Execution Policy for Retail Clients

ERSTE Group

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1 Execution Policy for Orders of Retail Clients

Please note: This is a translation, only the German version of this policy is legally binding.

1.1 Scope

a. This policy sets out the key steps Erste Group Bank AG has taken in compliance with the Securities Supervision Act 2018 (WAG 2018) to ensure that the best possible result for its clients is obtained when executing their orders. The following execution standards solely apply to retail clients as defined under WAG 2018 (see Annex 2.3 for the definition of retail clients).
b. The requirements of WAG 2018 on best execution are one of the key objectives of investor protection. These requirements apply to investment firms, who carry out portfolio management or receive and transmit client orders or execute such orders against their own book (a list of financial instruments in scope of the WAG 2018 can be found in Annex 2.2). Client orders, which Erste Group Bank AG receives, transmits, or executes as well as transactions, which Erste Group Bank AG executes when providing portfolio management to clients, will be referred to as orders in the following.
c. According to WAG 2018, investment firms have to take all sufficient steps to obtain the best possible result for their clients when executing client orders. Where an investment firm executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs relating to the execution. The latter shall include all expenses incurred by the client, which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.
d. The execution policy is an integral part of the account and deposit opening agreement between Erste Group Bank AG and the client. As a prerequisite for the opening of a securities account, clients have to give their prior consent to this policy. In addition, their consent shall be deemed to be given repeatedly when they place orders with Erste Group Bank AG.

1.2 Execution Standards

Erste Group Bank AG executes orders according to the following standards:

a. Erste Group Bank AG takes all sufficient steps to obtain the best possible result for the execution of client orders on a consistent basis, but not on a single order basis. Erste Group Bank AG places orders at execution venues, which it deems suitable for this purpose. Execution venues include regulated markets (RM), multilateral trading facilities (MTF), organised trading facilities (OTF), systematic internaliser (SI), and other liquidity provider.
b. When executing orders, Erste Group Bank AG takes into account the classification of the client as retail client.
c. If there is a specific client instruction, Erste Group Bank AG executes the order according to the specific instruction (see section 1.8). The client should note, that any specific instructions may prevent Erste Group Bank AG from taking the steps it has designed and implemented to obtain the best possible result for the execution of those orders, in respect of the elements covered by those instructions.
d. Erste Group Bank AG receives and transmits orders as an agent to other entities for execution on a commission basis (see section 1.6) or executes orders either directly at a trading venue (see Annex 2.1) or against its own book. In specific business cases agreed with the client, Erste Group Bank AG may execute any non-tradable part of a stock exchange order (comma pieces) against its own book.
e. When choosing third parties for transmission of orders for execution (referred to as broker in the following), Erste Group Bank AG applies a standardised selection procedure. Erste Group Bank AG assesses on a regular basis whether the connected brokers have effective execution policies and arrangements in place, which ensure best execution on a consistent basis in line with this policy and WAG 2018. If needed, any deficiencies are corrected (further details are provided in section 1.6).
f. Erste Group Bank AG reviews this policy at least annually (see section 1.11) and informs its clients about any material changes to this policy.
g. Erste Group Bank AG will demonstrate to its clients, at their request, that it has executed their orders in accordance with this policy or their specific instructions.

1.3 Execution Standards per Class of Financial Instruments

1.3.1 General

a. Execution venues include RM, MTF, OTF, SI, and other liquidity provider. The choice of the execution venue can have a direct impact on the best possible result Erste Group Bank AG obtains when executing client orders.
b. Annex 2.1 provides a list of execution venues selected by Erste Group Bank AG, where client orders are executed. Selection criteria as well as risks are described in section 1.4. Sell orders are usually executed in the country of the custodian of the financial instrument due to the settlement fees related to the execution of the orders. This also applies to the selling of subscription rights.

