

# Information about us and our securities services

**ERSTE**   
Group

# Information about us and our securities services

## Information for customers

(As of: March 2020)

Pursuant to the Austrian Securities Supervision Act (WAG 2018), we are required to provide you with the following information about us and our securities services.

## A. Information about us

Erste Group Bank AG (Erste Holding),  
Am Belvedere 1, A-1100 Vienna

### Central switchboard

Tel.: +43 (0)5 0100 - 10100

Fax: +43 (0)5 0100 9 - 10100

email: [contact@erstegroup.com](mailto:contact@erstegroup.com)

### Company details

Registered office: Vienna

FN: 33209 m

Commercial Court: Vienna

VAT ID No.: ATU15361506

DVR: 0031313

Swift Code/BIC: GIBAATWWXXX

Bank routing number: 20100

License: licensed credit institution pursuant to Section 1 of the Austrian Banking Act

### Responsible supervisory authorities

European Central Bank

Sonnemannstrasse 22

D-60314 Frankfurt/Main

<https://www.bankingsupervision.europa.eu/home/html/index.en.html>

Financial Market Authority

Otto-Wagner-Platz 5,

A-1090 Vienna,

[www.fma.gv.at](http://www.fma.gv.at)

Chamber/Trade association

Austrian Economic Chambers Banking section

Wiedner Hauptstraße 63, A-1040 Vienna,

[www.wko.at](http://www.wko.at)

### Legal provisions

The principal legal provisions are the Austrian Banking Act (§65a Bankwesengesetz, BWG), the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG), and the Austrian Savings Bank Act (Sparkassengesetz, SpG), in each case as amended ([www.ris.bka.gv.at](http://www.ris.bka.gv.at)).

## B. Additional information pursuant to the Austrian Media Act

### Imprint

[www.erstegroup.com](http://www.erstegroup.com)>Imprint

### Links

On its website, Erste Group Bank AG hosts links to other websites. Erste Group Bank AG does not review such websites with respect to their content or lawfulness. Erste Group Bank AG has no influence over the design of such websites and expressly disavows any unlawful content that may be depicted there. Moreover, Erste Group Bank AG assumes no responsibility or liability for such content.

### Email

Please be advised that, in conformity with the Austrian E-Commerce Act, email sent to us is downloaded only during normal banking hours.

### Languages

You can communicate with us in the following languages: German or English.

### Data protection

All personal data is handled by us in accordance with the Austrian Data Protection Act (Datenschutz-Grundverordnung).

### Annual report

The consolidated annual report of Erste Group Bank AG can be downloaded from our website as a PDF document beginning in the 2nd quarter of the subsequent financial year:  
[www.erstegroup.com](http://www.erstegroup.com)

### WAG Info Package

The respective valid version of "Information about us and our Securities Services" of Erste Group Bank AG can be found under – [www.erstegroup.com/mifid](http://www.erstegroup.com/mifid)

# Deposit guarantee and investor compensation

## C. Deposit guarantee and investor compensation

On 1 January 2019, the Haftungsverbund was recognised as a deposit guarantee and investor compensation system. As an additional safety net for Erste Bank and the savings banks, the Joint Liability Scheme makes the savings bank group even safer, in addition to statutory deposit insurance and investor compensation.

The Joint Liability Scheme does everything it can to ensure that there will never be a security event and that customer deposits are invested securely. Among other things, an early warning system is anchored in order to be able to react quickly to the economic difficulties of a savings bank. If a security event should actually occur, Sparkassen-Haftungs GmbH assumes the reimbursement of the statutory covered deposits and the tasks of statutory investor compensation.

### C.1. Statutory deposit guarantee

The statutory deposit guarantee scheme ensures that deposits of customers (both natural and legal persons alike) that are held by an Austrian credit institute will be paid out, up to a total amount of EUR 100,000. This means that capital and interest on current accounts, savings books and savings accounts, securities clearing-accounts and home purchase savings are protected up to a total amount of EUR 100,000 per natural or legal person and per credit institute. Additionally, depositors could be entitled to receive up to EUR 500,000 in specific cases. In those cases, deposits would be only insured when they have a distinct purpose according to the "ESAEG" and were deposited within the last 12 months.

### C.2. Scope and exceptions to deposit guarantee scheme

Which deposits are secured?

As in the past, deposits of up to 100,000 euros per customer and Bank secured. This amount is also valid for Joint accounts per customer. In special cases, a higher discount applies for a maximum of 12 months.

Deposit protection of up to 500,000 euros – for example at Severance payment or for private real estate purchases.

Deposits in all foreign currencies are also secured.

To whom does the deposit protection apply?

As before, deposits from all customers are secured.

