

# Information regarding Oberbank AG securities business

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## Information regarding Oberbank AG and its services

### Licence

Oberbank AG was founded in 1869 and pursuant to the Austrian Banking Act (BWG) possesses a full banking licence granted to it by the responsible regulatory body, the Austrian Financial Market Authority (FMA), Otto-Wagner-Platz 5, 1090 Vienna.

### Communications

Clients can communicate with the bank during its hours of business in German or English in person, by telephone, letter, telefax or e-mail.

Clients can place orders in German, either in person or in writing, or if a relevant agreement has been concluded, using online banking or by telephone.

The bank is subject to a mandatory obligation to record and store all telephone conversations and electronic communications with its clients regarding financial instruments. Upon request, copies of these transcripts can be made available to clients during a period of five years, or seven years should the responsible authority so require.

If asked to do so, Oberbank AG will provide clients with information regarding the status of their orders. The client will receive a statement or order confirmation by no later than the first day of business following the execution of the order, or should a third party be providing the bank with confirmation of the order, by not later than the first day of business following receipt of the complete data.

### Services offered by the bank

The Oberbank only undertakes securities transactions with private and professional clients on the basis of a valid investor profile. This is owing to the fact that only a comprehensive investor profile is capable of putting our advisors in a position that enables them to provide advice in the best interests of the client and recommend products that are suitable and appropriate, i.e. products that correspond with the willingness and ability of clients to bear risk, their knowledge, experience and investment aims.

Therefore, it is especially important that the information contained in the investor profile is correct, complete and up to date.

### Investment consulting

Oberbank AG provides investment consulting services on a non-independent basis. Therefore, during investment consulting we focus on financial instruments issued by bodies that have close links to the Oberbank, or that the Oberbank has itself issued. The range of consulting is supplemented by a selection of external products.

We aspire to furnish the “right client” with the “right product” and major aspects in this regard include diversification of the client’s account, knowledge and experience, and the readiness and ability of clients to bear risk (“suitability”). In addition, product producers are also obliged to define which securities item is suited to which clients (= target market).

Following the conclusion of investment consulting, Oberbank does not carry out regular assessments of the “suitability” of the recommended financial instruments that are held in the client’s Oberbank account.

As a non-independent, consultative bank, we are able to obtain third party benefits subject to the proviso that the benefit is linked to the provision of a security-related or ancillary service and enhances the quality of the service for the client. Should we obtain benefits, this will be made known to the client. On a retrospective annual basis, the client will receive information regarding the actual amount of the benefits received. Benefits include charges, commission or other monetary or (minor) non-monetary benefits. Examples of minor non-monetary benefits are market commentaries and coaching offers, etc. that third party product suppliers offer to Oberbank AG.

## **Portfolio management**

From a defined amount, we offer individual portfolio management (iPM). This constitutes asset administration based on the power of attorney, the precise scope of which is agreed contractually. Within the framework of portfolio management, with the exception of minor, non-monetary benefits, we accept no benefits from third parties such as product suppliers. Minor, non-monetary benefits from third parties are exemplified by market information, or participation in information events or coaching.

## **Product range**

### **Bonds**

Oberbank provides advice or information at regular intervals regarding available bonds, which belong predominantly to the categories Oberbank AG bonds, housing bank bonds, bonds from Austrian issuers, Austrian government and gilt-edged bonds. May we point out with regard to the housing bank bond area that Oberbank AG holds an 80 per cent participation in the 3-Banken Wohnbaubank AG.

### **Shares**

The Oberbank also offers (certain) individual shares. During advisory transactions via the “Oberbank Share Focus List”, we provide a selection of international shares with a solid business model and finances, as well as an adequate rating.

### **Investment funds**

Investment funds play a fundamental role in Oberbank investment consulting. There is no other product that possesses the status of a special asset, fulfils the principle of diversification, or furnishes the possibility of achieving a global spread with small investment amounts at reasonable expense.

Our focus in the investment fund consulting field is on the investment funds of the 3 Banken-Generali Investment-Gesellschaft m.b.H., in which Oberbank AG holds a participation of approximately 20 per cent. This is supplemented by a selection of external funds.

