



Customer Information

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A) INFORMATION ABOUT PARTNER BANK

PARTNER BANK Aktiengesellschaft

A-4020 Linz, Goethestraße 1a

Telefon: +43.732.69 65-0;

www.partnerbank.at; info@partnerbank.at;

Commercial register court: Landes- und Handelsgericht Linz,

Company registration number 90966z;

VAT number: ATU 37836507;

Owner of Partner Bank AG:

Foundation for Social and Economic Development in Vaduz/Principality of Liechtenstein

Communication with the Partner Bank

The bank uses the German language in its communications with its customers. In addition to personal meetings during opening hours, customers can generally contact the bank by telephone, letter or email.

However, unless otherwise agreed, legally relevant correspondence between the Bank and its customers (customer orders, etc.) shall be conducted in writing (by letter, but not by e-mail).

Electronic communication (e.g. by e-mail or via the Internet) between the Bank and its customers that leads or may lead to transactions involving financial instruments is recorded and archived. Copies of these records are available to customers on request.

Licence

The Bank has been granted a licence by the Austrian Financial Market Authority (FMA), Otto-Wagner-Platz 5, 1090 Vienna, to provide banking services, which also entitles the Bank to conduct business with its customers in the investment and securities business. This licence also entitles the Bank to provide payment services for its customers.

Competent supervisory authority and licensing authority

The FMA is the independent, autonomous and integrated supervisory authority for the Austrian financial market and is established as a public-law institution. It is responsible for supervising credit institutions, insurance companies, pension funds, employee welfare funds, investment funds, investment firms, listed companies and stock exchanges.

Type of services and transactions

Partner Bank's core business is securities trading and related services. Customers can buy, sell and manage financial instruments through Partner Bank or have them held in custody by the bank. Details regarding the purchase and sale of financial instruments at Partner Bank are set out in Partner Bank's securities purchase order. Details regarding asset management at Partner Bank are set out in Partner Bank's asset management order.

Investment advice

Partner Bank and the financial service providers cooperating with the bank provide non-independent investment advice, which means that financial instruments designed by Partner Bank itself (asset management) are also offered. The range of financial instruments offered by third-party product providers is broad, but no substantial quantities of financial instruments available on the market are analysed or offered. If, in exceptional cases, investment advice is provided independently, the financial service provider will explicitly point this out to you.

The investment advice is based on comprehensive analyses of various types of financial instruments. The product universe comprises a Wide range of investment funds, ETFs, shares, bonds, etc. from selected providers with no close ties to the bank. Unless otherwise agreed, no regular suitability assessment is offered for the recommended financial instruments.

As part of its investment advice or before concluding an asset management agreement, the Bank collects information from clients in accordance with the provisions of the Securities Supervision Act (WAG

2018) about their knowledge and experience in relation to transactions with certain types of financial instruments and services, their investment objectives and their financial circumstances, loss-bearing capacity and risk tolerance. This information is necessary in order to be able to recommend a financial instrument or investment service that is suitable for the customer, such as an investment strategy. If the bank does not obtain this information, it may not provide investment advice or asset management services.

Non-advisory business

In the case of non-advisory business, Partner Bank checks whether the investment decision made by customers corresponds to their knowledge and experience. If the financial instrument does not correspond to their knowledge and experience, they are warned by Partner Bank or by the financial service providers associated with the customers about the „inappropriateness“.

Reporting to the customer on the investment services provided

Partner Bank reports to its customers in an appropriate form on the services provided to them on a durable medium. In the case of investment advice, the customer receives a statement on the recommendations made in the course of concluding the transaction, in particular how these were tailored to their specific preferences, objectives and other characteristics. In the case of asset management, such a statement is included in the quarterly reports on the services provided, unless otherwise agreed.

Partner Bank securities customers receive a quarterly statement on 31 March, 30 June, 30 September and 31 December. Customers who use the online customer service can access the relevant information on a daily basis. This option replaces the above-mentioned postal delivery as part of the reporting obligations to the customer.

The customer receives information about the costs associated with the securities services and ancillary services provided, as well as their overall effect on the return on the investment, both before the securities transaction is concluded and afterwards in the form of a summary statement.

Ombudsman for complaints against Partner Bank

Please address your complaint to:

Tel. no.: 0043.732.6965-121 oder
 Tel. no.: 0043.732.6965-407
 E-mail: info@partnerbank.at
 Postal address: Goethestraße 1a, A-4020 Linz

Further information on the complaints procedure at Partner Bank can be found online at www.partnerbank.at

Third-party custody

Securities that the Bank is required to hold in custody for its customers are forwarded to institutions that specialise in securities custody (known as „third-party custodians“) in order to ensure the highest possible level of protection for these securities. The Bank is liable to the customer concerned for any damage caused by unlawful culpable acts or omissions on the part of the third-party custodians. However,

if securities are held in custody for a customer who is an entrepreneur, the Bank's liability is limited to the careful selection of the third-party custodian. If, despite careful selection, a third-party custodian becomes insolvent, the Bank may demand the return of the securities it has handed over to the third-party custodian for safekeeping.

Collective custody

Securities that the bank is required to hold in custody for its customers are held together with the same securities of other customers (known as „collective custody“). Since every customer (even in the event of the insolvency of the bank or the third-party custodian) has the option of requesting the delivery of their share of the securities held in collective custody, collective custody does not entail any particular risks for the customer.

Custody abroad

It may be necessary to have securities held in custody by third-party custodians abroad, in particular outside the European Economic Area. This means that they are subject to the legal provisions of the country in which they are held in custody. These legal provisions may differ significantly from those applicable in Austria and do not necessarily offer the same level of protection.

Deposit protection and investor compensation

As an Austrian bank, Partner Bank AG is subject to the Austrian provisions on deposit protection and investor compensation (ESAEG and BWG) without restriction. Partner Bank AG is a member of the statutory protection scheme for banks and bankers, the Deposit Protection Scheme of Banks & Bankers Ltd. m.b.H. For further information, please refer to the statutory provisions of Sections 9 ff ESAEG, Sections 37a, 93 and 93a BWG on deposit protection and investor compensation (in particular the exceptions under Section 10 ESAEG), which we will be happy to provide on request. Furthermore, it should be noted that the securities accounts managed by Partner Bank are customer assets. This means that the bank does not acquire ownership of the securities held in the securities account on behalf of its customers.

Deposit protection: Deposits made by natural persons (funds entrusted to the bank for the purchase of financial instruments) are protected up to a maximum amount of EUR 100,000 per depositor. In certain cases (time-limited covered deposits, Section 12 ESAEG), the maximum amount is EUR 500,000. Deposits made by legal entities are protected up to an amount of EUR 100,000. Deposits in an account over which two or more persons have power of disposal as partners in a general partnership, a limited partnership, a civil law partnership or

a company corresponding to one of these forms of partnership under the law of a Member State or a third country are aggregated for the purpose of calculating the maximum amount and treated as a deposit by one depositor; this applies equally to credit balances and other claims arising from securities transactions.

Investor compensation:

Under Austrian law, securities must be returned to investors by the custodian bank. Monetary claims arising from investor compensation are secured up to a maximum of EUR 20,000 for both natural persons and nonnatural persons. However, there is a 10% excess for claims by non-natural persons.

Distinction between deposit protection and investor compensation:

Normally, all types of deposits/credits credited to interest-bearing or noninterest-bearing accounts (e.g. credits on salary accounts, savings accounts, fixed-term deposits, etc.) at credit institutions are covered by deposit protection.

Returns from securities clearing (dividends, sales proceeds, redemptions, etc.) are also covered by deposit protection if they are credited to an interest-bearing account at a credit institution. If, on the other hand, the return is made directly to a non-interest-bearing account, the amounts are subject to investor compensation.

Lien and retention rights

Assets entrusted to the bank for safekeeping are subject to a lien and right of retention by the bank to secure all claims to which the bank is entitled against the customer. Third-party custodians may assert liens on the securities they hold in custody with regard to the claims arising for the third-party custodians in connection with the custody of the securities (in particular custody fees).