1.3.2 Shares and Exchange Traded Funds (ETFs)

a. Orders for shares and ETFs are directly placed at or transmitted through brokers to trading venues for execution.
b. In general, Erste Group Bank AG executes orders in shares and ETFs on a commission basis. For shares the trading venue obligation applies according to WAG 2018 and Regulation EU 600/2014. Erste Group Bank AG therefore executes orders for shares where the best possible result can be obtained on a consistent basis due to the higher trading volumes.
c. Erste Group Bank AG may use alternative execution venues for orders greater than EUR 500,000 or in the event of insufficient liquidity, taking into account that a better result according to price or cost can be achieved for the client. This trading venue may differ from the original trading venue when placing the order.

1.3.3 Bonds

a. Bonds are either traded on a commission basis on a trading venue or on own account through an internal execution venue (systematic internaliser or other liquidity provider).
b. Erste Group Bank AG offers, in its capacity as liquidity provider the possibility to directly buy or sell bonds (including zero coupon bonds) at current market prices. Thereby, Erste Group Bank AG executes orders on own account on a systematic basis. The current market prices are quoted by Erste Group Bank AG itself and are published in the internal market place ("Erste Group Wertpapierliste"). Erste Group Bank AG primarily offers its own bonds as well as bonds of selected issuers. Thereby, Erste Group Bank AG acts in compliance with the applicable rules for systematic internalisation.
c. Erste Group Bank AG may use alternative execution venues for orders greater than EUR 500,000 or in the event of insufficient liquidity, taking into account that a better result according to price or cost can be achieved for the client. This execution venue may differ from the original execution venue when placing the order.

1.3.4 Investment Funds

a. The creation or redemption of units of domestic investment funds and real estate investment funds, as well as of units of foreign investment funds, where sales is permitted in Austria through a custodian bank, is not considered as execution of client orders in the aforementioned sense according to WAG 2018 and therefore is not in scope of this policy.
b. In addition, following specific instructions of the client Erste Group Bank AG executes orders to buy or sell units of investment funds through a trading venue on a commission basis.

1.3.5 Certificates and Warrants

a. Erste Group Bank AG offers the purchase of certificates and warrants on a commission basis on trading venues or outside of a trading venue.
b. Erste Group Bank AG offers, in its capacity as systematic internaliser or other liquidity provider, the possibility to directly buy or sell certificates at current market prices. In general, Erste Group Bank AG thereby executes orders on own account in a systematic way. The current market prices are quoted by Erste Group Bank AG itself and are published in the internal market place. Erste Group Bank AG primarily offers its own certificates as well as certificates of selected Austrian issuers on its own internal execution venue. Thereby, Erste Group Bank AG acts in compliance with the applicable rules for systematic internalisation.
c. Erste Group Bank AG directly trades financial instruments with the issuer, if the issuer offers a better overall result for the client or a higher likelihood of execution.

1.3.6 OTC Derivatives

a. This refers to deals individually agreed on for a fixed price between the client and Erste Group Bank AG outside of an RM (over-the-counter) or traded on an MTF or OTF.
b. OTC derivatives can be based on different underlyings, such as interest rates, currencies, or commodities.
c. The valuation of the parameters of a client order, which is executed outside a trading venue, is performed by Erste Group Bank AG prior to the transaction. Thereby, Erste Group Bank AG uses current reference prices and appropriate valuation methods.

1.4 Execution Factors per Class of Financial Instruments

1.4.1 General

a. For obtaining the best possible result for its clients, Erste Group Bank AG takes into account different execution factors:
   - price
   - costs
   - speed of execution
   - likelihood of execution
   - other relevant factors

b. For retail clients, the best possible result is determined in terms of the total consideration, representing primarily the price of the financial instrument and the costs relating to the execution of the order.

c. The costs taken into account by Erste Group Bank AG include, for example, execution venue fees, taxes, fees for brokers or clearing and settlement fees.

d. Further information about the execution criteria and their meaning, as well as a description of the market conditions for each class of financial instruments, is outlined in the following. Execution factors are ranked according to their relative importance, where criteria with highest priority are described first.