In the future, deposits from corporate customers of large

corporations will also be covered. (pursuant to § 221 (3) UGB). Which accounts are covered by the deposit guarantee?

As before, the deposit guarantee applies to

- Savings accounts and passbooks
- Payment accounts
- Securities clearing accounts
- Building society accounts

Which accounts are not covered by deposit guarantee?

As before, the following are not secured

- Securities accounts, which are covered by investor compensation.
- Secured up to 20.000 Euro
- Deposits from institutional clients, such as banks,
- Insurance, investment companies, pensions and similar obligations
- Annuity fund
- Deposits from federal, state and local governments

When does a fuse case occur?

Deposit protection protects you if your savings of is not paid out to the bank because:

- The bankruptcy was opened through the financial institution
- The business supervision was imposed
- A cessation of payment has been ordered, or
- the financial market supervisory authority has determined that a financial institution for financial reasons is unable to repay the deposits due and does not currently have any and there is a prospect that the Institute will be able to do this in the future.

In addition, please see the statutory provisions of the "ESAEG" law (Einlagensicherungs- und Anlegerentschädigungsgesetz) in regarding deposit insurance and investor indemnification, which we will be glad to provide you upon request.

### C.3. Statutory investor compensation

The statutory investor compensation scheme insures claims by customers against a credit institute resulting from services relating to securities. This includes all cases in which the credit institute is no longer able to pay out monies credited to non-interest-bearing accounts from securities transactions (e.g. monies from dividend payouts) or if it is no longer able to return securities. Customers who are natural persons are insured up to EUR 20,000. Customers that are legal entities or partnerships are insured up to 90% of their claim, but not more than EUR 20,000.

Customers are entitled to the protection afforded by investor indemnification in addition to deposit insurance. Deposit insurance and investor indemnification protect customers in those cases in which the credit institute is no longer able to pay out their assets to them because the credit institution is in bankruptcy, is under court supervised management, or has been ordered to suspend payments.

How is the payment made in the event of a security event?

- In addition to other financing instruments, funds are available for disbursement.
- The banks will gradually pay into these funds until 2024.
- In principle, compensation is paid without the need to apply for payment.
- Payment is made within 7 working days.
- The depositor receives a registered letter issued for his own account with access data for a web form and can transfer his deposits himself as he wishes.

## C.4. Exceptions to investor compensation

The following are not covered by deposit insurance:

- Securities accounts (will be covered by the investor indemnification up to EUR 20,000);
- Deposits of credit institutions, financial institutions, or securities companies, or by institutional investors, such as insurance companies, investment firms, pension and retirement funds, and the like if they act on their own behalf;
- Deposits by collective investment undertakings (e.g. investment funds);
- The credit institution's debt instruments (e.g. bonds issued by a residential construction bank (Wohnbank), medium-term notes (Kassenobligationen), covered mortgage bonds (Pfandbriefe etc.). In the event of bankruptcy by the issuing credit institute, these are satisfied in accordance with the terms and conditions of issue (e.g. preferentially from a separate asset pool, as is the case with Pfandbriefe, or at the recovery percentage or subordinated after satisfaction of other creditors);
- Deposits by the Federal government, states, or municipalities, or by comparable foreign public authorities;
- Deposits related to money laundering (criminally convicted);
- Deposits the holder of which has never been identified (12 months grace period after the insurance incident to prove if the account is legitimate);
- Debt instruments of foreign credit institutes or securities companies deriving from own acceptances and promissory notes.

## C.5. SPARKASSEN Haftungsverbund

The agreement in principle on the Joint Liability Scheme, to which the Austrian savings banks belong, includes an early warning system in order to be able to react quickly to the economic difficulties of a savings bank. In addition, Erste Bank and the savings banks ensure the disbursement of customer deposits via the legally secured amounts within the framework of mutual liability agreements.

Customers thus have additional protection beyond the statutory deposit guarantee of EUR 100,000.

# Safekeeping of customer assets

## D. Safekeeping of customer assets and information on bail-ins in the event of bank resolution or recovery proceedings

### D.1. Securities purchased in Austria

Securities purchased in Austria are routinely held in custody in Austria, with a third-party custodian commissioned by Erste Group Bank AG. Normally, they are held in a custody account at OeKB CSD GmbH (Central Securities Depository, subsidiary of Oesterreichische Kontrollbank AG) or at another credit institution authorised to act as a custodian. When securities are held in Austria, this generally takes the form of collective custody. This does not interfere with the customer's rights, since in particular the scope of the customer's securities holdings can be determined at any time. Austrian law is applicable to custody in Austria.

