GPB-Financial Services Limited

FINANCIAL PRODUCTS

RISK WARNINGS

GPB-Financial Services Limited

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1 INTRODUCTION

This notice provides a general overview of the most popular financial products and their associated risks with emphasis on the risks of Russian financial market. This notice does not intend to be exhaustive and there may be other risk factors, which the Client should take into account in relation to a particular investment. It is intended to give the Client information on and a warning of the risks associated with them so that he/she is reasonably able to understand the nature and risks of the services and of the specific types of product being offered and, consequently, to take investment decisions on an informed basis.

Client should not rely on the guidance contained in this notice as investment advice based on investor's personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed below. We would strongly recommend that Client seek independent legal or financial advice where it is unclear as to the meaning of any of the disclosures or risk warnings.

The Client hereby acknowledges and accepts that he/she is properly notified by GPB Financial Services Ltd with respect to the risks listed herein and acknowledges and accepts that any one or more of these risks could lead to loss, which could in certain circumstances, far exceed the initial Clients' investments and capital deposited.

2 BASIC INVESTMENT RISKS

2.1 Market Risk

Market risk is referred to investment losses due to adverse movements in financial market prices.

2.1.1 *Price Risk:*

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition. These price movements may result from factors affecting individual companies, sectors or industries selected by the investor or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or longer periods. When the value of securities goes down, your investment decreases in value.

2.1.2 *Currency Risk*

Investors are exposed to currency risk when they hold securities denominated in a foreign currency and the underlying exchange rate depreciates. Generally, when the value of the local currency rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer euros. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

2.1.3 *Interest Rate Risk*

The risk that a change in interest rates will adversely affect the value of an investment. The value of fixed income securities generally moves in the opposite direction of interest rates (decreases when interest rates rise and increases when interest rates fall). The buyer of a fixed income security is expose to the risk of a change in interest rates in the form of a price loss if the market interest rate rises.

2.2 Liquidity Risk

A security is considered liquid by the extent to which it is possible for the investor to sell it at any time at fair market value. Sale of liquid securities may not cause noticeable price fluctuations irrespective of the volume. Narrow and illiquid markets can make it difficult to buy or sell securities. Liquidity risk is more evident in emerging markets, which are substantially smaller, less liquid and more volatile than the securities markets in most developed markets. A few issuers represent a large percentage of market capitalization and trading volume. Due to these factors, it may be difficult for the investor to buy or sell some securities because of poor liquidity.

2.3 Credit Risk

Credit risk refers to the risk of losses due to the fact that debtors maybe unwilling or unable to fulfill their contractual obligations because of deteriorating credit quality or bankruptcy. Such defaults could result in losses to an investor. In addition, the credit quality of securities held by the investor may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, affect liquidity and make it difficult for the investor to sell the security.

2.4 Inflation Risk

The risk that the investor will suffer a financial loss because of a fall in the value of money (i.e. inflation).

2.5 Volatility Risk

The higher the volatility of a security, the more extreme is the upward and downward price movements. Investing in higher risk countries entail volatility risk and higher potential of losses.

2.6 Tax Risk

Tax risk arises because of the uncertainty associated with tax laws. Changes in law may lead to changes in the tax treatment of capital gains and income from securities, in terms of both the amount and nature of taxes.

Double taxation treaties between countries can have positive effects on the capital market prices. However, there is no guarantee that applicable double tax treaties, will remain in place or will not be changed.

2.7 Settlement and Custody Risks

Settlement risk is the risk that one party could be in the process of paying the counterparty while the counterparty is declaring bankruptcy.

With regard to the foreign custody, the securities are subject to the laws and market practices of the respective country where they are held in custody. If a custodian becomes insolvent, applicable local law determines the priority of claims.

Concerning the Civil Law of the Russian Federation in case of bankruptcy of a custodian, the assets held on the account name of clients are protected from any claim made on behalf of the creditors of the Depositary. However, in the Russian Federation there is no Central Securities Depository established to manage the clearing, settlement and safekeeping of all securities. All Russian registrars are supervised by the Federal Financial Markets Service (FFMS). As a result of this system it is possible that ownership rights could be lost through fraud or negligence an investor can have limited access to the custody securities or no access at all until the court proceeding have been resolved.

Under Markets in Financial Instruments Directive (MiFID), companies have to separate client assets from the Company's assets and keep the 'client assets' in segregated accounts with trust status to protect it in the event of insolvency. Custody risk is eliminated when client's assets are held separately from GPBFS assets at same custodian.

GPB Financial Services Ltd policy ensures that client's accounts are clearly specified in custodian's books as 'underlying clients of GPB FS Ltd'.