1.4.2 Shares and Exchange Traded Funds (ETFs)

Shares and ETFs are primarily traded on a trading venue. The following execution factors are taken into account by Erste Group Bank AG to obtain the best possible result for the client:

Factors	Description
Price/costs	Erste Group Bank AG assesses, which of the different trading venues obtain the best possible result with respect to the traded price on a consistent basis. Erste Group Bank AG takes into account all costs relating to the execution of orders which could arise for the client. These include, for example, fees for trading venues, brokers or clearing systems as well as taxes.
Speed/likelihood of execution	In order to ensure highest likelihood and speed of execution, Erste Group Bank AG takes into account the different trading volumes at the respective execution venues.
Qualitative factors	In addition, Erste Group Bank AG takes into account qualitative factors, such as secure and fast access to execution venues and brokers, reliability of clearing systems, as well as available emergency procedures.

1.4.3 Bonds

a. Bonds are primarily traded on a trading venue or against the own book. Thereby, the factors price, costs, and likelihood of execution are usually of highest importance.
b. The following execution factors are taken into account by Erste Group Bank AG to obtain the best possible result for the client:

Factors	Description
Price/costs	Erste Group Bank AG assesses, which of the different execution venues obtain the best possible result with respect to the traded price on a consistent basis. Erste Group Bank AG takes into account all costs relating to the execution of orders, which could arise for the client. These include, for example, fees for execution venues, brokers or clearing systems as well as taxes.
Speed/likelihood of execution	In order to ensure highest likelihood and speed of execution, Erste Group Bank AG takes into account the different trading volumes at the respective execution venues.
Qualitative factors	In addition, Erste Group Bank AG takes into account qualitative factors, such as secure and fast access to execution venues and brokers, reliability of clearing systems, as well as available emergency procedures.

1.4.4 Investment Funds

a. Client orders for investment funds are primarily purchased either with the asset management company directly or through trading platforms.
b. In case where client orders are executed on a trading venue following a specific instruction of the client, the same execution factors are used as for shares and ETFs (see section 1.4.2).

1.4.5 Certificates and Warrants

a. Certificates and warrants are traded on trading venues or directly with the issuer, since there, the best total price for the client is obtained.
b. On annual basis, Erste Group Bank AG compares the total costs of order execution at the various execution venues in order to achieve the best possible result on a regular basis.

Factors	Description
Price/costs	Erste Group Bank AG assesses, which of the different execution venues obtain the best possible result with respect to the traded price on a consistent basis. Erste Group Bank AG takes into account all costs relating to the execution of orders which could arise for the client. These include for example fees for execution venues, brokers or clearing systems, as well as taxes.
Qualitative factors	In addition, Erste Group Bank AG takes into account qualitative factors, such as secure and fast access to execution venues and brokers, the reliability of clearing systems, as well as available emergency procedures.

1.4.6 OTC Derivatives

a. The valuation of the parameters of a client order is performed by Erste Group Bank AG prior to the transaction. Thereby, Erste Group Bank AG uses current reference prices and appropriate valuation methods and informs the client about potential risks, such as, for example, counterparty risk.

1.5 Primary Market

a. Erste Group Bank AG offers the subscription or purchase of shares, bonds, warrants, and certificates issued by Erste Group Bank AG or selected other issuers (on a commission basis) for a fixed (issue) price.

1.6 Brokers

a. In case where Erste Group Bank AG does not have direct market access, orders are transmitted to brokers for execution.
b. In order to ensure that the best possible result is obtained on a consistent basis, Erste Group Bank AG exclusively chooses brokers, which offer a high quality of service and effective arrangements for best execution.
c. The selection of brokers can have a direct impact on the execution price and costs and consequently, on the overall costs. Therefore, the execution factor overall costs is an important criterion in the selection process of brokers.

1.7 Costs and Fees Paid to Third Parties

In general, different fees can incur for the execution of client orders, which are outlined in the following.

a. Trading venue fees: These are the fees published by the respective trading venue, which incur in case of a direct market access as well as for execution via a broker.
b. Broker fees: In case where Erste Group Bank AG does not have a direct market access, fees incur for brokers providing the required market access.
c. Settlement fees: These are fees of external settlement agents and custodians relating to the settlement and custody of financial instruments.
d. Taxes: These can incur for a trading venue, as well as for a single financial instrument only.
e. Fees of Erste Group Bank AG: These fees are shown as own expenses.