### D.2. Securities purchased abroad

Securities purchased abroad are routinely held in custody abroad with a third-party custodian commissioned by Erste Group Bank AG. When securities are held abroad, this generally takes the form of depository custody in which the depositor has no claim to ownership but instead only to surrender of equivalent securities (Wertpapierrechnung). In this case, the customer is credited with a claim to delivery of that share of securities held by Erste Group Bank AG for the customer's account out of the total portfolio held abroad. When securities are held in custody abroad, foreign laws and practices apply.

### D.3. Liability of Erste Bank

In connection with securities custody, Erste Group Bank AG is liable to retail customers for fault by a third-party custodian in accordance with the principles of vicarious liability under section 1313a of the Austrian Civil Code (Allgemeines Bürgerliches Gesetzbuch, ABGB) to the same extent as for its own negligence.

### D.4. Banking secrecy

We are obligated by law to comply with banking secrecy. This means that we are not allowed to provide information to foreign issuers that request disclosure of shareholders and holders of debt securities, since, depending on national laws, this could cause them to incur detriments, such as loss of dividends, withdrawal of voting rights, and restrictions on negotiability.

### D.5. Custody on omnibus accounts

Third parties entrusted with the custody services by the bank routinely hold customer securities in what are known as 'omnibus accounts'. In so doing, the securities of several customers are recorded in a shared account. As a result, the securities can no longer be directly identified as belonging to a specific customer as the customer becomes co-owner of a collective holding. If, by way of exception, the account no longer holds sufficient securities, a cut proportional to the individual share in the co-ownership may result. For any related loss, the customer is advised to invoke their legal position vis-à-vis the bank under the custody contract.

### D.6. Information on Account Segregatio

According to CSDR (Regulation on settlement and central securities depositories, Regulation (EU) No 909/2014) Erste Group Bank AG ("ERSTE") shall offer its clients at least the choice between omnibus client segregation and individual client segregation in respect of client securities held directly with central securities depositories (CSDs). At present ERSTE holds client securities directly with the CSDs of Austria, of Slovakia and of Luxembourg. Further information in the following link:

<https://www.erstegroup.com/en/financial-institutions/correspondent-banking>

### D.7. Information on bail-ins in the event of bank resolution or recovery proceedings

To create a common European framework of rules and instruments for the recovery and resolution of banks, the EU issued a directive (Bank Recovery and Resolution Directive [BRRD]) establishing a framework for the recovery and resolution of credit institutions and investment firms). This directive was transposed into Austrian law as Bundesgesetz über die Sanierung und Abwicklung von Banken (BaSAG, Federal Act on the Recovery and Resolution of Banks).

The Federal Act on the Recovery and Resolution of Banks (BaSAG) governs a number of different aspects, including the participation of a bank's creditors (bail-in) in a bank's resolution under prudential supervision. The purpose is to prevent the use of taxpayers' money when a bank risks defaulting. When a bank is at risk of failing, the competent resolution authority may employ a number of resolution tools:

#### **Sale of business**

All or part of a bank's assets and/or liabilities are transferred to a buyer. For the bank's clients and creditors this translates into a change in their contracting partner or debtor.

#### **Bridge institution**

A public-sector institution takes over the liabilities and/or assets of the bank undergoing resolution. For the bank's clients and creditors this again translates into a change of their contracting partner/debtor.

#### **Asset separation**

This is the what is termed the 'bad bank' mechanism. The assets and/or liabilities of the bank concerned are transferred to special-purpose vehicles for deleveraging. For clients and creditors this again translates into a change of their contracting partner/debtor.

#### **Bail-in**

When an authority orders the resolution of a bank, the bank's equity and debt is written down in whole or in part or converted into equity. The purpose of this approach is to stabilise the bank affected. In such a case, shareholders and creditors may have to bear substantial losses as the resolution authority may reduce their claims, without their consent, in the extreme case even to zero.

#### **Currently, instruments for loss absorption must be taken in the following order:**

1. Common Equity Tier 1 capital (stocks, shares of an GmbH, KG or cooperative)
2. Additional Tier 1 capital (e.g. additional-Tier-1 issue, unsecured perpetual subordinated bonds with optional-redemption or writedown clause)
3. Tier 2 capital (e.g. subordinated "Tier 2" loans, undisclosed reserves, profit-sharing certificates)
4. other unsecured subordinated financial instruments and debts (e.g. subordinated loans/bonds/profit-sharing certificates that do not meet the requirements for AT1 or T2 instruments)

5. debts from unsecured non-subordinated, non-structured bonds with explicitly reference to the lower seniority related to the next grade (so-called Non-PreferredSenior-Bonds)
6. unsecured non-subordinated financial instruments (e.g. structured bonds, bearer bonds, non-covered deposits of large corporates in the amount of over EUR 100,000)
7. lastly, deposits of small- and medium-sized enterprises and private individuals not covered by the deposit guarantee scheme

Exempted from bail-in are deposits subject to the deposit guarantee scheme as well as covered bank bonds ('covered bonds' or mortgage bonds) and separate assets (e.g. investment funds). The BRRD rules have been implemented in the laws of member states across Europe. Bail-in may thus also be applied to bank bonds from other EU countries, for example, although the details of the rules may differ at national level.