2.8 Emerging Market Risks

Investments in emerging markets may involve certain risks not found in investments in developed markets. Emerging markets are usually smaller, less liquid and more volatile than developed markets and there is often substantially less information publicly available about these investments. In addition, there may be greater risks arising from political, social and economic uncertainties and from possible changes in currency exchange rates.

3 FINANCIAL INSTRUMENTS AVAILABLE FOR INVESTORS AND THEIR RELATED RISKS

3.1 Equities

Investing in equities is considered risky investment because it involves significant risks mentioned in Part II and specific risks related to the issuer and the sector the issuer operates. If the issuer is not listed or traded on an exchange, there may be also liquidity risk.

3.1.1 Depositary receipts

Depositary Receipts (DRs) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange, which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. There are two basic types of DRs: American Depositary Receipt programs (ADRs) which give companies outside of the US access to the US capital markets, and Global Depositary Receipt programs (GDRs), which provide exposure to the global markets outside the issuer's home market. International Banks (depositaries) issue these shares against ordinary shares held in custody in the issuer's home market.
The risks involved relate both to the underlying share and to the bank issuing the receipt. First, ADR prices are subject to foreign market and exchange risks. Second, there are important differences between the rights of holders of ADRs and GDRs, and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not transferred on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may adversely affect the value of the relevant instruments. Fourth The Client bears settlement risk from the delivery of Depositary Receipts to Depositary's account on a "free delivery" basis. Finally, there may be tax implications when DRs are converted from foreign currencies.

3.2 Money-market instruments

A money market instrument is a form of short-term cash borrowing usually no longer than one year, in which the lender takes a deposit from the money market in order to lend it to the borrower. Money-market instruments may be exposed to the same risks as Fixed Income instruments (see 3.3 below).

3.3 Fixed Income

Fixed income instruments are affected by particular risks such as credit risk, the risk of changes in interest rates, inflation risk, liquidity risk, fiscal/monetary risks and other specific risks associated with individual types of bond.

3.3.1 *Government Bonds*

The performance of this type of bonds lies on the ability of the government to collect or impose taxes, the economic growth and prospects of the country and political developments, which can have serious economic consequences and affect a country's ability to pay.

3.3.2 *Corporate Bonds*

These are bonds issued by companies in industry and trade. Performance of this type of bond lies on the issuer's ability to raise adequate cash flow to pay its obligations. A corporate debt obligation may be secured i.e in the form of collateral, which is pledged to ensure repayment of the debt, or unsecured i.e. without collateral.

3.3.3 *Eurobonds*

Eurobonds are bonds issued and traded outside the country whose currency it is denominated in, and outside the regulations of a single country; usually a bond issued by a non-European company for sale in Europe called global bond.

3.4 Derivatives

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Derivatives are used for hedging investment risks or for arbitrage purposes. The Client should carefully assessed all risks from such transactions. All derivatives are subject to the main risk types in part 2 above, in particular market risk, credit risk and any specific risks related with the underlying asset. The main derivative instruments are options, futures/forwards, and swaps.

3.4.1 *Call/Put options*

Options are instruments that give their holder the right (but not the obligation) to buy or sell an asset at a specified price until a specified expiration date.

Options to buy a stock are call options and options to sell a stock are put options. The buyer of the option pays a premium to the seller for entering the option contract. Transactions with options are considered more complex than transactions with equities and bonds.

Adequate market expertise is required from the investor's site before entering into any transactions with options. As hedging instruments, options are bought to decrease exposure to certain types of market price movers of the investor's position. By hedging a position, it does not mean that the risk is minimized or eliminated. Options can be used for hedging or speculating.

3.4.2 *Interest Rate Swaps*

Companies use interest rate swaps to alter their interest rate exposure. A company paying floating interest rate can obtain fixed rate exposure by entering into a swap. Therefore, the company can enter a swap in which they receive floating rate and pay the fixed rate. Lenders of long-term debt bear both interest and credit risk. Credit risk is mostly borne by the long-term bondholders since the firm could go bankrupt. Potential credit risk is largest during the middle period of the swap's life because at the beginning of a swap's life we assume that involved counterparties have performed sufficient current credit analysis on one another in order to enter into agreement. At the end of the swap's life, the credit risk is diminished because most of the risk has been amortized through periodic payment process.

3.4.3 *Currency Swaps*

Currency swaps are used to hedge currency risk. With currency swaps, investors can change the currency to which they have exposure. Currency swaps have their greatest credit risk between the midpoint and the end of the life of the swap.

