RISK DISCLOSURE STATEMENT

1. This statement is an integral part of the Brokerage Service Agreement (hereinafter referred to as 'Agreement') and includes description of risks which may arise during trading in the securities market.
2. By signing the Agreement, you acknowledge that you have read this risk disclosure statement. You understand and accept possible risks involved in trading in the stock market, as well as other risks associated with investments in securities.
3. Investments in securities are not insured by the Deposit Guarantee Fund.
4. Whenever used in this statement the term 'risks involved in trading in the stock market' means the possibility of occurrence of such circumstances, situations or processes which result or are likely to result in loss of the client's assets.
5. Due to the diversity of circumstances, situations and processes specified in the above clause 4, the risks involved in trading are not limited to those described herein. This statement does not disclose all information about the risks related to investments in the stock market. The aim of this statement is to help you understand and assess the risks associated with investments in the stock market and fairly assess your own financial capabilities and targets.
6. The aim of this statement is not to hold you back from investments in the stock market, but to help you properly assess the risks and treat the issues related to investing strategy with strong sense of responsibility.
7. The broker does not make warranties of any kind that you will gain income from stock market transactions with securities performed upon your order. You only are responsible for the choice of transactions and investment strategy and your decision should be carefully considered.
8. Trading in the stock market may lead to financial losses. Previous experience and expertise do not guarantee future financial results. Financial success of other clients or entities does not guarantee the same success for you.
9. During Margin Trading even insignificant volatilities of price and exchange rate can have substantial influence on your trading account due to the credit leverage. If the market moves against your position, you may sustain unlimited losses which may exceed both the amounts initially credited to the brokerage account and the amounts credited thereafter for retention of open positions.
10. You are responsible for assessment of all risks, use of financial resources and choice of trading strategy.

Description of Risks Associated with Investments

By relation between the investor and the source of risk

- **direct** – the source of risk is directly associated with the investor by legal relations
- **mediated** – the source of risk is not directly associated with the investor by legal relations, however, occurrence of unfavorable conditions for the risk source leads to a chain of consecutive events, which finally results in losses of the funds and/or income of the investor

By risk factors

- **Economic risk** – risk of occurrence of unfavorable economic conditions, such as: interest rate risk, risk of default by the partner, for example, risk of insolvency of buyer, issuer, bank, etc., which is likely to result in losses for the investor
- **Legal** – risk of legislative changes, losses from investments in securities resulting from adoption of new legislative acts or bylaws or changes in essential acts and bylaws (including tax bylaws). Legal risk implies also losses resulting from absence of legal and normative acts regulating the activity of the stock market
- **Socio-political** – risk of drastic political and economic changes in the country (especially change of the president and other authorities), social instability (including strikes), military actions, nationalization of enterprises, state interference in the activities of controlled enterprises and natural monopolies (including by means of tariff regulation)
- **Criminal** – risk associated with illegal actions, for example, forging of documentary securities, swindling, hacking, etc. This risk is mediated for the investor.
- **Operational (technical, technological, staff)** – risk of direct or indirect losses resulting from malfunctioning of electric devices and informational systems or from errors due to imperfect infrastructure of the market (including failure or malfunctioning of operation technologies, management, accounting, control, or actions or inaction of the staff). The following groups of operational risks may be distinguished:
  - information risks
  - electric, communication systems risks
  - risks associated with accounting system of nominal securities

- **Technogenic** – risks resulting from human activities: accidents, fire, etc.

Natural – risk which is not related to human activities, for example, natural disasters: earthquake, flood, storm, etc.

By types of securities

- **Stock:** ordinary trading transactions with stock are considered limited risk-bearing transactions, i.e. the risk of losses is limited to the amounts spent by you on the transactions. Yet it should be considered that under certain conditions you may incur losses in a relatively short period. Particularly, there are financial risks in the stock market which arise during financial operations and cause real losses due to adverse market factors. Financial risks are as follows: currency risk, liquidity risk, price risk, issuer's bankruptcy risk.
- **Futures:** investments in futures imply the risk of losing a substantial amount of money in a very short period of time. The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because futures trading is highly leveraged, with a relatively small amount of money used to establish a position in assets having much greater value which means that you may gain much with little investment as well as lose amounts substantially greater than your initial investments. If you are not comfortable with this level of risk, you should not trade security futures contracts.
- **Option:** options are risky and not suitable for all investors as the special risks inherent to options trading may expose investors to potentially rapid and substantial losses. An option holder runs the risk of losing the entire amount paid (option premium) for the option bought and of incurring unlimited loss for the option sold short in a relatively short period of time. The risk reflects the nature of an option as a wasting asset which becomes worthless when it expires.
- **Bonds**: though bonds are considered to be tools with a considerably lower risk level, they have their own inherent risks like all financial market instruments. The risks are as follows:

– Market risk
– Issuer's bankruptcy risk
– Liquidity risk
– Other

- **Margin trade:** a derivative standardized or non-standardized (leveraged, including forex) operation characterized by the possibility to trade with funds substantially less than needed for the operation. Margin and leveraged trades, including leveraged forex operations, are normally associated with high risk levels and only suited for those clients who are prepared to take the risk of losing the initial deposit (margin). These operations are associated with significant price fluctuations which can result in both high yields and substantial losses in relation to invested amount.

Client [full name]

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