Should the shareholders and creditors incur greater losses when resolution measures are taken, they are entitled to compensation from what is termed the Single Resolution Fund ("SRF"). However, these compensatory payments may be made at a significantly later point in time.

#### **Risk disclosure:**

For a bank's creditors and shareholders, the bail-in proceedings may lead to a total loss of the capital invested. The resolution authorities may make changes to the basic conditions of the affected financial instruments (e.g. they can alter the maturity or the interest rate to the investor's detriment). The mere threat to implement resolution measures may make a sale difficult or possible only with a substantial loss in value. The loss risk increases the more financial instruments and debts of the same bank are included in the securities account of a single investor. Even if the original issuing document or marketing material of a bank product does not specifically describe the bail-in option, the product may be affected by a bail-in under the law.

For further information, kindly consult the website of Oesterreichische Nationalbank at: <https://www.oenb.at/en/financial-market/three-pillars-banking-union/single-resolution-mechanism.html>  
For further information, kindly consult the website of your bank.

# Client profile and client categories

## E. Client profile and client categories

Our customers are always the focus of our efforts. In order to ensure that we can give you advice that is tailored to your personal needs, comprehensive information needs to be provided to your customer advisor.

### E.1. Client profile

As our customer, you can be assured of receiving the best possible advice from us. Before making you an offer, your customer advisor has to obtain extensive information from you. We need this data in order to be able to tailor our recommendations to your needs. This is moreover intended to help you assess the consequences and ramifications of the recommended financial instruments.

The scope of the data to be collected is defined in detail in the WAG 2018 in conjunction with the delegated (EU) Regulation 2017/565. This includes identifying the customer's assets, the customer's income (including the ability to absorb losses), the purpose of the investment, the duration of the investment (including risk tolerance), and knowledge about and experience with financial instruments. The scope of advisory services depends to a great extent on the amount of information that you provide about your personal situation. The more detailed the information that you provide, the more focused the work by your advisor can be in developing recommendations tailored to your needs. If you are not prepared to give us the minimum information required by law, we are not allowed to make any recommendations.

### E.2. Client categories

The WAG 2018 sets forth three categories of investors: the retail customer, the professional customer, and the eligible counterparty. The differentiation is based on well-defined criteria. Customer advisors assign customers to one of the three categories.

If you wish to be reassigned to a different category, you must make an application, after which we will review the criteria mandated by statute. The WAG 2018 provides for a specific level of protection for you depending on the category to which you have been assigned. This means that reassignment to a different category also results in a change in the level of protection.

#### E.2.1. Retail customer category

Customers in the retail customer category enjoy the highest level of investor protection. This protection includes comprehensive duties to provide information. Also, a suitability and appropriateness review must be undertaken when providing investment advice.

This category also includes self-employed individuals, enterprises, and other legal persons. It makes no difference whether the assets are personal or part of a business. The size of the investment is irrelevant as well.

As a customer using our Self-Directed Investor Service you are generally classified as a 'retail customer', affording you the highest possible level of protection under the Securities Supervision Act (WAG 2018).

#### E.2.2. Professional customer category

Customers in the professional customer category are those who have extensive experience with and knowledge of the investment business and can evaluate and control the relevant risks correctly and comprehensively. Only the suitability assessment is undertaken when providing investment advice. The customer is expected to have adequate financial means.

This category may include:

- Financial institutions, insurance companies, investment companies, pension funds
- Countries, states, regional governments
- Central banks, supranational entities (World Bank, International Monetary Fund, European Investment Bank)
- Large companies that meet at least two of the following requirements:
  - total assets: EUR 20 million
  - net turnover: EUR 40 million
  - own funds: EUR 2 million

#### E.2.3. Eligible counterparty category

Being classified and treated as an eligible counterparty requires meeting the prerequisites for a professional customer. Eligible counterparties receive the lowest level of protection under the WAG 2018.

Customers in this category receive no investment advice within the meaning of Section F.2.1. However, if they are given investment advice, they are treated as professional customers.

