TKB Investment Partners (JSC)
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DECLARATION OF GENERAL RISKS RELATED TO TRANSACTIONS IN SECURITIES MARKET

The Declaration is to inform you about key risks of security market transactions. Please note that the risk description herein is incomplete as market situations are very diverse.

Generally, risk means a potential loss while executing financial transactions due to an unfavorable impact of various factors. Listed below are major risks associated with your transactions at security market.

I. Systemic Risk

The risk spreads across several financial institutions and manifests itself if these institutions perform their functions less efficiently. Due to a high degree of interaction and interdependency between financial institutions, the systemic risk is hard to assess but if it occurs, it may affect all financial market participants.

II. Market Risk

The risk occurs when the price (value) of your financial instruments suffers an adverse change caused, among other things, by a sharp devaluation of the national currency, by a crisis at the sovereign debt market, by a bank or foreign exchange crisis, by force major (primarily natural or military disasters) which has resulted in a reduced yield or even losses. Subject to the chosen strategy, the market (price-related) risk leads to increasing (or degreasing) the price of financial instruments. You should bear in mind that the value of the financial instruments you own could both grow and fall; any value increase in the past is not indicative of its growth in the future.

A special consideration shall be given to the following market risks:

1. Currency Risk

Currency risk is an adverse change of the ruble/foreign currency exchange rate which erodes the revenue you generate by owning financial instruments, i.e., the real purchasing power

is reduced and, therefore, you may not gain some of the expected income or even incur losses. Currency risk may result in changing the amount of your liabilities under financial instruments linked to a foreign currency or to foreign financial instruments and, consequently, to either losses or impaired settlements thereunder.

2. Interest Rate Risk

The risk may develop if the interest rate changes adversely and affects the market value of fixed income bonds. Interest rate risk may be caused by the mismatch between the call dates (redemption) of claims and liabilities as well as by the varying degree of interest rate change across claims and liabilities.

3. Bankruptcy Risk of the Sharers' Issuer

The risk is that shares of a joint stock company adjudicated or with a prospect to be adjudicated a bankrupt will steeply fall in value.

To reduce the market risk you shall carefully choose and diversify your financial instruments. You shall also carefully read the terms and conditions of engagement with your broker or manager and must assess the costs related to the ownership of and transactions with financial instruments. Make sure these terms and conditions are acceptable and will not leave you without the income you expect.

III. Liquidity Risk

The risk is that if the demand for certain financial instruments falls down, they are harder to sell at a required price. In particular, the risk may arise out of the need to quickly sell financial instruments and bring losses caused by their significantly reduced value.

IV. Credit Risk

The risk is that other parties who undertook contractual or other obligations in relation to your transactions may potentially default on such obligations.

Credit risks include but are not limited to the following:

1. Risk of default on bonds or other debt securities

The risk lies in a possible insolvency of a debt securities issuer and will make the prospect of the security fully redeemed at term impossible or less likely.

2. Counterparty Risk

Counterparty (third party) risk is that the counterparty may default on obligations towards

you or your broker/manager. Though your broker/manager must take measures and minimize the counterparty risk, however, the risk cannot be completely ruled out. The counterparty risk is particularly high if transactions are executed at an over-the-counter market without engaging clearing organizations who undertake the default risks.

You must be aware that though your broker and manager act in your interest on their behalf, the risks they undertake in relation to their actions – therein including the risk that a third party fails to perform or inadequately performs its obligation towards your broker or manager – are borne by you.

Your investment advisor is a NAUFOR member (National Association of Securities Market Participants) and you may contact the Association if your rights or interests are infringed upon. The Russian Federation Central Bank is a state regulator and an oversight body over issuers, professional securities market participants, trade institutors and other financial organizations; you may also approach the Bank if your rights and interests are infringed upon. Equally, you have the right to apply to courts and law enforcement bodies for protection.

V. Legal Risk

The risk lies in possible negative consequences of adopted laws or regulations, standards of self-regulatory organizations that regulate securities markets or other industries and may negatively affect you.

Legal risk also includes a possible change in the rules of calculating taxes or in tax rates, canceled tax deductions or any other changes in the tax law that may negatively impact you.

VI. Operational Risk

The risk is that you may incur losses due to your investment advisor’s failure to comply with its internal procedures, errors or misconduct by its employees, technical breakdowns at your investment advisor, its partners, infrastructural entities, therein including at trade institutors, clearing houses and other organizations. Operational risk may result in making transactions impossible or difficult to complete and thus causes losses.

Please carefully read the Contract to understand which risks (including the risks of technical breakdowns) are borne by your investment advisor and by you.