Distribution

Partner Bank cooperates with professional, independent financial service providers in the EU who are registered with the respective supervisory authority. The financial service providers are commercially independent companies that are not affiliated with the bank. The intermediary is not authorised to conduct legal transactions and/or collect payments on behalf of Partner Bank: The intermediary may not accept funds from the client, even for forwarding to Partner Bank. Any representations made by the intermediary that deviate from the terms and conditions of the contract, as well as any handwritten additions or changes to the terms and conditions of the contract, are not legally valid.

B) CUSTOMER CLASSIFICATION

The current legal situation provides for three customer categories: private customers, professional customers and eligible counterparties. All customers must be assigned to one of these customer categories. The categorisation is relevant on the one hand for the scope of the resulting information and protection obligations, and on the other hand for the determination of the target market, with private customers enjoying the highest level of investor protection. Partner Bank classifies all customers as private customers. Private customers of Partner Bank therefore enjoy the highest level of protection and due diligence prescribed by the Securities Supervision Act in its currently applicable version. Upon

request and upon submission of a corresponding written application if the requirements are met, classification as a customer or eligible counterparty is possible. For professional customers and eligible counterparties, the law provides for a lower level of protection due to their greater familiarity with securities transactions, or classification may result in a partial loss of investor compensation rights. Professional clients are therefore required to have sufficient knowledge and experience with financial instruments. Clients classified as professional clients may apply in writing to be classified as private clients.

C) DEALING WITH CONFLICTS OF INTEREST (CONFLICT OF INTEREST POLICY)

A conflict of interest is a situation in which the interests of at least two parties are at odds with each other. A conflict of interest is therefore the potential advantage of one party and at the same time the (potential) disadvantage of the other. Conflicts of interest can also arise from private and professional relationships between employees and relevant external stakeholders. Conflicts of interest can therefore arise in many different constellations in the bank's business area, such as:

- **Customer – contractually bound intermediary or affiliated company**
- **Customer - bank**
- **Bank – contractually bound intermediary**
- **Bank – employees (key positions or executive bodies)**
- **Customers among themselves**

Below are some examples of possible conflicts of interest:

- The bank may be inclined to prioritise its own profit interests over those of its customers and charge excessive fees for its services.
- A contractually bound intermediary may prioritise their interest in generating commissions over the customer's interests and

broker products that are unsuitable for the customer.

- An employee could put his personal profit interests above those of the bank and use insider information obtained in the course of his professional activities.
- A key person could be inclined to exploit their decision-making authority to secure particularly favourable credit terms for themselves.

Partner Bank identifies potential and actual conflicts of interest. The aim of identifying potential conflicts of interest is to assess the extent to which the credit institution, its employees or affiliated companies could obtain a financial advantage or avoid a loss at the expense of customers by providing securities (ancillary) services

- at the expense of customers (financial advantage),
- have an interest in the outcome of a service provided to clients or a transaction carried out for them that is not consistent with the client's interest in that outcome (conflicting interest),
- have a financial or other incentive to place the interests of one

customer or group of customers above the interests of other customers (incentives),

- are engaged in the same business as customers (competitive situation), or
- receive or could receive a benefit from third parties in connection with the service beyond the usual commission or fee for this (benefits).

Every credit institution is obliged to avoid identified potential conflicts of interest and, in any case, to manage them in such a way that customer interests are adequately taken into account. Control measures include, among other things, precautions to effectively prevent and control the exchange of information, the establishment of a remuneration policy, the prevention of undue influence on the activities of employees, and the separate monitoring of employees in areas particularly susceptible to conflicts of interest. The management and monitoring of conflicts of interest by means of the measures described above is carried out by a department within the company („compliance department“), which in turn must comply with specific requirements regarding independence, organisation and conduct.

Activities and services within the company

The aim of Partner Bank and its employees is to maintain and further develop the highest possible standards in all business relationships. The bank requires its employees to act lawfully, with due care and professionalism, and, in particular, in the interests of its customers. Legal regulations represent the minimum standard in this regard. Employees who violate existing regulations, rules or guidelines of the bank will face disciplinary measures.

Nevertheless, it should be noted that in order to continue to provide customers with high-quality services at reasonable prices, Partner Bank must also weigh up the interests of its customers against its business activities in some cases. Partner Bank generally receives payments from fund companies, issuers or stock exchanges for the distribution of financial instruments. These payments may be in monetary form (e.g. discounts on the issue price, portfolio commissions) or in non-monetary form (e.g. invitations to training courses, information brochures on individual financial instruments). In connection with „non-independent investment advice“, the partner bank may accept and retain these payments or pass them on to third parties (e.g. contractually bound intermediaries) if this serves to improve the quality of the service for the customer, the impartiality of the advice remains intact and the commission is not of a nature that could give rise to conflicts of interest.

Dealing with conflicts of interest at Partner Bank

Partner Bank has taken several appropriate organisational measures to prevent irrelevant interests from influencing the manner in which services are provided. All Partner Bank employees are made aware of conflicts of interest and are obliged to refrain from any actions that could be contrary to the interests of customers. Partner Bank has established an independent compliance unit, which is not subject to any

instructions, to manage and monitor conflicts of interest on the basis of the Securities Supervision Act 2018 (WAG 2018) and Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

In addition to preventing the misuse of insider information and market manipulation, one of the core tasks of the compliance office is to identify and manage conflicts of interest and to continuously monitor and, if necessary, adapt the measures established at Partner Bank.

Partner Bank has conducted a comprehensive analysis of potential conflicts of interest. Identified conflicts of interest are entered into a register and evaluated by the compliance office. Partner Bank manages conflicts of interest by implementing appropriate measures if they cannot be completely prevented.

These measures include, for example:

- the creation of confidentiality areas within the bank and the monitoring of employee transactions to make it more difficult to exploit insider information.
- Regular random checks of the quality of advice provided by contractually bound intermediaries on the basis of submitted contract documents.
- Requirements that key individuals must abstain if they would be subject to conflicts of interest when making decisions.

At the same time, measures are continuously implemented to monitor certain areas and relevant persons whose interests could conflict with other interests, including those of Partner Bank, and precautions are continuously taken to prevent conflicts of interest. If a conflict of interest cannot be prevented despite the organisational and administrative measures taken by Partner Bank, it is the responsibility of Partner Bank to resolve this conflict of interest in the interests of the customer. This solution may also involve disclosing the conflict to the customer or refraining from a potential transaction. The Bank will only disclose the conflict if no other solution is possible. The Bank has defined areas of confidentiality in line with its size and organisational structure in order to prevent the exchange of information between persons whose activities could give rise to a conflict of interest. If, in individual cases, the exchange of information between the defined areas that could give rise to a conflict of interest is unavoidable, this will be reported to the compliance officer, who will then take the appropriate measures. The confidentiality areas are continuously adapted to organisational changes within the bank.

Ongoing courses are provided for the bank's employees and financial service providers.

In addition, guidelines have been issued to regulate proprietary trading by employees and financial service providers with the aim of avoiding conflicts of interest between customers and employees or financial service providers of Partner Bank.

Information is also provided on which conflicts of interest have been identified but are so essential to economic activity and, moreover, so common in the industry that they cannot be completely prevented, and on the principles according to which small gifts and invitations are to be assessed.

Acceptance and granting of benefits and commissions

Disclosure of benefits in the case of non-independent investment advice¹

As a non-independent advisor, Partner Bank AG may receive benefits from third parties² or pay benefits to third parties, provided that the benefit

- is related to the securities service or ancillary service and
- is justified by quality-enhancing measures for investors.

Partner Bank offers its customers non-independent investment advice in conjunction with access to a wide range of suitable financial instruments from third-party product providers with no close ties to the bank. Partner Bank also offers its customers access to a powerful online customer service and, in the countries where it operates, provides its customers with a network of locally available financial service providers.