# Retail business

## F. Retail business

### F.1. Suitability and appropriateness assessment

In giving you investment advice, your customer advisor will review your client profile as well as your investment targets and make any modifications necessary to take into account any change in your circumstances. Your customer advisor determines whether the recommended investment instrument suits you using the details you provide. In other words, he or she will review whether you have adequate financial resources, what level of risk you are prepared to assume, and whether the financial instrument corresponds to your investment goal (investment purpose and investment term) (suitability assessment). If your experience is deemed to be insufficient, your customer advisor will provide new advice accordingly.

The customer advisor will also review whether you are familiar with the risks and opportunities of the relevant financial instrument and have the corresponding experience (appropriateness assessment).

If the review shows that the financial instrument is not suitable and/or appropriate, your customer advisor will point this out to you, issue a warning, and refrain from making a recommendation. If you nevertheless insist on concluding the transaction, you would have to do so without advice.

#### F.1.1. Definition of high-risk securities

High-risk securities are characterised by high volatility (the measure for currency fluctuations, e.g. fluctuating security prices or fluctuating interest rates). As volatility rises, the risk of achieving a return below the expected return rises as well. As a result, the chances of making a profit increase and the risk of loss rises as well – possibly up to a total loss.

The risk a product entails is also affected by the issuer's credit standing (ability to honour obligations, e.g. interest and principal repayment). The lower the issuer's credit standing, the higher the projected interest payments will be and the higher the (default) risk with respect to the repayment of capital invested and interest.

When assessing the risk of an investor's total assets, the following are considered high-risk securities: shares, share funds, warrants, etc. Further high-risk investments, such as corporate bonds, equity investments, fund-based insurance policies with a high stock component, etc. are likewise ascribed to this category.

The proportion of high-risk securities in an investor's total assets can be used to determine whether the investment structure is suitable for an investor in light of the risk share.

#### F.1.2. Definition of low-risk securities

Low-risk securities are characterised by low volatility. As volatility decreases, the risk of not achieving the expected return is reduced as well. As a result, the chances of making a profit decrease, while the risk of loss is reduced as well.

The risk a product entails is also affected by the issuer's credit standing. The better the issuer's credit standing, the lower the (default) risk is.

When assessing the risk of an investor's total assets, euro bonds issued by issuers with an excellent credit standing are considered low-risk securities. Other forms of saving, such as passbooks, home ownership savings contracts, etc. are likewise ascribed to this category.

#### F.1.3. Definition of issuers with good credit standing

Issuers with good credit standing are debtors (e.g. state, bank, company, etc.) who, based on their financial strength, are expected to service the interest of the securities they issue on an ongoing basis and to be able to repay them anytime.

Credit standing can be assessed using the available ratings (risk assessments) issued by international rating agencies (e.g. Standard & Poor's, Moody's, Fitch). Ratings are based on an extensive analysis of the debtor, including profitability, equity capital, competitive position, management, etc. and are expressed as a letter grade.

Where no rating is available, the debtor's credit standing can also be assessed using the bank's internal risk assessment (comparable to a rating).



## F.2. Advice-based transactions and advice-free transactions

What is the difference between advice-based transactions and advice-free transactions?

- In the former case, your investment decision is based on a recommendation by your customer advisor.
- In the latter case, it is based on your own decision to acquire the financial instrument absent advice.

### F.2.1. Advice-based transactions

Investment advice is a business that includes investment consulting and asset management. It entails the recommendation of a financial instrument or an investment service that is tailored to your needs. The recommendation is made on the basis of a suitability and appropriateness test conducted using the information you provide (s. section F.1.).

#### F.2.1.1. Investment advice

It is considered to be a recommendation when we propose an investment product that is suitable and appropriate for you. If we provide a recommendation, you will receive a record of the related conversation held.

However, it is not considered to be a recommendation when we provide you with general information through public media about a type of security or about investment products, when we speak with you about market developments, or when we make informational material available to you.

In any case, you should make sure you consult your customer advisor at least once a year to discuss your investments.

#### Non-advice-free advice

The investment advice we provide qualifies as non-advice-free advice. In other words, our product range does not cover a substantial number of financial instruments available in the market but primarily includes financial instruments issued and offered by Sparinvest Erste Group Bank AG and its affiliates. However, on the same count, we also offer a broad base of third-party products.

#### Product Approval Process

Erste Group Bank AG offers its customers only financial instruments that have previously undergone a product approval process and for which a target market has been defined. The target market describes customer groups for which the product is designed. In particular, the Bank shall ensure that the design of a financial instrument and its features does not have a negative impact on its clients.

### Periodic suitable assessment excluded

Within the scope of the investment advice specified under section F 2.1.1., our obligation to give advice ends once your order has been executed. In other words, we do not provide any periodic suitable assessment. Periodic suitable assessment is when a credit institution expressly agrees to routinely review and actively inform you whether your financial instruments or your investment continues to be suitable. We do not provide this service. Naturally, we are pleased to be of assistance if you contact us on your own initiative for further consultations. For your ongoing support, we have devised a number of special services for you, including the asset management contract.