### **Interest rate and currency derivatives**

In the interest rate and currency derivatives segment, Oberbank AG also offers its clients over the counter products (interest swaps and caps, foreign exchange forwards and options, etc.). These constitute bilateral agreements between the contractual partners and are not traded on a stock exchange. Nonetheless, as these products represent financial instruments, they are subject to the same mandatory obligations regarding the documentation of conversations and cost information (see the following). One exception to this application according to current opinion is formed by foreign exchange forwards transactions, subject to the rider that these are used for hedging purposes.

## **Consultancy-free transactions**

To the greatest possible extent, the product range available through investment consulting is also available for consultancy-free transactions.

Products that may only be marketed via consultative transactions represent an exception. Electronic orders placed on the Oberbank client portal always constitute a consultancy-free transaction.

A comprehensive target market assessment does not take place in consultancy-free transactions.

## **Execution only**

The Oberbank only offers this in exceptional cases.

## **Discussion documentation**

Prior to every securities purchase, clients receive an advisory or discussion protocol, as well as cost information. In the case of financial instrument transactions by telephone, these documents are received subsequently, if this has been agreed between client and Oberbank. During consultative transactions, a protocol is kept in order to document the extent to which the financial instruments offered match the goals and needs of the client. In the case of consultancy-free transactions, documentation records the degree to which the knowledge and experience of the client is appropriate.

Certain securities necessitate the provision of additional product information (basic information leaflets). The leaflets from all product suppliers are of identical design, which permits the comparison of the individual products.

In connection with joint accounts and signatory authorisations, we would point out that the aforementioned documents are sent to the respective contracting client.

## **Account statements**

The provision of a quarterly overview of the securities items serves to provide additional transparency.

## **Cost transparency**

Prior to every securities transaction, clients receive a breakdown of all the probable costs and their possible effects upon the returns on the security. The costs are reported as an absolute amount and a percentage. In connection with transactions by telephone, clients receive a cost statement subsequently, if this has been agreed between client and Oberbank.

A retrospective overview of all actual costs is provided annually. Clients are requested to study the respective current conditions, which are posted at the counter in every Oberbank branch.

## **Greater transaction transparency**

For the completion of securities or derivative transactions, clients require a clear, global identification number.

A so-called national identifier (national ID) is employed for the definitive identification of natural personages, undocumented retailers and freelancers in order to fulfil certain registration obligations to supervisory authorities. Depending on citizenship, the national ID is composed of differing, defined personal data.

For such business transactions, legal personages require a definitive, international identification number known as a legal entity identifier (LEI). In Austria for example, the Austrian Kontrollbank (OeKB) is responsible for the allocation of this number and every legal personage must apply for it in person.

## Complaints

Should differences of opinions or disputes occur between clients and the Oberbank, our internal Ombudsperson's Office will mediate.

### **Oberbank AG – Ombudsperson's Office**

Untere Donaulände 28, 4020 Linz

Tel.: +43 732 / 7802 37280

Tel.: +43 732 / 7802 37248

Fax: +43 732 / 7802 37555

ombudsstelle@oberbank.at

We attach great value to client satisfaction and make every effort to ensure that this is retained in future. Therefore, for us it is important that personal contact is also maintained in conflict situations. As a closed door is totally unproductive and a dispute is frequently a protracted and costly process, in such situations our Ombudsperson's Office is available as a neutral point of contact. In conjunction with the client, this seeks to find a solution that is agreeable to all those involved.

For clients, use of the Ombudsperson's Office is free of charge and it can be contacted by letter, e-mail, fax or telephone.

## Complaint processing

We request that complaints be given concrete form and that both the information required for clarification (e.g. account number, affected branch ...), as well as the related documentation (e.g. securities invoice, advisor e-mail ...) be provided.

Complaints/enquiries are dealt with promptly or are sent to the responsible department(s) at the bank for a statement/clarification/decision or processing. Once the necessary information has been collated, the client is informed of the results. If possible, straightforward enquiries are dealt with immediately and are settled within 24 hours following receipt (except during weekends, public and bank holidays). Clients receive a reply to their complaints/enquiries within two weeks of their receipt.

If for understandable reasons (e.g. complexity of the subject matter, extensive research requirement, absence of the person involved ...) punctual handling is not possible, the Ombudsperson's Office will be informed of this situation.

We retain the right to answer complaints by letter. To this end, clients must provide us with a means of identification (e.g. account number or address) in order that they can be clearly categorized.