Receipt of benefits in portfolio management:

In portfolio management, any benefits from third parties are passed on to customers without exception.

- **Benefits to Partner Bank:**

Closing commission (one-off):

When brokering investment funds or structured products to customers, the partner bank sometimes receives a commission from issuers or third parties in the form of a reduction/waiver of the front-end load. The financial services provider usually receives a one-off payment for its services (see below).

Portfolio commission (ongoing):

When brokering investment funds or structured products to customers, Partner Bank sometimes receives pro rata remuneration (portfolio commission) from **issuers or third parties**. This pro rata remuneration is calculated as a percentage of the respective value of the shares held in custody and depends on the issuer and the type of financial instrument.

It is possible that the Partner Bank may receive a one-off commission from an issuer or third party for the services it has provided upon subscription.

Benefits – including in the form of price reductions – are granted. The financial services provider may receive a one-off pro rata remuneration for its services.

Within the scope of portfolio management, any benefits from third parties are passed on to customers. Receiving remuneration enables Partner Bank to establish and further develop an infrastructure for performing its services.

- **To employees of Partner Bank:** The salary system for employees of Partner Bank may also include a variable salary component that is influenced by the turnover and deposit volume of customers.
- **Commissions paid to the financial services provider:** The financial services provider receives commissions from Partner Bank for its activities. To this end, the financial services provider is paid the fee charged by Partner Bank to the customer, or part thereof, for the financial instruments it brokers.
- The amount of the brokerage fee shall in no case exceed the amount of the front-end load disclosed by the issuer in the respective sales prospectus. Furthermore, the financial services provider may also receive from the partner bank the pro rata remuneration paid by issuers or third parties to the partner bank for its activities, or a portion thereof. The specific amount depends on the issuer and the type of financial instrument. For certain financial instruments, part of the fees and expenses charged by the bank (e.g. closing fee/agio, securities fees, etc.) may be passed on to the financial services provider. For brokered asset management, the financial services provider receives a share of the processing fee or may also be granted a share of the management fee as pro rata remuneration. The issue surcharge/processing fee is charged to the customer by the partner bank. The amount of the issue surcharge can be found in the respective prospectus. The payment of commissions to the financial service provider enables the financial service provider to set up an infrastructure for performing its services. Commission payments to financial service providers may be restricted if the partner bank does not provide its services properly.
- **Non-cash benefits:** Partner Bank receives and grants small invitations and gifts, for example in the form of product-related training measures or customary business gifts (e.g. invitations to cultural events, business meals in standard restaurants). The value of the gifts in kind received by Partner Bank depends on the respective product issuer. Partner Bank has established guidelines governing the acceptance of invitations and gifts, which regulate the scope of permissible gift acceptance.
- Customers can find information on standard market fees at www.fma.gv.at under "Consumers & Investors," "Market Standard Fees." These were collected by the statutory interest group representing financial service providers of the Austrian Federal Economic Chamber and represent a recommendation by the FMA. Compliance with the conflict of interest policy is monitored by the compliance officer and reviewed by the internal audit department. The summary of the conflict of interest policy implements the legal provisions of the WAG 2018 and the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, which concern the provision of information to clients on the handling of conflicts of interest and the description of the disclosure of benefits.

¹ Benefits: Benefits include fees, commissions (e.g. portfolio commissions) and other monetary and non-monetary benefits.

² Third parties: Issuers, product providers, distribution partners.

D) PARTNER BANK'S PRINCIPLES ON ORDER EXECUTION (EXECUTION POLICY)

In order to protect the interests of its customers and investors, Partner Bank provides information about its execution guidelines. These guidelines have been drawn up for Partner Bank's customers and describe the key processes involved in securities trading at Partner Bank.

Partner Bank's business model

Clients can instruct Partner Bank to purchase individual securities or to manage their assets, although Partner Bank's business activities focus primarily on standardised asset management. Partner Bank typically invests on behalf of private clients. Due to a lack of direct access, Partner Bank does not currently trade on the stock exchange itself, but instead uses internationally active business partners (intermediaries), whose costs can then be passed on as "third-party expenses".

I. Priority of customer instructions

1. When executing a buy or sell order, Partner Bank will follow the customer's instructions. The customer's instructions always take precedence.
2. The customer is expressly advised that his instructions will result in the nonapplication of the principles set out below and that the Partner Bank may be prevented by the instructions from achieving the best possible result for the customer.

II. Client orders

1. Order types / price or rate limits

Orders are executed in accordance with the "best order / market order" standard. This means that the Partner Bank does not observe any price or exchange rate limits and the customer accepts the exchange rate achievable at the time of the transaction. As a result, the required capital investment / sales proceeds remain uncertain.

2. Forwarding of orders

Orders are generally forwarded on the same day, provided that they have been entered into the in-house system by 09 a.m. and the order and cover checks have been carried out.

3. System failures and other events

In the event of unforeseen circumstances (e.g. system failures), Partner Bank may be forced to choose other types of order execution than those specified in the execution policy. In such cases, Partner Bank will still endeavour to achieve the best possible execution.

III. Investment funds

In accordance with Section 62 (2) of the Austrian Financial Services Act 2018, our execution policy does not apply to the issue and redemption of investment funds, real estate investment funds and units in foreign investment funds.

IV. Execution outside a regulated market or multilateral trading facility

If securities are not traded on a trading venue or MTF (OTF), order execution may take place outside a regulated market, e.g. through over-the-counter trading. This requires separate customer consent in the form of a general agreement, which is expressly granted by signing the contract.

V. Notification of the aggregation of client orders

Partner Bank only processes client orders jointly if the consolidation of orders is not expected to be disadvantageous for a client.

VI. Execution from the Bank's own portfolio

It may happen that certain parts of orders are executed differently than in the table under point VII.5 through trading on the Partner Bank's own account. In this case, the Bank takes over financial instruments from the customer as the buyer or delivers financial instruments as the seller. For this purpose, the closing prices on the stock exchange or the best possible bid or ask prices at the respective execution time on the stock exchanges listed below on the day on which the order is received by the securities trading department in accordance with the internal system procedure are used.

VII. Principles of best execution

1. Criteria taken into account for best execution

The following criteria are used for the execution of transactions within the scope of asset management and the execution of buy and sell orders for individual securities, the following criteria are applied:

- Price and costs
- the quality of the connection

For private customers, the total cost of the order is the decisive criterion for choosing the best possible execution venue. This is calculated from the price of the financial instrument and all costs incurred by the customer that are directly related to the execution of the order,

including execution venue fees, clearing and settlement fees, costs of changing custodians and other fees paid to third parties involved in the execution of the order.

2. Categories of financial instruments

Partner Bank customers can order financial instruments via Partner Bank that fall into one of the following categories and are covered by Partner Bank's product range.

- Shares and comparable equity securities
- Bonds and comparable debt securities
- Exchange-traded funds (ETFs)
- Structured securities and leveraged products
- Certificates
- Warrants

For a detailed explanation of the product groups, please refer to section E) "Opportunities and risks in securities trading" of the customer information.

3. Scope

The execution guidelines meet the legal requirements for ensuring the highest possible level of protection for private customers. Partner Bank also applies these execution guidelines to professional customers and therefore does not establish separate guidelines. The execution principles set out in this policy do not apply

- to certain financial instruments that are purchased directly from or sold to Partner Bank at a fixed price (fixed-price transaction).
- to the issue and redemption of fund units in domestic investment and real estate funds and foreign capital investment funds that are approved for distribution, insofar as this is carried out via the fund's custodian bank.