### F.2.2. Advice-free transactions

With advice-free transactions, we will review whether your investment decision is appropriate. The review of whether your investment decision is suitable can be omitted. If the appropriateness assessment is negative, you will be warned by us in a standardised manner. In non-advisory business, the target market criteria are not subject to a (full) review.

It is considered to be an advice-free transaction when

- You have made it explicitly clear that you wish to make the investment
- We have made no personal recommendation
- You insist on execution of the order despite a negative result of the suitability and/or appropriateness assessment
- A suitability and/or appropriateness assessment cannot be performed (for example, if you fail to provide information on the client profile and investment objectives or when the required product documents are not available)
- You execute your transactions on your own via digital banking (George).

#### F.2.2.1. Digital Banking (George)

We accept orders via digital banking (George) for further processing as non-advisory business. Accordingly, the criteria set forth under section F.2.2. apply as well.

# Inducements for the Bank in securities business

## F.2.3. Orders placed using various means of telecommunications

Orders that you place with us using the telephone or fax can be processed as non-advisory business.

You are likewise welcome to use various means of telecommunication to do business with your customer advisor that requires investment advice. In any case, your customer advisor will conduct a suitability and appropriateness test and send you all the necessary customer and product documents in the course of the investment advice. At your request, the documents can also be sent by email. However, we will send such documents to you by email only after you have declared that you expressly agree to us sending you the required documents electronically.

### F.2.3.1. Recording electronic customer communication

All telephone calls and electronic communication (e.g. via email) between Erste Group Bank AG and the client, that lead or may lead to the conclusion of business transactions involving financial instruments are recorded and archived. At your request, copies of these records are made available to you over a period of five years from the time of such a call or communication. Any option to communicate by telephone in the course of business transactions involving financial instruments and the related recording of such communication are agreed under separate cover.

You can apply for the deletion of the records the first time after 5 years.

If you disagree with the recording of your electronic customer communication, we must stop doing business transactions in financial instruments via electronic communication with you.

## G. Inducements for the Bank in securities business

### G.1. Acceptance of inducements

When rendering securities services, we accept inducements ("sales incentives") from third parties under agreements that we have in place and for our part comply with. These third-party inducements are designed to help us permanently improve the quality of our services for our customers.

We expressly declare that acceptance of such inducements does not interfere with our acting in the best possible interests of our customers.

Erste Group Bank AG receives one-off non-cash inducements (e.g. in the form of a front-end loads for specific fund transactions) or ongoing non-cash inducements (e.g. in the form of trailer fees for specific fund portfolios) from third parties. The customer is informed of the retained non-cash inducements prior to the transaction by way of the ex-ante cost disclosure and the periodic ex-post cost disclosure.

Erste Group Bank AG is also entitled to accept small cash inducements – see Section G.2.

In asset management, no inducements may be retained and/or accepted.

### G.2. Minor non-cash inducements

Erste Group Bank AG has the right to accept invitations and gifts of minor value from third parties as is customary and permissible between business partners – for example, in the form of invitations of minor value to cultural events, gifts of minor value on special occasions (e.g. Christmas gifts) or information on a financial instrument. However, such acceptance shall be permitted on the condition that customer interests are not prejudiced and the invitations and gifts are liable to improve the quality of the service for customers.

### G.3. Financial Analysis

Erste Group Bank AG prepares and distributes financial analysis in various forms. This includes the systematic analysis of the quality of a specific issuer as well as the investment advice for financial instruments issued by this issuer. Under these circumstances the individual perspectives of an eventual client are not taken into account at the time of the creation of the investment advice. This distinguishes the financial analysis from the investment advice. When distributing financial analysis detailed processes have to be adhered to, in particular the disclosure of any conflict of interest. In addition, specific organizational requirements have to be

# Information about execution principles

## H. Information about execution principles

### H.1. Scope

- a. This summary of the execution policy for retail clients sets out the key steps Erste Group Bank AG (referred to as Erste Group in the following) 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.**
- 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 in financial instruments or execute such orders against their own book. Client orders, which Erste Group receives, transmits, or executes 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 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.