In addition, the Oberbank has submitted to the following external, extra-judicial arbitration body as an alternative for the resolution of disputes related to consumer matters:

### **Gemeinsame Schlichtungsstelle der österreichischen Kreditwirtschaft**

Wiedner Hauptstraße 63, A-1045 Wien

Tel.: +43 1 5054298, Fax: +43 1 5054474

office@bankenschlichtung.at

www.bankenschlichtung.at

## Information regarding client categorization

Credit institutions are required to categorize their clients as retail or professional clients, or eligible counterparties.

**Professional clients** are clients, who possess sufficient experience, knowledge and expertise to make their own investment decisions and properly assess the associated risks.

**In law**, all credit institutions, securities firms, insurance companies, funds, pension funds, fund management companies, the federal government, regional governments and large undertakings that fulfil at least two of the following criteria are defined as professional clients:

- Total assets of at least € 20 million
- Net sales revenues of at least € 40 million
- Equity of at least € 2 million

In addition, as long as they are capable of making their own investment decisions and understanding the associated risks, any client meeting at least two of the following requirements may **request** categorization as a professional client:

- The completion of an average of ten transactions of considerable size per quarter during the preceding four quarters
- Financial instruments and bank balances in excess of € 500.000,-
- Employment in the financial sector for at least one year in a professional position that requires knowledge of the planned transactions and services

Professional clients enjoy a lower level of protection than retail clients. For example, they receive less information, the fitness test is only limited and no suitability test (assessment of the client's knowledge and experience) is carried out.

Professional clients are obliged to inform the credit institution of any changes that could affect their categorization.

Professional clients can also request categorization as an **eligible counterparty**. This has the consequence of severely limiting the application of the rules of conduct contained in the 2018 Securities Supervision Act to the eligible counterparty in respect of transactions that involve the execution of transactions for clients, trading on the eligible counterparty's own account and the acceptance and transmission of orders. During the provision of investment advice and asset management eligible counterparties are treated as professional clients.

All clients that are neither professional clients, nor eligible counterparties are regarded as retail clients.

**Retail clients** enjoy the highest possible level of protection.

Professional clients and eligible counterparties can also request at any time to be treated as retail clients (or professional clients) and thus receive a higher degree of protection.

Re-categorization with regard to individual financial instruments or securities services is not possible.

## Execution policies for financial instrument trades

### Preliminary remarks

#### Scope of application

These policies apply to the execution of orders placed by a client with the bank for the purchase or sale of securities or other financial instruments (e.g. options). Execution in this sense means that on the basis of the client's order and on the client's account, the bank concludes an appropriate executing transaction (commission transaction) with another party in a market suitable for the purpose. Should the bank conclude a contract of sale for financial instruments directly with a client (fixed price transaction), the contents of the item "Fixed price transactions" shall apply. These policies are also applicable should the bank purchase or sell financial instruments on the client's account when fulfilling its obligations under an asset management agreement concluded with the client.

#### Order execution goal

Client orders can be executed regularly via a variety of channels and at differing venues, e.g. on stock exchanges or other trading centres, in Austria or other countries, within the scope of floor trading, or electronic trading. The following sections describe the execution channels and possible venues used for the principal types of financial instrument, which as a rule can be expected to ensure the best possible execution in the client's interests and therefore are employed by the bank when carrying out client orders.

When choosing concrete places of execution, the bank assumes that above all the client wishes to achieve the best possible price, taking into account all the costs associated with the transaction. Since in general the prices of securities are subject to fluctuations and therefore it is impossible to rule out price movements that would be disadvantageous to the client in the period following the placing of an order, as a rule places of execution are selected where complete execution is probable and prompt execution possible. Subject to the aforementioned parameters, the bank will also take other relevant criteria into account (e.g. market mood, settlement reliability).

#### Material execution criteria

Pursuant to the 2018 Securities Supervision Act (WAG 2018), credit institutes must take appropriate measures in order to ensure the best possible result for their clients during the execution of orders (Best Execution Policy).

Banks are therefore obliged to take all the necessary precautions to make certain that an optimum result is uniformly achieved during order execution. In this regard, a differentiation is made between "stock exchange business" and "over the counter business" (fixed price transactions). If the bank is linked directly with the stock exchanges, orders are transferred directly and in all cases a broker is employed as a qualified third party. During the selection of the respective venue for execution and the third party, in accordance with the Account Act the bank must proceed with due commercial diligence and pursuant to WAG 2018 take the following criteria into account when making a decision (the list is not prioritized):



- Order type
- Execution security
- Execution probability
- Execution speed
- Execution-related costs
- All other criteria of relevance to execution

The weighting of the criteria takes place within Oberbank AG with 40 % allocated to execution security, 30 % to execution speed and 30 % to costs.