4. Determination of the best possible execution venues

Partner Bank has evaluated its execution venues on the basis of the above criteria and determines the respective execution venue for the categories of financial instruments listed under point VII.2, as described in point VII.5. Orders to subscribe to issues are generally forwarded to the issuer, the lead manager or a member of the issuing consortium designated by the issuer for execution. Sales are executed at those execution venues that are possible without changing the custodian, taking into account the total fee. If this is not possible, the table below applies:

5. Determination of the execution route according to order groups

Financial instrument / security	Execution venue	via business partners of Partner Bank
Austrian equities and comparable equity securities	Xetra Vienna or over-the-counter	ViTrade / RBI / Baader Bank / Interactive Brokers / Erste Group Bank
Foreign shares (USA and Germany)	Xetra Frankfurt / floor trading / NYSE / AMEX / NASDAQ / NYSE ARCA	ViTrade / RBI / Baader Bank / Interactive Brokers / Erste Group Bank
Foreign shares (rest of Europe)	Home exchange	ViTrade / RBI / Baader Bank / Interactive Brokers / Erste Group Bank
Foreign shares (Canada, Hong Kong, Japan)	Home exchange	ViTrade / RBI / Baader Bank / Interactive Brokers / Erste Group Bank
Exchange Traded Funds (ETFs)	Xetra Frankfurt	Baader Bank / ViTrade / RBI / Erste Group Bank
Bonds Austria	Stock exchange or over-the-counter	Major Austrian banks / ViTrade / RBI / Interactive Brokers / Erste Group Bank
International bonds	Stock exchange or over-the-counter	ViTrade / RBI / Interactive Brokers / Erste Group Bank
Certificates, warrants	Euwax Stuttgart / Scoach / Frankfurt Futures and Certificates Exchange / Issuer (OTC)	ViTrade / RBI / Interactive Brokers / Baader Bank / Erste Group Bank

Home exchange = Term used to describe the exchange in whose economic environment the issuer's registered office and/or head office is located. In individual cases, it may be necessary to deviate from the specified path in the customer's interest (e.g. due to system failures or regulations on minimum denominations, or in the case of holdings resulting from securities deliveries). Orders for exchanges or products not listed will be executed where possible.

If execution is not possible, the customer will be informed immediately after we become aware of this.

In the event of deviating, explicit customer instructions, we will execute the order in accordance with these explicit instructions. The current execution policy can also be found on our website www.partnerbank.at.

6. Information on the quality of execution achieved

<https://www.partnerbank.at/en/information-required-law>

E) OPPORTUNITIES AND RISKS IN SECURITIES TRADING UNDER WAG 2018

Preliminary remark

The following section describes various investment products and the associated opportunities and risks.

Risk is understood to mean the failure to achieve an expected return on the capital invested and/or the loss of the capital invested, up to and including its total loss, whereby this risk may arise from the product itself, from the markets or from the issuer. These risks are not always foreseeable in advance, so the following description should not be regarded as exhaustive.

In any case, the risk arising from the creditworthiness of a product's issuer always depends on the individual case, and investors must therefore pay particular attention to this.

The description of investment products is based on the most common product features. However, the specific design of the product is always decisive. This description cannot therefore replace a detailed examination of the specific product by the investor.

The indicators that lead to a decision to buy or sell are:

- Fundamental data of a company
- The company's industry affiliation and market position
- Sustainable development of the company (company strategy, growth, balance sheet)
- Technical analysis of the share
- Share valuation, for example based on the price-earnings ratio of the share (compared to the industry average)
- Rating/analyst classification
- Risk management

The assessment according to these indicators is not based on weightings determined in advance, but rather takes the form of a flexible system that depends on factors such as the market situation and the company's positioning.

Specified risk rating

The risk rating specified for each asset management product or financial instrument provides information about the sensitivity of the values contained therein and the extent of the investment risks explained below.

1. General investment risks

Currency risk

If a foreign currency transaction is chosen, the return or performance of this transaction depends not only on the local return on the security in the foreign market, but also heavily on the development of the exchange rate of the foreign currency in relation to the investor's base

currency (e.g. euro).

Changes in the exchange rate can therefore increase or decrease the return and value of the investment.

Transfer risk

In the case of transactions with a foreign connection (e.g. foreign debtor), there is an additional risk, depending on the country in question, that political or foreign exchange measures may prevent or impede the realisation of the investment. Furthermore, problems may arise in the execution of an order. In the case of foreign currency transactions, such measures may also result in the foreign currency no longer being freely convertible.

Country risk

Country risk is the credit risk (solvency) of a country. If the country in question poses a political or economic risk, this can have negative effects on all partners based in that country.

Liquidity risk

The ability to buy, sell or close out an investment at any time at market prices is referred to as tradability (= liquidity). A market can be described as liquid if an investor can trade their securities without an average-sized order (measured in terms of the usual market turnover) leading to noticeable price fluctuations and without the order having to be executed at a significantly different price level.

Credit risk and issuer risk

Credit risk refers to the risk of a partner becoming insolvent, i.e. a possible inability to meet its obligations on time or in full, such as dividend payments, interest payments, repayments, etc. Alternative terms for credit risk are debtor risk or issuer risk. This risk can be assessed with the help of a rating. A rating is a scale for assessing the creditworthiness of issuers.

The rating is established by rating agencies, which assess credit risk and country risk in particular. The rating scale ranges from "AAA" (best credit rating) to "D" (worst credit rating).

Interest rate risk

Interest rate risk arises from the possibility of future changes in market interest rates. Rising market interest rates lead to price losses during the term of fixed-rate bonds, while falling market interest rates lead to price gains.

Price risk

Price risk refers to the possible fluctuations in value of individual in-

vestments. In the case of forward transactions (e.g. forward exchange transactions, futures, writing options), price risk may necessitate collateralisation (margin) or increase the amount thereof, i.e. tie up liquidity.

Risk of total loss

The risk of total loss refers to the risk that an investment may become worthless, e.g. due to its structure as a fixed-term right. A total loss may occur in particular if the issuer of a security is no longer able to meet its payment obligations for economic or legal reasons (insolvency; issuer risk).

Purchase of securities on credit

Purchasing securities on credit represents an increased risk. The loan taken out must be repaid regardless of the success of the investment. In addition, the credit costs reduce the return.

Guarantees

The term "guarantee" can be used in various ways. On the one hand, it refers to a commitment made by a third party other than the issuer, whereby the third party ensures that the issuer's obligations are fulfilled. On the other hand, it can refer to a commitment by the issuer itself to provide a certain service regardless of the performance of certain indicators that would otherwise determine the amount of the issuer's obligation.

Guarantees can also relate to a wide variety of other circumstances. Capital guarantees are usually only valid at the end of the term (redemption), which is why price fluctuations (price losses) may well occur during the term. The quality of a capital guarantee depends largely on the creditworthiness of the guarantor.

Tax aspects

The bank or financial services provider can only make non-binding statements about the general tax aspects of the various investments. The impact of an investment on your personal tax situation should be assessed together with your tax advisor.

Risks on stock exchanges, especially on secondary markets (e.g. Eastern Europe, Latin America, etc.)

There is no direct connection to most secondary market stock exchanges, which means that all orders must be forwarded by telephone. This can lead to errors or delays.

On some secondary stock markets, limited buy and sell orders are generally not possible. Limited orders can therefore only be placed after a corresponding telephone enquiry to the local broker, which can lead to delays. It is also possible that these limits will not be executed at all.

On some secondary stock exchanges, it is difficult to obtain current prices on an ongoing basis, which makes it difficult to evaluate existing customer positions.

If a trading note is suspended on a stock exchange, it may no longer be possible to sell these securities on the respective purchasing exchange. Transferring them to another stock exchange can also cause problems.

On some secondary market exchanges, trading hours are still far from meeting Western European standards. Short trading hours of around three or four hours per day can lead to bottlenecks or share orders not being taken into account.

2. Bonds / debentures / annuities

Definition

Bonds (= debentures, annuities) are securities in which the issuer (= debtor, issuer) undertakes to the holder (= creditor, purchaser) to pay interest on the capital received and to repay it repayment in accordance with the terms and conditions of the bond. In addition to these bonds in the narrower sense, there are also debt securities that differ significantly from the characteristics mentioned and the description below.