1.8 Specific Client Instructions

a. Where there is a specific instruction from the client regarding the execution venue or other aspects of the order, Erste Group Bank AG will execute the order following the specific instruction. The client should note, that any specific instructions may prevent Erste Group Bank AG from obtaining the best possible result for the execution of those orders in respect of the elements covered by those instructions.
b. Where there is no specific instruction from the client, Erste Group Bank AG executes the order according to the present execution standards.

1.9 Aggregation and Allocation of Orders

a. When executing orders on behalf of clients, Erste Group Bank AG may, where possible and reasonable, aggregate orders with other clients. Erste Group Bank AG will only aggregate orders, where it is unlikely that this approach would work to the overall disadvantage of any client affected by this aggregation. However, in line with legal provisions, it is noted that the aggregation may work to the client's disadvantage in relation to a particular order.

1.10 System Failures and Other Unexpected Events

a. In case of unexpected events (e. g. system failures), Erste Group Bank AG may have to deviate from its execution policy and choose alternative ways for order execution. Also in this case, Erste Group Bank AG will attempt to obtain the best possible execution. In the course of trading restrictions, single stock exchanges might become unavailable for placing of orders. In this case, Erste Group Bank AG will, if possible, inform its clients upon reception of their orders through their account manager, the homepage of Erste Group Bank AG or their online banking access.

1.11 Monitoring and Review of the Execution Policy

a. The selection of execution venues according to this policy is annually reviewed by Erste Group Bank AG. In addition, a review is carried out in case of indications that essential criteria in favour of a particular execution venue have become invalid. Erste Group Bank AG will inform its clients about material changes relating to its execution policy.
b. Erste Group Bank AG developed procedures and practices to review the obtained execution quality. These reviews are based on the execution factors per class of financial instruments listed in section 1.4 for the execution venues. The best possible execution venue for a particular financial instrument is determined based on a numerical scoring model. There, the execution factors are assigned different weights and are evaluated using the scoring model. The execution venue with the highest score is chosen as execution venue.
c. The reports of the quality of execution published by the execution venues serve as input parameters for the evaluation by Erste Group Bank AG.
d. For OTC derivatives, Erste Group Bank AG checks the fairness of the price. In the validation methods and review processes implemented by Erste Group Bank AG for this purpose, external market data are regularly taken into account.

1.12 Top 5 Reporting and Quality of Execution Report

a. Erste Group Bank AG publishes, on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where it executed client orders in the preceding year.
b. Erste Group Bank AG publishes, on a quarterly basis, data relating to the quality of execution of client orders for financial instruments, where Erste Group Bank AG acts in the capacity of systematic internaliser or other liquidity provider.
c. The reports are published on the website of Erste Group Bank AG.

2 Annex

2.1 Execution Venues

Financial Instruments	Country	Execution Venue	Access	Routing
Shares and exchange traded funds	Austria	Vienna Stock Exchange	own access Erste Group[1]	electronic
	Germany	Xetra Frankfurt	own access Erste Group[1] or broker	electronic
		Börse Frankfurt	own access Erste Group[1] or broker	electronic
		Börse Stuttgart	broker	electronic
		Tradegate	broker	electronic
		Börse München	broker	electronic
		Börse Berlin	broker	electronic
		Börse Hamburg	broker	electronic
		Börse Hannover	broker	electronic
	Denmark	NASDAQ OMX – Copenhagen	broker	electronic
	Finland	NASDAQ OMX – Helsinki	broker	electronic
	France	NYSE Euronext – Paris	broker	electronic
	United Kingdom	London Stock Exchange	broker	electronic
	Italy	Borsa Italiana	broker	electronic
	Croatia	Zagreb Stock Exchange	own access Erste Group[1]	electronic
	Netherlands	Euronext Amsterdam	broker	electronic
	Norway	Oslo Bors	broker	electronic
	Poland	Warsaw Stock Exchange	own access Erste Group[1]	electronic
	Romania	Bukarest Stock Exchange	own access Erste Group[1]	electronic
	Sweden	Nasdaq Stockholm	broker	electronic
	Switzerland	SIX Swiss Exchange	broker	electronic
	Slovenia	Ljubljana Stock Exchange	own access Erste Group[1]	electronic
	Slovakia	Bratislava Stock Exchange	own access Erste Group[1]	electronic
	Spain	Bolsa de Madrid	broker	electronic
	Czech Republic	Prague Stock Exchange	own access Erste Group[1]	electronic