The parameters defined above mean that for Oberbank AG the only trading partners that can be considered must be able to offer communications via SWIFT (information medium). Furthermore, in our execution policies we make no differentiation between the individual client groups. The execution policies apply to all clients (retail and professional clients, eligible counterparties).

## **Order prioritization**

The client can give instructions to the bank stating the venues where an order should be executed. Discretionary and similar orders that rule out the specification of a single execution venue are executed by the bank at its own discretion subject to the protection of the client's interests. Such instructions will override these execution policies.

**Note.** If so instructed, the bank will not execute an order in accordance with these best execution policies.

## **Order transfers**

In certain cases, the bank will not execute the client's order itself and instead will transfer it to another financial service provider for execution, albeit subject to these policies.

## **Alternative execution in individual cases**

Should exceptional market conditions or disruption necessitate an alternative form of execution, the bank will carry out the order in the client's best interests.

## **Fixed price transactions**

These execution policies apply only to a limited extent when the bank and the client jointly conclude a purchase contract for financial instruments at a fixed or determinable price (fixed price transaction). In such cases, execution in the aforementioned sense is dispensed with and instead, in accordance with the contractual agreement the bank and the client are obliged directly to take delivery of the ordered financial instrument and pay the purchase price. The following execution policies state when the bank offers the conclusion of such fixed price transactions on a regular basis.

This applies if within the scope of a public or private offer, the bank offers securities for subscription, or if it and the client conclude contracts regarding financial instruments (e.g. option transactions) that are not tradable on a stock exchange.

## Execution policies for various types of financial instruments

We promptly transmit client orders to the stock exchanges where the security is traded. Client orders received outside stock exchange trading hours, or during public holidays, are placed on the stock exchange as soon as it resumes trading.

### Interest-bearing securities

The bank offers clients the possibility of purchasing Oberbank AG interest-bearing securities directly from the bank during the issue phase, or selling them back to the bank. The bank can be requested to provide details and in particular the prices of its current offers. Purchases and sales occur at a fixed price agree with the bank (fixed price transactions).

Should a fixed price transaction between the bank and client fail to materialize, the bank will execute the client order on commission as follows:

If, given the size of the order, execution on a stock exchange appears possible, we will execute an order for interest-bearing securities via a stock exchange on which a trade and complete execution is probable and prompt execution is possible.

### Shares

As a rule, the bank will execute orders to purchase or sell shares on a commission basis as follows:

- (a) If the shares are only traded on one stock exchange (single listing), we will place the order on that stock exchange.
- (b) If the shares are traded on several stock exchanges (multiple listing), we will place the order on the shares' home stock exchange.

Exceptions to these rules are shares listed in Germany on the DAX, SDAX, MDAX and TECDEX, which are always traded using XETRA and not on their home exchanges.

Orders for Austrian shares will be executed fully electronically (XETRA).

When executing an order abroad, the bank makes use of other suitable banks or financial service providers (brokers) that have access to the respective execution venue. These brokers then pass on the order to a stock exchange as contracted.

If the type or size of an individual order makes a different method of execution appear to be necessary, the bank will execute the order in the client's best interests.

### New national and international security issues

If the Oberbank is not a member of a consortium, subscription orders will be passed on to the bank represented in the consortium, which the Oberbank sees as offering the best chance of an allocation. The allocation of client orders takes place on the basis of the lead manager's allocation formula, or by applying a percentage to the securities received. Should the Oberbank not receive an allocation, the client's subscription orders will lapse.

Irrespective of the allocation procedure used, the bank will ensure that in the interests of all clients allocations are fair and, if possible, take place in tradable minimum volumes.

## Subscription rights

Orders for Austrian subscription rights will be executed in fully electronic trading (XETRA).

When executing an order abroad, the bank makes use of other suitable banks or financial service providers (brokers) that have access to the respective execution venue. These brokers will then pass the order on to a stock exchange as contracted.