Particular reference is made to the debt securities described in the section "structured products". In this area in particular, it is therefore not the designation as a bond or debenture that is decisive for the product-specific risks, but the specific structure of the product. When bonds are purchased, accrued interest is charged. Accrued interest corresponds to accrued interest claims that must be paid by the purchaser of a coupon-bearing bond to the seller.

Yield

The yield on a bond consists of the interest on the capital and any difference between the purchase price and the achievable price at the time of sale/redemption.

The yield can therefore only be specified in advance if the bond is held until maturity. If the bond has a variable interest rate, it is not possible to specify the yield in advance. The yield (at maturity), calculated according to internationally accepted standards, is used as a comparative/measurement figure for the yield. If a bond offers a yield that is significantly higher than bonds with a comparable maturity, there must be special reasons for this, e.g. an increased credit risk.

If the bond is sold before redemption, the achievable sale price is uncertain, and the return may therefore be higher or lower than the originally calculated yield.

When calculating the return, the expenses incurred must also be taken into account.

Credit risk

There is a risk that the debtor will be unable to meet their obligations, either in full or in part, for example due to insolvency. The creditworthiness of the debtor must therefore be taken into account when making an investment decision.

One indicator for assessing the debtor's creditworthiness can be the so-called rating (= credit assessment of the debtor by an independent rating agency).

The rating "AAA" or "Aaa" means the best creditworthiness (e.g. Austrian government bonds); the worse the rating (e.g. B or C rating), the higher the credit risk – and the higher the interest rate (risk premium) of the security is likely to be at the expense of an increased default risk (credit risk) of the debtor. Investments with a comparable rating of BBB or better are referred to as "investment grade".

Price/valuation risk

If the bond is held until maturity, the customer receives the redemption proceeds promised in the bond terms and conditions upon redemption. In this context, the risk of early termination by the issuer must be taken into account, as specified in the terms and conditions of issue.

If sold before maturity, you receive the market price (price). This is based on supply and demand, which depend, among other things, on the current interest rate level. For example, the price of fixed-interest bonds will fall if interest rates for comparable maturities rise; conversely, the bond will increase in value if interest rates for comparable maturities fall.

A change in the debtor's credit rating can also affect the price of the bond.

In the case of variable-rate bonds, when the yield curve flattens or is flat, the price risk for bonds whose interest rate is adjusted to capital market interest rates is significantly higher than for bonds whose interest rate depends on the level of money market interest rates.

The extent of the change in the price of a bond in response to a change in interest rates is described by the key figure "duration". The duration depends on the remaining term of the bond. The longer the duration, the greater the impact of changes in general interest rates on the price, both positively and negatively.

Liquidity risk

The tradability of bonds can depend on various factors, e.g. issue volume, remaining term, stock exchange practices, market situation. A bond may also be difficult or impossible to sell and, in this case, would have to be held until redemption.

Bond trading

Bonds are traded on an exchange or over the counter. The bank can usually announce a bid and ask price for certain bonds on request. However, there is no guarantee of tradability.

In the case of bonds that are also traded on the stock exchange, the prices formed on the stock exchange may differ significantly from over-the-counter prices. The risk of weak trading can be limited by adding a limit.

Some special cases of bonds

Supplementary capital bonds

These are subordinated bonds issued by Austrian banks, on which interest is paid only if there is a corresponding annual surplus (before reserves are moved).

Capital repayment prior to liquidation is only made after a proportional deduction of the net losses incurred during the total term of the supplementary capital bond.

Subordinated capital bonds

These are bonds in which, in the event of liquidation or bankruptcy of the bond debtor, payments are only made to the investor after all other nonsubordinated liabilities of the bond debtor have been paid. The repayment claim from the subordinated capital bonds cannot be offset against claims of the bond debtor.

Your customer advisor will be happy to provide you with information

on other special types of bonds, such as warrant bonds, convertible bonds and zerocoupon bonds.

3. Shares

Definition

Shares are securities that certify ownership of a stake in a company (public limited company). The most important rights of shareholders are a share in the company's profits and voting rights at the annual general meeting. (Exception: preference shares)

Return

The return on share investments consists of dividend payments and share price gains/losses and cannot be predicted with certainty. The dividend is the company's profit distributed by resolution of the annual general meeting. The amount of the dividend is stated either as an absolute amount per share or as a percentage of the nominal value. The income generated from the dividend in relation to the share price is called the dividend yield. This will usually be significantly lower than the dividend stated as a percentage.

The majority of income from share investments regularly results from the performance/price development of the share (see price risk).

Price risk

A share is a security that is traded on a stock exchange in most cases. As a rule, a price is determined daily based on supply and demand. Share investments can lead to significant losses.

In general, the price of a share is based on the economic performance of the company and the general economic and political conditions. Irrational factors (sentiment, opinions) can also influence the price development and thus the return on the investment.

Credit risk

As a shareholder, you have a stake in a company. This stake can become worthless, particularly if the company becomes insolvent.

Liquidity risk

Tradability can be problematic for illiquid securities (especially listings on unregulated markets, OTC trading).

Even if a share is listed on several stock exchanges, there may be differences in tradability on the various international stock exchanges (e.g. listing of an American share in Frankfurt).

Share trading

Shares are traded on a stock exchange or, in some cases, over the counter. When trading on a stock exchange, the respective stock exchange practices (closing units, order types, value date regulations, etc.) must be observed. If a share is listed on different stock exchanges in different currencies (e.g. a US share listed on the Frankfurt Stock Exchange in euros), the price risk also includes a currency risk. Your customer advisor will provide you with information on this.

When purchasing a share on a foreign stock exchange, it should be noted that foreign stock exchanges always charge "foreign fees" in addition to the usual bank charges. Your customer advisor will provide you with information on the exact amount of these fees.

4. Investment funds

Domestic investment funds

General

Unitholders in Austrian investment funds (investment certificates) are securities that certify co-ownership of an investment fund. Investment funds invest the money of the unitholders according to the principle of risk diversification.

The three main types are bond funds, equity funds and mixed funds, which invest in both bonds and equities. Funds can invest in domestic and/or foreign securities.

In addition to securities, the investment spectrum of domestic investment funds also includes money market instruments, liquid financial assets, derivative products and investment fund units. Investment funds can invest in domestic and foreign securities.

A further distinction is made between distributing funds, accumulating funds and funds of funds. Unlike a distributing fund, an accumulating fund does not distribute its income; instead, it reinvests it in the fund. Funds of funds, on the other hand, invest in other domestic and/or foreign funds. Guarantee funds are linked to a binding commitment by a guarantor appointed by the fund company regarding distributions during a specific term, the repayment of capital or performance.

Return

The return on investment funds consists of annual distributions (in the case of distributing funds rather than accumulating funds) and the

performance of the calculated value of the fund, and cannot be determined in advance.

Performance depends on the investment policy set out in the fund rules and on the market performance of the individual assets in the fund. Depending on the composition of a fund, the risk information for bonds, equities and warrants must therefore also be taken into account.

Price risk

Fund units can normally be redeemed at any time at the redemption price.

In exceptional circumstances, redemption may be temporarily suspended until the fund's assets have been sold and the proceeds of the sale have been received. The customer advisor will provide information about any fees and the date on which the purchase or sale order will be executed.

The term of the fund is governed by the fund rules and is usually unlimited.

It should be noted that, unlike bonds, investment fund units are not usually redeemed and therefore do not have a fixed redemption price. As already explained under "Return", the risk associated with a fund investment depends on the investment policy and market developments. A loss cannot be ruled out. Despite the fact that they can normally be redeemed at any time, investment funds are investment products that are typically only economically viable over a longer investment period. Like shares, funds can also be traded on stock exchanges. Prices formed on the relevant stock exchange may differ from the redemption price. In this regard, please refer to the risk information for shares.

Tax implications

Depending on the type of fund, the tax treatment of income varies.