Financial Instruments	Country	Execution Venue	Access	Routing
Shares and exchange traded funds	Hungary	Budapest Stock Exchange	own access Erste Group[1]	electronic
	Australia	Australian Securities Exchange	broker	electronic
	Hong Kong	Hong Kong Stock Exchange	broker	electronic
	Japan	Tokyo Stock Exchange	broker	electronic
	Canada	Toronto Stock Exchange	broker	electronic
	USA	New York Stock Exchange	broker	electronic
		NASDAQ	broker	electronic
		OTC Markets US	broker	electronic
	MTFs	MTF Bloomberg	own access Erste Group[1]	electronic
		MTF Tradeweb	own access Erste Group[1]	electronic
Bonds	Germany	Börse Frankfurt	own access Erste Group[1] or broker	electronic
		Börse Stuttgart	broker	electronic
		Börse München	broker	electronic
		Börse Berlin	broker	electronic
		Börse Hamburg	broker	electronic
		Tradegate	broker	electronic
	Austria	Vienna Stock Exchange	own access Erste Group[1]	electronic
	MTFs	MTF Bloomberg	own access Erste Group[1]	electronic
		MTF MarketAxess	own access Erste Group[1]	electronic
		Erste Group		electronic
Investment funds	Germany	Börse Frankfurt	own access Erste Group[1] or broker	electronic
		Börse München	broker	electronic
		Börse Berlin	broker	electronic
		Börse Hamburg	broker	electronic
		Börse Stuttgart	broker	electronic
		Investment companies	broker	electronic
Certificates and warrants	Austria	Vienna Stock Exchange	own access Erste Group[1]	electronic
	Germany	Xetra Frankfurt	own access Erste Group[1] or broker	electronic
		Börse Frankfurt	own access Erste Group[1] or broker	electronic
		Börse Stuttgart	broker	electronic
		Erste Group		electronic
		issuers (OTC)		electronic
OTC Derivatives		Erste Group		manual

1 This refers to the use of entities within the Erste Group (being Erste Group Bank AG and its subsidiaries and affiliates) including but not limited to Ceska Sporitelna A.S., Slovenska Sporitelna A.S., Erste Investment Hungary Zrt., Banca Commerciala Romania S.A., Erste Bank a.d. Novi Sad, Erste Bank Croatia, Erste Securities Polska S.A. and their respective EU branches and affiliates.

2.2 Definition of Financial Instruments

Source: Annex I Section C of MiFID II (Directive 2014/65/EU of the European Parliament and of the Council)

1. Transferable securities

2. Money-market instruments

3. Units in collective investment undertakings

4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures, which may be settled physically or in cash.

5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event.

6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled.

7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments.

8. Derivative instruments for the transfer of credit risk

9. Financial contracts for differences

10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.

11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

2.3 Glossary

Professional Client
A client who possesses the experience, knowledge and expertise to make its own investment decisions and to properly assess the risks that it incurs.

Retail Client
A client who is not a professional client.

Regulated Market (RM)
A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly.

Multilateral Trading Facility (MTF)
A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract, which is no RM.

Organised Trading Facility (OTF)
A multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

Trading Venue
This includes regulated markets, MTFs, and OTFs.

Systematic Internaliser
An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system.

Market Maker
A person, who holds himself out on the financial markets on a continuous basis, as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person.

Execution Venues:
Include:
- Trading venues (RM, MTF, OTF)
- Systematic internaliser (SI)
- Market maker
- Other liquidity provider

Broker
A firm which receives and transmits orders for execution to specific execution venues.

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