If the Oberbank does not receive a client order regarding the selling of subscription rights, it will seek to complete the sale on the last trading day while safeguarding the client's interests. Should a subscription rights transaction not materialize, the rights will expire as valueless.

In order to keep settlement costs low, in the interest of the client the bank reserves the right to combine orders and submit them for trading in batches.

## Certificates, structured bonds, warrants

As a rule, the bank will execute orders for the purchase or sale of certificates, structured bonds and warrants on a commission basis via the security's home stock exchange.

If orders are for certificates, structured bonds or warrants issued by the bank itself or its subsidiaries, the bank may execute these orders by way of fixed price transactions. Should a fixed price transaction not materialize, the bank will execute such orders via an Austrian or foreign stock exchange.

## Financial derivatives

Among other items, these include futures and forwards, which are either traded on a stock exchange Subject to standardized conditions, or over the counter bilaterally as agreed individually between the client and the bank. Depending on the financial instrument, special terms and conditions, or special contracts are applied.

We will execute orders for stock exchange traded financial derivatives on the respective stock exchange via which the individual contract is traded.

If the financial derivatives are not traded on a stock exchange, e.g. currency forwards, options, swaps and combinations of these products, these represent bilateral contracts between the respective parties concerned.

## Investment fund shares

The issue of investment fund shares is not subject to the statutory provisions regarding the best possible execution of client orders.

However, as a matter of principle, the bank carries out purchase and sale orders for investment fund shares in accordance with the law. When executing orders involving investment funds, which have been floated specifically for trading on a stock exchange (exchange traded funds), the bank will complete execution via the home stock exchange on which the fund is listed.

## Spot exchange transactions in connection with securities transactions

Should the client not expressly request a fixed price exchange transaction, the order will be executed at the Oberbank's fixing rate. This Oberbank fixing rate will be determined once daily between 1.00 and 1.30 pm, taking into account the orders that have accumulated and market conditions.

## Closing remarks

In the case of orders not executed immediately, or on their first day of validity, the bank will undertake their legal administration and provide information regarding any capital measures leading to an order cancellation. The bank does not undertake any post-closure obligations such as monitoring whether an order has been executed. However, upon request it will inform the client of the status of the order.

Order execution policies are reviewed regularly and at least once annually, and if so required, are adjusted accordingly. Clients are informed promptly of any material changes to the order execution policies by means of a suitable medium.

The current execution policies and information regarding both the five most important trading venues and the quality of execution attained can be called up at any time from the Oberbank AG website, [www.oberbank.at](http://www.oberbank.at), under the menu item "Service"/ "Legal Matters" / "MiFID".

## Stock exchanges currently covered

Nation	Stock Exchange
Australia	Australian Stock Exchange
Austria	Vienna Stock Exchange
Belgium	Euronext Brussels
Bulgaria	Sofia Stock Exchange
Canada	Toronto Stock Exchange
China	Hong Kong Stock Exchange
Croatia	Zagreb Stock Exchange
Czech Republic	Prague Stock Exchange
Denmark	Copenhagen Stock Exchange
Estonia	Tallinn Stock Exchange
Finland	Helsinki Stock Exchange
France	Euronext Paris
Germany	Frankfurt Stock Exchange
Germany	Hamburg Stock Exchange
Germany	Munich Stock Exchange
Germany	Stuttgart Stock Exchange
Germany	Xetra (electronic trading platform)

<b>Nation</b>	<b>Stock Exchange</b>
Greece	Athens Stock Exchange
Hungary	Budapest Stock Exchange
Ireland	Irish Stock Exchange
Italy	Milan Stock Exchange
Japan	Tokyo Stock Exchange
Latvia	NASDAQ OMX Riga
Lithuania	NASDAQ OMX Vilnius
Luxembourg	Luxembourg Stock Exchange
Netherlands	Euronext Amsterdam
New Zealand	New Zealand Stock Exchange
Norway	Oslo Stock Exchange
Poland	Warsaw Stock Exchange
Portugal	Euronext Lisbon
Romania	Bucharest Stock Exchange
Serbia	Belgrade Stock Exchange
Singapore	Singapore Stock Exchange
Slovakia	Bratislava Stock Exchange
Slovenia	Ljubljana Stock Exchange
Spain	Madrid Stock Exchange
South Africa	Johannesburg Stock Exchange
Sweden	Stockholm Stock Exchange
Switzerland	SIX Swiss Exchange
UK	London Stock Exchange
USA	American Stock Exchange
USA	Nasdaq
USA	New York Stock Exchange

## Information regarding conflicts of interest

The 2014/65/EU Directive regarding the financial instrument market in tandem with its supplementary European statutory regulations resulted in the amended 2018 version of the Austrian Securities Supervision Act (WAG 2018).