Foreign investment funds

Foreign investment funds are subject to foreign legal provisions, which may differ significantly from the provisions applicable in Austria. In particular, supervisory law is often less strict than in Austria.

There are also so-called "closed-end funds" or funds structured under stock corporation law, whose value is determined by supply and demand rather than by the intrinsic value of the fund, comparable to the price formation of shares.

It should be noted that distributions and distribution-equivalent income from foreign investment funds (e.g. accumulating funds) may be subject to different tax rules, regardless of their legal form.

Exchange Traded Funds

Exchange traded funds (ETFs) are fund units that are traded on a stock exchange like shares. An ETF usually tracks a basket of securities (e.g. a basket of shares) that reflects the composition of an index, i.e. it replicates the index in a security by means of the securities contained in the index and their current weighting in the index, which is why ETFs are often referred to as index shares.

Yield

The return depends on the performance of the underlying assets in the basket of securities.

Risk

The risk depends on the underlying values of the securities basket.

5. Real estate funds

General

Austrian real estate funds are special funds owned by an investment company that holds and manages the special fund on behalf of the unit holders. The unit certificates certify a contractual participation in this special fund. Real estate funds invest the funds they receive from shareholders in accordance with the principle of risk diversification, in particular in land, buildings, shares in real estate companies and comparable assets, and their own construction projects; they also hold liquid financial investments (liquidity investments) such as securities and bank balances. The liquidity investments serve to guarantee the real estate fund's upcoming payment obligations (e.g. due to the acquisition of properties) and the redemption of share certificates.

Return

From the perspective of unit holders, the total return on real estate funds consists of annual distributions (in the case of distributing funds rather than accumulating funds) and the performance of the calculated net asset value of the fund, and cannot be determined in advance. The performance of real estate funds depends on the investment policy set out in the fund rules, market developments, the individual properties held in the fund and the other assets of the fund (securities, bank balances). The historical performance of a real estate fund is not

an indication of its future performance. Real estate funds are exposed to, among other things, an income risk due to possible vacancies in the properties. Problems with initial letting can arise, especially in the case of own construction projects.

Subsequently, vacancies can have a negative impact on the value of the real estate fund and also lead to reductions in distributions. Investing in real estate funds may also lead to a reduction in the capital employed.

Real estate funds invest liquid assets not only in bank deposits but also in other forms of investment, in particular interest-bearing securities. These parts of the fund's assets are then subject to the specific risks applicable to the chosen form of investment. If real estate funds invest in foreign projects outside the eurozone, unit holders are additionally exposed to currency risks, as the market value and income value of such a foreign property is converted into euros each time the issue or redemption price for the units is calculated.

Price/valuation risk

Units can normally be redeemed at any time at the redemption price. It should be noted that the redemption of units in real estate funds may be subject to restrictions. In exceptional circumstances, redemption may be temporarily suspended until the assets of the real estate fund have been sold and the proceeds of the sale have been received. The fund rules may stipulate, in particular, that redemptions may be suspended for a longer period of up to two years following large-scale redemptions of share certificates. In such cases, it is not possible to pay out the redemption price during this period. Real estate funds are typically classified as long-term investment projects.

6. Warrants

Definition

Warrants (OS) are interest- and dividend-free securities that grant the holder the right to buy (call warrants/call OS) or sell (put warrants/put OS) a specific underlying asset (e.g. shares) at a predetermined price (exercise price) at a predetermined price (exercise price) at a specific point in time or within a specific period (call warrants/call OS) or to sell (put warrants/put OS).

Yield

By purchasing the warrant, the holder of the call warrants has fixed the purchase price of its underlying asset. The return may result from the market price of the underlying asset becoming higher than the exercise price to be paid by the customer, whereby the purchase price of the warrant is deducted.

The holder then has the option of buying the underlying asset at the exercise price and immediately reselling it at the market price.

Usually, the price increase of the underlying asset is reflected in a relatively larger increase in the price of the warrant (leverage effect), so that most investors achieve their return by selling the warrant.

The same applies mutatis mutandis to put warrants; these usually rise in price when the underlying asset loses value.

The return on warrant investments cannot be determined in advance.

The maximum loss is limited to the amount of capital invested.

Price risk

may not perform as the customer had anticipated when making their purchase decision. In extreme cases, this can lead to a total loss of the capital invested.

In addition, the price of the warrant depends on other factors. The most important of these are:

Volatility of the underlying asset (a measure of the expected fluctuation range of the underlying asset at the time of purchase and, at the same time, the most important parameter for the price worthiness of the warrant). High volatility generally means a higher price for the warrant.

Term of the warrant (the longer the term of a warrant, the higher the price).

A decline in volatility or a decreasing remaining term can cause the price of the warrant to remain the same or fall, even though expectations regarding the price development of the underlying asset have been met.

It is generally not advisable to purchase a warrant shortly before the end of its term. Purchasing a warrant when volatility is high makes the investment more expensive and is therefore highly speculative.

Liquidity risk

Warrants are usually only issued in small quantities. This results in an increased liquidity risk. As a result, individual warrants may experi-

ence particularly high price fluctuations.

Warrants trading

Warrants are largely traded over the counter. There is usually a difference between the bid and ask prices. This difference is borne by the customer.

When trading on the stock exchange, particular attention must be paid to the often very low liquidity.

Warrants conditions

Warrants are not standardised. It is therefore particularly important to find out about the exact terms and conditions, especially:

Type of exercise:

Can the option right be exercised on an ongoing basis (American option) or only on the exercise date (European option)?

Subscription ratio:

How many warrants are required to obtain the underlying asset?

Exercise:

Delivery of the underlying asset or cash settlement?

Expiry:

When does the right expire? It should be noted that the bank will not exercise option rights without an explicit order.

Last trading day:

This is often some time before the expiry date, so it cannot be assumed without further ado that the warrant can also be sold before the expiry date.

7. Structured products

"Structured investment instruments" are investment instruments whose returns and/or capital repayments are usually not fixed, but depend on certain future events or developments. Furthermore, these investment instruments may be structured in such a way that, for example, the product can be terminated early by the issuer or even terminated automatically if predetermined targets are reached.

Individual product types are described below. Standard collective terms are used to designate these product types, but these terms are not used uniformly in the market. Due to the wide range of linkages, combinations and payout options available for these investment instruments, a wide variety of investment instruments have been developed, the names of which do not always correspond to their respective structures. For this reason, it is necessary to always check the specific product terms and conditions. Your customer advisor will be happy to provide you with information about the various structures of these investment instruments.

Risks

- 1) If interest and/or income distributions have been agreed, these may be dependent on future events or developments (indices, baskets, individual shares, certain prices, commodities, precious metals, etc.) and may therefore be partially or completely omitted in the future.
- 2) Capital repayments may be dependent on future events or developments (indices, baskets, individual shares, certain prices, commodities, precious metals, etc.) and may therefore be partially or completely omitted.
- 3) With regard to interest and/or income distributions and capital repayments, particular attention must be paid to interest rate, currency, company, sector, country and credit risks (possible lack of separation and exclusion rights) and tax risks.
- 4) The risks described in points 1) to 3) may, regardless of any interest rate, yield or capital guarantees that may exist, lead to high price fluctuations (price losses) during the term or make sales during the term difficult or impossible.

Cash or share bonds (equity-linked bonds)

These consist of three components, the risk of which is borne by the bond purchaser:

A bond (bond component) is purchased whose interest rate includes an option premium. This structure therefore results in a higher interest rate than a comparable bond with the same maturity. Repayment is made either in cash or in shares, depending on the performance of the underlying shares (share component). The bond purchaser is thus the writer of a put option (option component), who sells the right to transfer shares to him to a third party and thereby undertakes to accept any negative share price movements. The bond purchaser therefore bears the risk of price movements and receives a premium in return, which essentially depends on the volatility of the underlying share. If the bond is not held until maturity, this risk is compounded by the interest rate risk. A change in the interest rate level therefore affects the price

of the bond and, consequently, the net yield of the bond in relation to the term of the bond. Please also note the corresponding risk information in the sections on credit risk, interest rate risk and share price risk.