1. ADDITIONAL RISKS OF DERIVATIVE FINANCIAL INSTRUMENTS

1.1. **Market Risk.** Besides the general market (price) risk borne by a client in securities market transactions, your entering into contracts that are derivative financial instruments will add the risk of an adverse price move for both the underlying financial assets

and for the collateral. In an adverse price move you may, in a relatively short time, lose funds which serve as the collateral for the derivative financial instruments. At signing contracts which are derivative financial instruments you shall be aware that the contracts limit your ability to dispose of the assets that serve as collateral thereunder. Having concluded the contract that is a financial derivative will make the property (part of the property) you own a pledge to guarantee that you will fulfill your obligations thereunder; thus you will be limited in your disposal thereof and, hence, in your transactions therewith. The collateral will change as agreed in the contract (contract specification). You shall also consider the possible stop out, i.e., the forced closure of your position. An adverse price move may require that additional funds are provided on a short notice to bring the collateral into compliance with regulations and the brokerage contract. The time might be insufficient for you. In such a case your broker is entitled to "compulsory close the position" without your specific consent, i.e., to make a contract that is a derivative financial instrument or to purchase securities with your funds or to sell your securities. This may be done at current (even disadvantageous) prices thus leading to your losses. You may incur a substantial loss even though afterwards the price for the financial instruments might move in your favor and you could have gained if your position had not been closed. In the worst case scenario your loss may exceed the value of assets at your account.

1.2. **Liquidity Risk.** Difficulties in position closure and value loss may entail a higher damage associated with derivative financial instruments if compared to regular deals. Trading in financial derivatives underlined by securities of foreign issuers or indexes computed based on such securities will also entail risks associated with an underlying asset of foreign origin.

2. ADDITIONAL RISKS ASSOCIATED WITH THE PURCHASE OF FOREIGN SECURITIES

2.1. **Systemic Risks.** Foreign securities are subjected to systemic risks of the Russian stock market and also to similar systemic risks of the country that has issued or floats the relevant foreign securities. Major factors that impact the overall system risk include the political situation, the specifics of the national legislation and of currency controls, and the prospects of changes therein, the state of public finances, the availability and the development of the financial system in the obligor's country. The systemic risk level may be affected by many other factors including the probability of investment restrictions introduced for specific economy sectors or the probability of a one-time depreciation of the national currency. The *sovereign rating* in a foreign or national currency awarded to the country of issuer's registration by international rating agencies such as MOODY'S, STANDARD & POOR'S, FITCH IBCA is a widely accepted integral assessment of a systemic risk of investing into a foreign security. However, one shall be aware that such ratings provide just the benchmark and may misrepresent a factual situation in a

particular moment. For deals in foreign depository receipts one shall consider risks associated with the issuer of such receipts and also the risks associated with the issuer of foreign securities covered by the receipt. The current Russian legislation allows Russian investors – even unqualified – to purchase, domestically or abroad, foreign securities that are admitted to public offering and/or floating in the Russian Federation; it also allows Russian depositories to register rights to such securities. However, there are risks that regulations on ownership of and transactions with foreign financial instruments may change as well as the rules for registering the rights to foreign financial instruments. As a result they may be disposed of contrary to your plans.

2.2. **Legal risks.** Judicial remedies available to protect one's rights over foreign securities may be significantly impaired as it will require to apply to foreign judicial and law enforcement bodies according to the established rules that may differ considerably from those in Russia.

3. ADDITIONAL RISKS ASSOCIATED WITH CONTRACTS THAT ARE DERIVATIVE FINANCIAL INSTRUMENTS UNDERLINED BY SECURITIES OF FOREIGN ISSUERS AND/OR BY INDEXES BASED ON SUCH SECURITIES

3.1. **Systemic Risks.** Underlying assets of derivative financial instruments (i.e., securities by foreign issuers and indexes based on them) are subjected to systemic risks of the Russian stock market and also to similar systemic risks of the country that has issued or floats the relevant foreign securities. Major factors that impact the overall system risk include the political situation, the specifics of the national legislation and of currency controls, and the prospects of changes therein, the state of public finances, the availability and the development of the financial system in the obligor's country. The systemic risk level may be affected by many other factors including the probability of investment restrictions introduced for specific economy sectors or the probability of a one-time depreciation of the national currency. The *sovereign rating* in a foreign or national currency awarded to the country of issuer's registration by international rating agencies such as MOODY'S, STANDARD & POOR'S, FITCH IBCA is a widely accepted integral assessment of a systemic risk of investing into a foreign security. However, one shall be aware that such ratings provide just the benchmark and may misrepresent a factual situation in a particular moment. The current Russian legislation allows Russian investors to enter into contracts that are Russian derivative financial instruments underlined by securities of foreign issuers or indexes based thereon. However, there are risks that the regulations on such transactions may change entailing the need to terminate obligations under the relevant contracts despite your plans.

