derivative contract or terminating the contract mid-term or transferring rights and obligations to a third party may take time and entail costs. In principle, the contractual obligation is settled by delivery of the underlying asset or cash settlement of the contract value on the redemption date. As derivatives are contracts for underlying assets, the risks associated with the underlying assets described above and the resulting price fluctuations directly affect the value of the derivatives. Depending on the type of derivative contract, the client may incur financial commitments or obligations other than the acquisition cost, and the acquisition may be subject to collateral requirements or other

obligations. The value of a derivative contract may change rapidly and sharply, in which case any shortfall in collateral may need to be covered by additional guarantees. The collateral may also have to be liquidated. There may be restrictions on the liquidity of derivatives. The value of derivatives denominated in foreign currencies is also affected by changes in exchange rates. Derivative contracts may be combined. The terms of an individual derivative contract may be such that the profit/loss potential can become very high. The risk of loss may be theoretically unlimited for certain strategies.

Warrants

A warrant is a securitised derivative traded on a regulated market (stock exchange or similar trading facility). A call warrant gives the right to buy and a put warrant gives the right to sell the underlying asset on a given date at a given price. The underlying asset is usually a stock or an index, but it can also be any commodity or currency, for example. The strike price of a warrant determines the price at which the investor has the right to buy (call warrant) or sell (put warrant) the underlying asset. The warrant multiplier indicates the number of warrants needed to buy or sell the underlying asset. If the warrant has a value at maturity, the investor receives the corresponding amount either in cash (net settlement) or in book-entry securities (physical delivery). The European warrant is exercised on the expiry date. In the case of an American warrant, the investor can demand execution at any time during the term of the warrant. The warrants are mainly European warrants.

A key element in the trading of warrants is the market guarantee provided by the issuer of the warrant.

In a market guarantee, the issuer can commit to provide a call and put quote for the warrant.

The terms of the market guarantee are described in the warrant prospectus and the terms of the guarantee may vary considerably from issuer to issuer and from warrant to warrant.

A warrant may be worthless at maturity, in which case the investor loses his investment. A call warrant matures worthless if the value of the underlying asset at maturity is lower than the exercise price of the warrant. Put Warrant matures worthless if the underlying asset is worth more than the exercise price of the warrant at maturity.

The risks of a warrant are market, credit and currency risk. Market risk relates to the price movement of the underlying asset, while credit risk relates to the issuer's ability to repay the underlying asset. Currency risk must be taken into account if the underlying is quoted in a currency other than the euro.

Investment funds

In addition to direct investments, the financial instruments described above and their combinations can also be invested in most cases through investment funds. Mutual funds are owned by the investors who invest in them in proportion to their holdings. The management company that manages the mutual fund pools funds from individuals and entities and invests them in a number of different securities that form the mutual fund.

The distribution of profits divides mutual funds into funds that distribute profits annually and growth funds, where the profits increase the value of the fund units. The same fund may contain both income and growth shares. The mutual fund invests the proceeds from the sale of units in accordance with the investment strategy set out in the fund rules.

The objectives and limits of the Fund's investment activity are set out in the Fund's rules. Depending on the choice of the investment objective, investment funds can be divided into equity funds, mixed funds, long-interest funds, medium-interest funds and short-interest funds, as well as commodity funds, convertible bond funds, corporate bond funds, etc. Most investment funds follow a risk diversification policy. However, some funds deviate from these principles and are referred to as specialised funds. In addition to traditional funds, which are more flexible in their investment restrictions than other funds, these include hedge funds, which seek to protect capital, and hedge funds, which use derivative contracts (options and forwards) in their investments. Some specialised investment funds are intended only for large professional investors. They also differ in that some funds aim to passively track an index (index funds), while others seek to outperform the benchmark index through an active investment approach (active funds). The management company must redeem the fund units if the investor so requests. The assets of a mutual fund are subject to charges related to its activities, such as management and custody fees, which vary according to the fund and are specified in the key investor information.