Interest rate spread securities products (constant maturity swap)

These products, which are structured as bonds, initially have a fixed coupon. After this fixed-interest phase, the products are converted to variable interest rates. The coupon, which is usually annual, depends on the current interest rate situation (e.g. yield curve). In addition, these products can be equipped with a target interest rate variant: i.e. if a target interest rate set in advance is reached, the product is terminated early.

Yield

During the fixed-interest phase, investors generally receive a higher coupon than is paid on traditional bonds on the market. During the variable-interest phase, they have the opportunity to achieve higher coupons than with fixed-interest bonds.

Risk

During the term, market conditions may cause price fluctuations, which can be significant depending on interest rate developments.

Guarantee certificates

In the case of guarantee certificates, the nominal initial value or a certain percentage thereof is repaid at the end of the term, regardless of the performance of the underlying asset ("minimum repayment").

Return

The return to be achieved from the performance of the underlying asset may be limited by a maximum repayment amount specified in the terms and conditions of the certificate or other restrictions on participation in the performance of the underlying asset. Investors are not entitled to dividends or similar distributions from the underlying asset.

Risk

The value of the certificate may fall below the agreed minimum repayment during the term. At the end of the term, however, the value will generally be equal to the minimum repayment. The minimum repayment is, however, dependent on the creditworthiness of the issuer.

Discount certificates

With discount certificates, investors receive the underlying asset (e.g. underlying share or index) at a discount to the current price (safety buffer), but only participate in positive performance of the underlying asset up to a certain price cap (cap or reference price). At the end of the term, the issuer has the option of either redeeming the certificate at the maximum value (cap) or delivering shares or, if an index is used as the underlying asset, making a cash settlement corresponding to the index value.

Return

The difference between the purchase price of the underlying asset, which benefits from the discount, and the price cap determined by the cap represents the potential return.

Risk

If the price of the underlying asset falls sharply, shares will be delivered at the end of the term. (The equivalent value of the shares delivered will be below the purchase price at that time.) As the allocation of shares is possible, the risk information for shares must be observed.

Bonus certificates

Bonus certificates are debt securities which, under certain conditions, pay a bonus in addition to the nominal value at the end of the term or, where applicable, the better performance of an underlying asset (individual shares or indices).

Bonus certificates have a fixed term. The certificate terms and conditions stipulate the payment of a cash amount or the delivery of the underlying asset at the end of the term. The type and amount of the repayment at the end of the term depend on the performance of the underlying asset. A starting level, a barrier below the starting level and a bonus level above the starting level are set for a bonus certificate. If the underlying asset falls to or below the barrier, the bonus is forfeited and the repayment is made in the amount of the underlying asset. Otherwise, the minimum repayment is based on the bonus level. At the end of the certificate's term, the bonus is paid out in addition to the capital initially invested for the nominal value of the certificate.

Yield

With a bonus certificate, the investor acquires a claim against the issuer for payment of a sum of money that depends on the performance of the underlying asset. The yield depends on the performance of the underlying asset.

Risk

The risk depends on the underlying asset. In the event of the issuer's bankruptcy, there is no right of separation or exclusion with regard to the underlying asset.

Index certificates

Index certificates are debt securities (usually listed on the stock exchange) and offer investors the opportunity to participate in a specific index without having to own the securities contained in the index themselves. The underlying index is usually replicated 1:1, and changes in the respective index are taken into account.

Return

With an index certificate, the investor acquires a claim against the issuer for payment of a sum of money that depends on the level of the underlying index. The return depends on the performance of the underlying index.

Risk

The risk depends on the underlying values of the index. In the event of the issuer's bankruptcy, there is no right to separate or isolate the underlying assets.

Basket certificates

Basket certificates are debt securities and offer investors the opportunity to participate in the performance of a specific basket of securities without having to own the securities contained in the basket themselves. The issuer is responsible for compiling the underlying basket. The securities contained in the basket may be weighted equally or differently. The composition may be adjusted at specified times (e.g. annually).

Knock-out certificates (turbo certificates)

Knock-out certificates are certificates that certify the right to a specific underlying asset. to buy or sell at a specific price if the underlying asset does not reach the specified price threshold (knock-out threshold) during the term. Once the threshold is reached, the investment ends prematurely and is usually lost to a large extent. Depending on the expected price trend for the respective underlying asset, a distinction is made between knock-out long certificates, which are based on rising markets, and knock-out short certificates, which are specifically designed for falling markets. In addition to normal knock-out certificates, leveraged knock-out certificates are also issued, usually under the name "turbo certificates" (or leverage certificates).

The leverage (turbo) causes the value of the turbo certificate to react more strongly in percentage terms to the price movement of the respective underlying instrument and to rise more sharply, but also to fall more sharply. Higher profits can therefore be achieved with smaller investments, but the risk of loss also increases.

Return

A return can result from the positive difference between the purchase price or market price and the strike price. (Possibility to buy the underlying asset at the lower strike price or sell it at the higher strike price).

Risk

If the knock-out threshold is reached once during the term, the certificate either expires as worthless or a calculated residual value is paid out (the product is "stopped out"). For some issuers, reaching the knock-out threshold during the trading day (intraday) is sufficient for the certificate to be stopped out. The closer the current stock market price is to the base price, the higher the leverage effect. At the same time, however, there is an increased risk that the knock-out threshold will be breached and either the certificate will become worthless or the calculated residual value will be paid out.

Bandwidth certificates

Bandwidth certificates offer the opportunity to participate disproportionately in the performance of the respective underlying asset in anticipation of a share price or index level moving within a certain range, within a price range (bandwidth) defined by start and stop marks.

Return

The return may result from disproportionate participation in the price performance of the underlying asset.

Risk

However, if the closing price determined on the valuation date is below the starting mark, the certificate merely tracks the price performance of the underlying asset. If the price falls below the stop mark, the investor receives a fixed maximum redemption amount at the end of the term without being able to participate in any price increases.

Twin Win Certificates

Twin Win certificates receive a redemption amount from the issuer

at the end of the term, which depends on the performance of the underlying instrument. The certificates have a barrier. If (as a rule) the barrier is not reached or exceeded during the term of the Twin Win certificates, the investor participates in the absolute performance of the underlying instrument based on the strike price set by the issuer. This means that even losses on the underlying instrument can be converted into gains on the certificate. If the barrier is reached or fallen below during the term of the Twin Win certificates, redemption will be made at least in line with the performance of the underlying instrument. Above the strike price, disproportionate participation in the price performance of the underlying instrument may be provided for (if specified by the issuer).

However, the maximum redemption amount may be limited.

Return

If the barrier is not reached, the investor can also benefit from negative performance of the underlying instrument, as they participate in the absolute performance; losses of the underlying instrument can therefore be converted into gains. The certificate may react more strongly or less strongly to fluctuations in the value of the underlying instrument due to various influencing factors (e.g. volatility of the underlying instrument, remaining term, distance of the underlying instrument from the barrier).

Risk

Twin Win certificates are high-risk investment instruments. If the price of the underlying asset of the respective Twin Win certificate develops unfavourably, a significant portion or all of the invested capital may be lost.

Express certificates

An express certificate participates in the performance of the underlying instrument with the possibility of early redemption. If the underlying instrument meets the threshold condition specified by the issuer on one of the observation dates, the certificate ends early and is automatically redeemed by the issuer at the redemption amount valid on the respective observation date. If the underlying instrument does not meet the specified threshold condition on the last observation date, redemption will be made at the closing price of the underlying instrument on which the certificates are based, as determined at the end of the term/on the last observation date. If, in this case, the issuer has set a barrier at the time of issue of the certificate and the price of the underlying instrument has neither reached nor broken through the barrier during the observation period, redemption will be made at least at a minimum repayment amount defined by the issuer.