3.2. **Market Risk.** Besides the general market (price) risk borne by a client who carries securities market transactions, once you enter into futures, forward or swap agreements (contracts) or sell option contracts, you assume the risk of an adverse price move for both, the underlying financial instruments and for the collateral. In the scenario of an adverse price move you may in a short time lose the assets that serve as collateral for the derivative financial instruments.

3.3. **Legal Risks.** Judicial remedies available to protect one's rights to derivative financial instruments underlined by foreign securities may be significantly impaired as it will require to apply to foreign judicial and law enforcement bodies according to the established rules that may differ considerably from those in Russia

3.4. **Restrictions on Assets that Serve as Collateral.** Having concluded the contract that is a financial derivative will make the property (part of the property) you own a pledge to guarantee that you will fulfill your obligations thereunder; thus you will be limited in your disposal thereof and, hence, in your transactions therewith. The collateral will change as agreed in the contract (contract specification) and thus it may restrict your ability to freely dispose of your property that you enjoyed prior to signing the contract.

3.5. **Risks of Stop Out (Forced Closure of Your Position).** An adverse price move may require that additional funds are provided on a short notice to bring the collateral into compliance with regulations and the brokerage contract. The time might be insufficient for you. In such a case your broker is entitled to "compulsory close the position" without your specific consent, i.e., to make a contract that is a derivative financial instrument or to purchase securities with your funds or to sell your securities. This may be done at current (even disadvantageous) prices thus leading to your losses. The forced closure is a risk management tool. You may incur a substantial loss even though afterwards the price for the financial instruments might move in your favor and you could have gained if your position had not been closed.

4. ADDITIONAL RISKS IN PURCHASING OF STRUCTURED NOTES (NOTE CERTIFICATES)

4.1. Market (Price) Risk

Structured note is a complex financial instrument and may combine several instrument types thus its payoff depends on the change of certain parameters of underlying securities, stock exchange indexes, interest rates and other underlying assets; it can be sold as a single instrument or be a set of interrelated instruments. That makes structured notes an investment solution to reach a determine yield level at certain predetermined conditions. The key risk associated with investing into structured products is a loss of the invested principal. Once purchased, structures notes are expected to be held in the portfolio for a determined (fixed) period. A premature redemption – if

possible under the market conditions – may result in a considerable loss.

4.2. Earlier Redemption Risk of the Note Structure

Some structural note types have an embedded capital protection (protective barrier) provided by the product issuer. The protection is available only at note's maturity. The protective barrier is determined at the structural note's initial public offering. The barrier sets the limit the underlying asset value can decrease to without causing a damage to investor's capital. Therefore, if at the final redemption date (by the product maturity date) the note value - under the current market conditions or due to the decreased market price of the underlying asset - fell below the initial price, the investor may suffer a considerable damage as high as losing the entire capital.

4.3. Risk of Liquidity and of the Secondary Market Absent for Structured Notes

Structured note issuers are entitled to maintain two-way quotations for their notes with a minimum spread. However, if the market price of the structured note's underlying asset moves swiftly, the note may temporarily lose its liquidity making the client temporarily unable to sell at the secondary market the product he has purchased earlier. The investor must understand the risk of an absent secondary market for structured notes and, therefore, the inability to sell, cede or otherwise dispose of the purchased structured notes.

4.4. Risk that the Issuer Will Become Bankrupt

The risk lies in the insolvency of the structured note issuer that will dramatically reduce the structured note price (up to the total loss of liquidity) making impossible to redeem the note. For structured notes this risk is primarily determined by the issuer's financial status and solvency.

4.5. Risk of Currency, Tax or other Restrictions

The risk of current or future currency, tax or other restrictions that entirely or partially prevents the investor to realize his rights to own or dispose of structure notes, to receive payoffs or any other allocations provided by the structure note terms and conditions.

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In view of the above, we recommend that you carefully consider whether risks associated with securities market transactions are acceptable to you based on your investment objectives and financial capabilities. The Declaration does not intend to advise you against trading in securities market but rather aims at helping you to assess the risks and responsibly choose your investment strategy and terms and conditions in the contract with your investment advisor.

Please make sure that the Declaration of Risks is understood by you and, if needed, get clarifications from your investment advisor or an independent consultant who specializes in relevant topics.