### H.2. Execution Standards

Erste Group executes orders according to the following standards:

- a. Erste Group 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 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. For the selection of the execution venue, different execution factors are considered, which enable Erste Group to obtain the best possible result for the client. The following factors are taken into account, where different weightings are applied depending on the class of financial instruments:
  - price
  - costs
  - speed of execution
  - likelihood of execution
  - other relevant factors
- c. For retail customers, the best possible result is determined in terms of the total consideration, representing primarily the price and costs of the financial instrument relating to the execution.
- d. The costs taken into account by Erste Group include, for example, execution venue fees, taxes, broker fees, or clearing and settlement fees.
- e. Erste Group offers the execution of client orders in the following classes of financial instruments:
  - shares, exchange traded funds (ETFs)
  - bonds
  - investment funds
  - certificates and warrants
  - OTC Derivatives<sup>1</sup>
- f. When executing orders, Erste Group takes into account the classification of the client as retail customer.

<sup>1</sup> This refers to deals individually agreed on for a fixed price between the client and Erste Group outside of an RM (over-the-counter) or traded on an MTF or OTF.

- g. If there is a specific client instruction, Erste Group executes the order according to the specific instruction. The client should note that this may prevent Erste Group 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.
- h. Erste Group receives and transmits orders as an agent to other entities for execution on a commission basis or executes orders either directly at a trading venue 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.
- i. When choosing third parties for transmission of orders for execution (referred to as broker in the following), Erste Group applies a standardised selection procedure. Erste Group 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 Erste Group's execution policy and WAG 2018. If needed, any deficiencies are corrected.
- j. Erste Group reviews its execution policy at least annually and informs its clients about any material changes to this policy.
- k. Further information about the execution criteria of Erste Group for retail customers and their meaning as well as a description of the market conditions for each class of financial instruments can be found under [www.erstegroup.com/mifid](http://www.erstegroup.com/mifid)
- l. Further information about the execution criteria of Erste Group for professional clients can be found under [www.erstegroup.com/mifid](http://www.erstegroup.com/mifid)
- m. Under [www.erstegroup.com/mifid](http://www.erstegroup.com/mifid), Erste Group provides a link to the most recent execution quality data published in accordance with Article 27(3) of Directive 2014/65/EU

# Basics regarding the handling of conflicts of interest

## I. Basics regarding the handling of conflicts of interest

Erste Group Bank AG has taken the following steps to ensure that conflicts of interest between Erste Bank and its customers or among its customers do not have a negative effect on customer interests:

### I.1. Conflicts of interest can arise within Erste Group Bank AG

between our customers and

- our bank
- employees working at our bank
- other customers

when providing investment services/ancillary services, especially in the following areas:

- financing
- sales of financial instruments
- order execution for others
- custody & settlement for clients
- production, distribution, transfer of financial analysis or investment advisory (or general information about financial instruments or issuers when giving a direct or indirect advice for a particular investment decision)
- market making

in particular, from relationships

- of our bank with issuers of financial instruments, e.g. via participation in supervisory or advisory boards, and
- of issuers of financial instruments with our bank, e.g. as customers of our bank, and from relationships of our bank with issuers of financial instruments where
- our bank maintains a direct or indirect investment in the respective issuer of financial instruments.

In addition, conflicts of interest may arise if our bank

- participates in issues of financial instruments undertaken by the respective issuer
- acts as lender/guarantor for the respective issuer of financial instruments
- makes/receives payments to/from the respective issuer of financial instruments
- collaborates with the respective issuer of financial instruments or
- operates/holds direct or indirect subsidiaries/ investments together with the respective issuer of financial instruments.

### I.2. Conflicts of interest can also arise, particularly where

- Erste Group Bank AG, due to its close corporate affiliation with the investment company Erste Asset Management GmbH, sells and/or recommends the latter's products
- our bank or relevant individuals from our bank has/have access to information that is not yet public knowledge at the time of the customer transaction
- there are incentives to give preference to a certain financial instrument, e.g. when giving advice, making a recommendation, or executing an order

### I.3. In order to avoid such conflicts of interest as far as possible, our bank has a multi-tier organisation with a corresponding allocation of responsibilities.

As a credit institution, we and our employees are obligated by law to provide securities services and ancillary services in a fair, honest and professional manner and in the interests of our customers and to avoid conflicts of interest as far as possible.