The risk level of the fund depends on the investment strategy of the fund. The diversification of the invested assets into more than one independent investment vehicle reduces the overall risk of the fund in relation to a single investment vehicle (the so-called correlation effect). The funds are generally liquid on a daily basis, but the liquidity of the funds may be limited by the fund rules, for example in case of exceptional market situations, in the interest of the unitholders or because of the fund's investment policy. In addition, redemptions of units in special investment funds may be possible only at certain times, e.g. once a month or less frequently. The value of funds denominated in foreign currencies is also affected by exchange rate movements.

An ETF (Exchange Traded Fund) is a fund traded on a regulated market (stock exchange or similar trading system) whose performance tracks a selected index or other underlying asset. Buy and sell quotes change in line with share prices. ETFs are traded on a regulated market like shares. Trading outside regulated markets is also possible. Liquidity is determined by the underlying asset.

There are different types of ETF structures and the structures vary from issuer to issuer. ETF products involve, inter alia market, currency and counterparty risk. The level of risk varies according to the underlying asset and the investment strategy. Market risk is linked to the price movements of the underlying asset, the capital may fall or, in theory, be lost altogether. Exchange rate risk must be considered in relation to the currency of the underlying and the currency in which it is quoted. The issuer seeks to manage the counterparty risk associated with the products by means of various collateral requirements. ETF products may also involve custody risk, in particular where the ETF invests in emerging markets and the securities are sub-custodied in the host country.

Short ETFs are structures whose price movements follow the target market or asset inversely on a daily basis.

ETC

ETCs (Exchange Traded Commodity) are securitised exchange-traded commodities that can be traded on a regulated market (stock exchange or similar trading facility) at the same time in the same way as shares. The price performance of an ETC follows, for example, the price of the underlying commodity or basket of commodities. If the ETC is executed in commodity

derivatives, the total return received by the client is also affected by any roll-over gains or losses on the derivatives. Rollover refers to the operation where an ETC sells a maturing commodity future and buys a later maturing one in its place.

ETC's risks include market, credit, currency and counterparty risk. Market risk relates to the price movements of the underlying asset, the capital may fall or, in theory, be lost altogether if the price of the underlying commodity or basket of commodities in which the ETC is invested falls. Depending on the investment strategy, for certain ETCs, the price change may be greater than the change in the price of the underlying asset. Credit risk relates to the issuer's ability to repay. The issuer seeks to manage the counterparty risk associated with the products by means of various types of collateral. Exchange rate risk must be considered in relation to the currency of the underlying and the currency of quotation.

Short ETCs are structures whose price movements follow the target market inversely on a daily basis or on a daily basis.

Taxes related to the financial service

Investors should be aware that there are tax consequences associated with the purchase, ownership and sale of financial instruments. Investors should take care to obtain adequate tax information before making investment decisions. Persons considering an investment should consult a tax adviser for information on the tax consequences, under Finnish tax law or otherwise, of buying, owning and selling financial instruments.

Trading in financial instruments

Trading in financial instruments takes place in accordance with the rules of the marketplace. Financial instruments

The market for financial instruments must not be distorted, for example by making a misleading offer to buy or sell a financial instrument, by engaging in sham trading or by any other fraudulent practice. A pseudo-trade is, for example, a situation where a person trades with himself or a company he owns

Definitions:

Credit risk: the risk that the issuer will not be able to repay interest or principal

Risk of loss of interest or principal or interest or principal in accordance with the terms of the issue of the financial instrument.

Market risk: Market risk refers to the risk of fluctuations in the market price. Market risk is the risk that the market will fluctuate in response to changes in interest rates, currency, equity or other price risk.

Interest rate risk: Interest rate risk is the risk of fluctuations in interest rates. A rise in interest rates lowers the price of a bond, while a fall in interest rates will increase the value.

Currency risk: Currency risk is the risk of fluctuations in exchange rates.

Counterparty risk: The risk of the ability of a counterparty to a commitment to meet its obligations (this may include, for example, derivative contracts, fixed income, structured investments, ETFs and foreign exchange transactions.)

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Settlement risk: the risk associated with the execution of a trade, i.e. the agreed trade does not take place either because the counterparty either fails to deliver the security or fails to pay the required trade price.