Pursuant to Article 34 of the delegated Directive (EU) 2017/565, in accordance with its size, organization and the type, scope and complexity of its business, a credit institute shall prepare appropriate policies for the handling of conflicts of interest and routinely implement them in order to prevent conflicts of interest from harming client interests.

In particular, conflicts of interest may arise owing to the concurrence of several client orders, the collision of client orders with the banks proprietary transactions, or other of the bank's own interests including those of the bank's subsidiaries and group companies as defined in §189a Austrian Commercial Code, or due to the concurrence of client orders with transactions of bank employees, or between clients.

The policies for the handling of conflicts of interest serve the prevention of any conflicts of interest and are summarized in this information.

In addition the guidelines regarding investment and securities transactions by the bank's own personnel, as well as innumerable internal regulations serve the prevention of conflicts of interest and are an integral part of the policies for the handling of conflicts of interest.

In this connection, the Oberbank has implemented a wide variety of organizational measures in order to prevent conflicts of interest. The main measures include:

- The creation of confidentiality domains;
- The division of responsibilities;
- An obligation upon Oberbank personnel to adhere to the guidelines regarding staff transactions;
- Regular basic and further employee training;
- The obligation to report posts in other listed companies held by members of the executive management;
- The naming of 4 per cent participations of Oberbank AG and its group companies in other listed issuers;
- The obligation to install an employee remuneration system within the Oberbank, which prevents conflicts and thus ensures that no incentives to undertake actions to the detriment of clients arise;
- The obligation of Oberbank personnel to register secondary employment, company participations and board functions;
- The completion of new issues in accordance with a transparent distribution key;
- The prioritization of client interests over the bank's proprietary trading activities;
- Adherence to the principle of priority, i.e. that all orders will be executed or transferred in the temporal sequence in which they are received;
- The internal involvement of the WAG-Compliance-Officer and his/her duty of approval in the event of possible conflicts of interest;
- The confidential handling of sensitive information with the involvement of the WAG-Compliance-Officer.

The autonomous WAG-Compliance (compliance department) is responsible for monitoring and ensuring adherence to the aforementioned provisions and keeps a conflict register that is regularly maintained. The WAG-Compliance is also responsible for taking action to deal with any conflicts of interest. The WAG-Compliance keeps a record of reports and carries out follow-up checks in the event of conflicts of interest.

If the policies described prove insufficient to exclude the impairment of clients' interests, the Oberbank discloses the underlying conflict of interest in advance, in order to enable decisions to be made on an informed basis. In the connection, we wish to establish that we prefer to offer clients our own products or products of companies in which we hold participations to the extent that such products are suitable and appropriate for the client. In the case of investments by customers in its own issues, the Oberbank has interests that differ from those of the investors because such a purchase leads to their statutory loss participation and in the case of subordinate issues to an increase in the equity ratio of the issuer. In accordance with the statutory regulations, the Oberbank will provide consulting that is client-oriented and suited to the investor and the investor's portfolio, and also inform the client about suitable products of other suppliers. The purpose of the policies regarding the handling of conflicts of interest is to safeguard client interests within the scope of an ongoing business relationship, in order to ensure the provision of advice that is appropriate to the investor and the investor's portfolio in accordance with WAG 2018.

Detailed information is available at any time from the WAG-Compliance (compliance department) at: Untere Donaulände 28, A-4020 Linz.

## Information regarding the protection of client investments

### Custody

Securities over which Oberbank AG has custody for its clients are either in the safekeeping of the bank itself, or are transferred to institutes specializing in the custody of securities, which are known as third-party custodians. Oberbank AG is equally liable to clients for its own faults and those on the part of the third-party custodian. In the case of a client that is a businessperson, the bank is only liable for the careful selection of the third-party custodian. Should in spite of this careful selection a third-party custodian become insolvent, the bank can demand the return of the securities that it had placed in the custody of the third-party custodian.