Apart from this, we can draw upon a compliance organisation, which can, in particular, take the following actions:

- Set up units of confidentiality zones with so-called "information barriers", i.e. virtual or actual barriers to monitor or limit the flow of information
- Promulgate guiding principles for employees when dealing on their own account, in particular, supplementary provisions on custodial accounts for employees in sensitive areas
- Obligate all employees to disclose their transactions involving financial instruments
- Implement ongoing monitoring of all employee transactions involving financial instruments
- Maintain watch lists and restricted lists for financial instruments that are prone to conflicts of interest. Employee transactions involving financial instruments on the watch list are permitted subject to certain restrictions, but they are centrally monitored. Transactions involving financial instruments on the restricted lists are prohibited
- Create rules regarding the acceptance and execution of orders

# Important information for our customers

- Product approval process when products are introduced
- Rules for investment and investor consultations
- Rules on the remuneration system for our employees that are designed to ensure objective advice in the customer's best interest and to prevent from the very outset that preference is given to the sale of certain financial instruments
- Obligation by all employees to disclose secondary occupations, participations, and mandates
- Create rules regarding the acceptance of gifts and other inducements
- Arrange for ongoing training of our employees
- Policies regarding the allocation of financial instruments in primary capital markets transactions

If certain conflicts of interest cannot be avoided through the aforementioned allocation of responsibilities or our compliance organisation, we will inform our customers thereof in accordance with these principles. If necessary, we will refrain from making assessments, giving advice, or making recommendations concerning the relevant financial instrument.

## J. Important information for our customers

### J.1. Cost disclosure:

Depending on the time of the transaction, there are 3 types of cost disclosures:

1. Before the transaction: The 'ex ante cost disclosure' gives you an overview of the expected costs, fees and their effects on earnings BEFORE the transaction (purchase, sale, etc.).
2. After the transaction: The 'one-time ex-post disclosure' provides information on the costs actually incurred and is made available to you via the settlement document AFTER the transaction as quickly as possible, but no later than on the first business day after order execution.
3. Annually: The "periodic ex-post cost disclosure" lists all the costs, fees and funds incurred or received in the course of a given year. This disclosure is sent to you at year-end along with the securities account statement.

#### List of your securities

You will be sent a list of your securities once every quarter of a year in the form of a securities account statement.

Costs and fees are indicated in the posted table of terms or on specific product sheets or in the cost preview for the respective product (available from your customer advisor). Any costs incurred by a product (known as 'product costs') are indicated in the key information document (KID) or the customer information document. When providing investment advice or executing non-advisory business, your customer advisor will inform you about the costs to be expected for the respective product and the service offered. This information is transmitted in different ways, depending on the type of business and the financial instrument in question.

Where a cost preview for a specific transaction can be provided, the indicated fees and costs for a transaction are calculated on the basis of the respective price applicable or from the net asset value if the transaction involves a one-time investment in a fund. Fees vary depending on the type of security involved and the venue of order execution. In foreign-currency transactions, additional costs may be payable for foreign exchange commissions and margins and would be disclosed accordingly.

It should be noted that the costs disclosed are calculated on the basis of the stock exchange or market price applicable at the time of issue of such disclosure. Any fluctuations occurring until the time of execution cannot be taken into account. Where no price for a security is available at the time the disclosure is issued, the costs shall be taken as a percentage from the posted table of terms. Any fees and costs disclosed to you prior to an investment transaction will be settled as part of the transaction via the selected settlement account. Product costs indicated in the disclosure do not give rise to any additional payment flows, but are already included in the product's specific price or net asset value.

In the event of non-certificated derivatives, no costs are incurred for a service provided; only the product costs are payable. All the product costs included are taken into account in the valuation of the individual business transaction prior to the beginning of the product term. Over the term of the derivative, customers receive derivative valuations but no further periodic information about running costs, since no such costs are incurred.

# Ombudsman's office

## K. Ombudsman's office

Your customer advisor and our Ombudsman's office are available for any complaints you may have.

The Ombudsman's office can be contacted by telephone at 05 0100 - 11056 or by email under [ombudsstelle@erstegroup.com](mailto:ombudsstelle@erstegroup.com) and personal/by post at Am Belvedere 1, 1100 Vienna.

Details on our complaints procedure and on alternative dispute settlement authorities are available on our website in the section 'Ombudsman/Complaints'.

We always try to find the best solution for your complaints. In the case, you think that we have not met your expectations, you can contact us or an alternative dispute resolution institution:

the Joint Arbitration Institution of the Austrian Banking industry. More info about the authorized Complainants and the complaint procedure can be found at Website: <http://www.bankenschlichtung.at/upload/downloads/QuestionandAnswer.pdf>

or you contact directly the Common Arbitration of the Austrian Kreditwirtschaft, Wiedner Hauptstraße 63, A-1045 Vienna, Tel .: +43 5 90 900 118337, Website: <http://www.bankenschlichtung.at/>, Email: [office@bankenschlichtung.at](mailto:office@bankenschlichtung.at)

or the EU's online dispute settlement platform for Online transactions: <http://ec.europa.eu/consumers/odr/>

You also have the opportunity to complain under <https://www.fma.gv.at/beschwerde-und-ansprechpartner/> at the Financial Market Authority or you might use the civil law to take legal steps.

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[www.erstegroup.com](http://www.erstegroup.com)