Return

Express certificates offer the possibility of early realisation of the positive performance of the underlying instrument. Even if the specified threshold condition is not met, a minimum repayment may still be made, provided that the barrier has not been reached or breached. The certificate may react more strongly or less strongly to fluctuations in the value of the underlying instrument due to various influencing factors (e.g. fluctuation range of the underlying instrument, remaining term, distance of the underlying instrument from the barrier).

Risk

Express certificates are high-risk investment instruments. If the price of the underlying asset on which the respective express certificate is based develops unfavourably, a significant portion or all of the invested capital may be lost.

8. Hedge funds

(Hedge funds, fund of hedge funds, hedge fund index certificates and other products with hedge strategies as the underlying investment)

General

Hedge funds are funds that are subject to no or only minimal legal or other restrictions with regard to their investment principles. They aim to increase their capital by using all forms of investment and alternative, sometimes nontransparent investment strategies.

Examples of investment strategies:

Long/short:

Undervalued securities are bought and, at the same time, overvalued securities are sold short.

Event-driven:

Attempts are made to exploit specific corporate events such as mergers, acquisitions, reorganisations or insolvencies.

Global macro:

This style attempts to identify and exploit market inefficiencies through macroeconomic analysis of key economic and political developments.

Hedge funds of funds are funds that invest in individual hedge funds.

Hedge fund index certificates are debt securities whose value or return depends on the average performance of several hedge funds that are combined in an index as a basis for calculation. Funds of hedge funds and hedge fund index certificates offer investors the advantage of greater risk diversification.

Return and risk components

Hedge funds offer the opportunity for very high returns, but also carry a correspondingly high risk of capital loss. The performance of hedge fund products is influenced in particular by the following factors, which give rise to opportunities and risks:

Hedge funds tend to develop independently of developments on the international stock and bond markets. Depending on the hedge fund strategy, this can lead to a reinforcement of the general market trend or to a marked counter-trend. The performance of hedge funds is primarily influenced by the sub-market they define.

Due to their composition, hedge fund assets may be subject to increased volatility, i.e. share prices may be subject to significant upward and downward fluctuations even within short periods of time. In extreme cases, unguaranteed hedge fund products may result in total losses.

A concentration on one or only a few strategies increases the risk of Fundamentally, the risk – this risk can be reduced through diversification in hedge fund of funds or hedge fund index certificates. The selection and composition of individual funds is carried out by the fund of funds manager depending on the fund's target risk/return profile or by an index committee according to a defined country and sector allocation.

The underlying hedge funds may not be transparent to the fund of funds management/index committee at all times.

Liquidity risk

Due to complex hedge fund strategies and costly hedge fund management, determining the price of a hedge fund product takes more time than with traditional funds. Hedge fund products are therefore also less liquid than traditional funds. Prices are usually determined on a monthly rather than daily basis, and shares are therefore often only redeemed once a month. In order to be able to redeem shares at this point in time, investors must have irrevocably declared their intention to redeem well in advance of the redemption date. The value of the shares may change significantly between the time of the redemption declaration and the execution of the redemption, without the investor having the opportunity to react to this, as their redemption declaration cannot be revoked. Details of the redemption depend on the respective product. The limited liquidity of the individual funds and the instruments used by them may therefore lead to limited tradability of the hedge fund product.

9. Money market instruments

Definition

Money market instruments include securitised money market investments and borrowings such as certificates of deposit (CDs), medium-term notes, global note facilities, commercial paper and all notes with a capital term of up to approximately five years and fixed interest rates of up to approximately one year. Money market transactions also include genuine repurchase agreements and cost transactions.

Yield and risk components

The return and risk components of money market instruments largely correspond to those of "bonds/debentures/annuities". There are special features with regard to liquidity risk.

Liquidity risk

There is typically no regulated secondary market for money market instruments. Therefore, their saleability at any time cannot be guaranteed.

Liquidity risk becomes less important if the issuer guarantees the repayment of the invested capital at any time and has the necessary credit rating.

Money market instruments – explained simply

Certificates of deposit

Money market securities with maturities of typically 30 to 360 days (certificates of deposit) issued by banks.

Medium-term notes

Money market securities with maturities of up to 5 years, issued by banks.

Commercial paper

Money market instruments, short-term promissory notes with maturities of 5 to 270 days, issued by large companies.

Global note facility

A variant of a commercial paper facility that allows commercial papers to be issued simultaneously in the United States and on markets in Europe.

Notes

Short-term capital market securities, typically with maturities of 1 to 5 years.

10. Participation rights / participation certificates / profit certificates

Definition

Profit participation rights generally refer to a situation in which a company, usually a corporation, grants a non-shareholder typical property rights under company law, such as a share in the company's profits. A profit participation certificate or profit certificate is a security that certifies a profit participation right. The terms profit participation right, profit participation certificate and profit certificate are generally used synonymously. As there is no legal definition of the term "profit participation right", there is relatively great freedom in the structuring of profit participation right conditions, which is why particular attention should be paid to them. Profit sharing, repayment, term and termination options may be regulated differently for different profit participation rights. However, as these are creditor rights and not shareholder rights, profit participation right holders may only be granted property rights and not administrative or co-determination rights, the holder of a profit participation right may only be granted property rights and no management or co-determination rights.

Return

The return on a profit participation right depends primarily on the terms and conditions of the profit participation right. These may provide for a distribution of a fixed or variable percentage of the nominal amount, or they may link the distribution to a condition such as the generation of a minimum profit.

Depending on the terms and conditions of the profit participation right, the amount of the annual distribution may be determined in advance or decided on an annual basis. The agreed repayment also has an influence on the return on the profit participation right. A distinction must be made between whether the profit participation right is redeemed at the issue price or whether the performance of the company is also taken into account in the redemption, so that the holder of the profit participation right participates in the increases in value but also in the losses of the company. Finally, the return depends on whether the participation certificates are also traded. In such a case, the return may also be influenced by price fluctuations.

Credit risk

Since the company granting the profit participation rights becomes the debtor of the profit participation right holder, there is, of course, as in any debt relationship, the risk that the debtor will be unable to meet its obligations, for example due to insolvency, and that the investment will thus become temporarily or permanently worthless.

Price risk

If the participation certificates are traded, they are naturally subject to pricing based on supply and demand and thus also to corresponding price increases and losses.

Liquidity risk

If the trading volume for certain participation certificates is low, this may make it difficult or even impossible to sell these participation certificates.

Participation certificate trading

Participation certificates and profit-sharing certificates may be traded on a stock exchange or over the counter if this has been agreed in the terms and conditions governing the participation rights.

11. Bail-In financial instruments

Bail-in refers to the participation of a bank's creditors (i.e. investors in its debt instruments) in its losses in the event of its restructuring or resolution in the event of imminent insolvency. A resolution authority may only apply resolution tools to an affected bank if the legal conditions for resolution are met.

As a customer, you may be affected as a shareholder or creditor of a bank if you hold financial instruments issued by the bank in question (e.g. shares, bonds or certificates) or if you have claims against the bank as a contractual partner of the bank (e.g. individual transactions under a framework agreement for financial futures transactions). Exceptions are customer deposits covered by deposit protection (up to EUR 100,000), secured claims, e.g. mortgage bonds or covered bonds, liabilities arising from fiduciary relationships and customer assets or

customer funds to which rights of separation or exclusion apply.

The following resolution tools may affect bank customers when applied:

- Creditor participation ("bail-in")
- Spin-off of asset instruments
- Bridge institution
- Sale of business

Risks of bank resolution:

Counterparty/credit risk

The resolution authority may make changes to the terms and conditions of the securities concerned. These changes may relate, for example, to the maturity date.

Liquidity risk

In a bail-in procedure, it is possible that the securities of the affected bank may be subject to value fluctuations and thus cannot be sold or can only be sold at a poor price.

Cluster/concentration risk

The risk of loss increases the more securities of the affected bank are held in an investor's portfolio. This can also lead to a total loss.