3.4.4 *Credit Default Swap*

Is a contract in which a protection buyer pays a premium, periodic or upfront to the protection seller, in exchange for a protection against a credit event experienced by a reference entity. The Credit Default Swap contract does not eliminate fully the credit risk, it decreases exposure to the reference entity credit risk and takes new exposure to the seller of the Contract. If there is a high correlation between the default risk of the reference entity and the CDS seller, this credit protection becomes less valuable. Finally, if the protection seller fails to pay then the protection becomes worthless.

3.4.5 Futures/Forwards

Transactions in Futures or Forwards involve commitments on the part of each party. Settlement, usually in cash, takes place at a future date at which one party owes the greater amount to the other. The party that owes the larger amount could default, leaving the other with a claim on the defaulted amount. Futures and forwards have margin requirements which require payments if the market moves against you. Failing to do so within the time required your position might be liquidated at a loss.

3.5 Alternative Investments

Alternative investments are usually indirect investments with risk and return characteristics different from the conventional investments i.e stocks and bonds. The main characteristics of alternative investments are the limited liquidity, high due diligence costs, diversification benefits and performance appraisal difficulty.

3.5.1 *Commodities*

Commodities markets are characterized by high volatility. On a stand–alone perspective, commodities are considered a high-risk investment. If commodities form part of portfolio of stocks and bonds they offer risk diversification benefits due to their low correlation with stocks and bonds. In addition, commodities in the portfolio serve as inflation hedge, offsetting the losses to bonds which usually lose value during periods of unexpected inflation.

3.6 Direct Market Access System (DMA)

Direct Market Access (DMA) refers to platforms sponsored by brokers that permit buy-side investors to directly access equities, fixed income, futures, and exchange markets, clearing via the broker. An individual can enter their limit orders directly into the market via the order book.
The order book is a two column listing of those wanting to buy at a specific (limit) price and no higher, in the other column a list of those that want to sell at a specific price and no lower. The columns are both arranged on a price/time priority basis, the highest price someone will pay for a stock will be at the top of the buy column and the lowest price someone is prepared to sell is at the top of the sell column. The order book is populated by limit orders placed by private investors, institutions and market makers.
All orders on the order book are stable and orders away from the market price may be there to profit from volatility in the stock when it would be possible to buy cheaply or sell at a high price.

The major risks associated with transacting through DMA system are the following:

- System risks. Possible failure of the system, unintentional disconnection from the exchange network may delay execution process and create uncertainty about the status of working orders.
- Erroneous transactions,
- Risk of trading in front of the order. For example if a large size purchase order is posted in the limit order book, other individuals may take long positions in the security in the hope of realizing a profit by selling the stock at a higher price.
- Execution uncertainty. There is uncertainty of whether any trades will be made on the specified prices posted by the individual in the limit order book.

GPB Financial Services Ltd is responsible for all orders submitted by or through it to the order book and has controls in place to help prevent erroneous orders from being submitted. One of these controls is to require a certain level of expertise from its customers. Customers should read and familiarize themselves with all above risk warnings.

3.7 Repos / Stock Lending

A repurchase agreement or “repo” is the sale of a security with a commitment by the seller to buy the same security back from the purchaser at a specified price at a designated future date. Repo agreements resemble a collateralized loan where the collateral is the security that is sold and afterwards repurchased. Both parties in a repo transaction are exposed to credit risk.

3.8 Exchange Traded Funds (ETFs)

ETFs are organized as either open-end investment companies or unit investment trusts (“UITs”). Each ETF must prepare and make available to prospective investors a prospectus and statement of additional information that contains detailed information about the ETF’s investment objectives, investment strategies, specific risks and fees and expenses as well as other information. ETFs are comprised of baskets of stocks, bonds or other assets. Unlike mutual funds that always trade at exactly at its stated "net asset value" (NAV), may trade below or above their NAV because you can buy and sell ETFs intraday, like any other stock shares. Depending on the investment strategy and objective an ETF is exposed to all the risks mentioned in part 2.

3.9 Structured Products

The objective of structured products is to provide enhanced returns through linking an investment to another market(s) depending on the characteristics of the structure. Generally, a structure product invests in a variety of underlying assets such as shares, debt securities, commodities or mutual funds and derivatives linked to another market for generating returns. Risks depend on the investment characteristics of the structure product and can include loss of capital if the product structure involves leverage, rate of return may depend on specific conditions that should be met. Some structured products may provide a degree of capital protection, others do not. Products that come with '100 per cent capital protection, will still have exposure to inflation risk and counterparty risk because the guarantees behind the majority of such products are provided by a third party.