Within Oberbank AG the basic principle applies that the financial instruments of clients and those of the bank be kept separate. This rule also applies to Oberbank AG's third-party custodians in both Austria and other countries.

### Securities purchased in Austria

As a rule, securities purchased domestically are generally placed in the safekeeping of a third-party custodian in Austria commissioned by Oberbank AG. Custody is generally allocated to OeKB CSD GmbH (Austria's central securities custodian). In addition, custody may be assumed by Oberbank AG itself, or by another credit institute with an authorization for account business as a third-party custodian. If securities are kept in custody in Austria, by and large this takes the form of collective giro custody. This does not impair client rights, as in particular the volume of client securities can be determined at any time. Austrian law applies to custody within the country.

## Securities purchased abroad

As a rule, securities purchased in other countries are generally placed in the safekeeping of a third-party custodian in Austria that has been selected carefully by Oberbank AG. If securities are placed in custody abroad this generally takes the form of a securities account. The client is credited with a claim to the delivery of securities to the amount of the percentage of total cover assets that Oberbank AG holds abroad on the client's account. In the case of custody abroad, the foreign statutory regulations and banking practices apply. The former may differ greatly from the valid regulations in Austria and do not necessarily demonstrate the same level of protection.

However, it is possible that securities issued in Austria can be placed in custody abroad and vice versa.

## Security, pledge and set-off rights

In accordance with its general terms and conditions of business that constitute part of the contract governing the business relationship in particular Oberbank AG has a security, pledge and set-off right to the securities of the client.

Information is provided regarding security, pledge and set-off rights, and as far as the rights of the Oberbank are concerned, reference should be made to the general terms and conditions of business.

The third-party custodians may only assert a pledge or lien right to the securities with respect to claims that have arisen in relation to the legal relationship between the Oberbank and the third party custodian and affect the respective security. For example, account charges, expenses, taxes and fees should be mentioned.

## Investment insurance and investor compensation

The bank is subject without limitation to the statutes of the Austrian Investment Insurance and Investor Compensation Act (ESAEG). Oberbank AG is a member of the AUSTRIA Ges.m.b.H. deposit guarantee scheme with the address, Wipplingerstraße 34/4/DG4, 1010 Vienna.

### Investment insurance

Investments, which consist of the deposits and credits on accounts or savings books (e.g. salary accounts, capital savings books, securities settlement accounts or time deposits) of both natural and non-natural personages, are insured to a maximum sum of € 100,000 per investor and credit institute. Securities are not included in the investment insurance.

Detailed information regarding investment insurance is available from the "Information Leaflet for Investors", which can be found on the Oberbank AG homepage under the menu item "Service" / "Legal Matters".

### Investor compensation

Pursuant to Austrian law, the bank managing the account shall return securities belonging to investors.

The insurance bodies must compensate investors for claims relating to securities services subject to obligatory insurance, which emanated from the fact that the credit institute was unable:

1. To repay moneys owed to or belonging to the investor, on whose account they were received in connection with securities-related services.
2. Return instruments belonging to the investor, on whose account they were received and placed in custody in connection with securities transactions.



Monetary claims deriving from investor compensation are insured to a maximum amount of € 20,000 in the case of both natural and non-natural personages.

However, claims from non-natural personages are limited to 90 per cent of the security transaction- related claim per investor.

Income from securities settlement (dividends, sales proceeds, redemptions, etc.) is included in investment insurance if it has been credited to an account at a credit institute.

## **Investor compensation exceptions**

The exceptions are shown below in simplified form. The wording of the statutory regulation contained in § 47 Para. 2 ESAEG.

The following are not subject to compensation:

- Claims not denominated in euros, Swiss francs or another currency of an EEA Member State (all EU countries, Iceland, Liechtenstein and Norway).
- Debt securities issued by the credit institution (such as bonds issued by housing banks, cash market bonds, mortgage bonds, etc.). They will be serviced in the bankruptcy proceedings of the issuing bank according to the terms of issue (they may be serviced preferentially out of isolated cover funds, such as mortgage bonds, or with the dividend in bankruptcy, or they are considered subordinate and can only be serviced after other non-subordinated creditors are satisfied).
- Claims of companies, which qualify as large corporations as defined in § 221 (3) of the Austrian Commercial Code (UGB).
- Claims of individuals linked to the credit institution, such as members of the board, of the supervisory board, personally liable partners, auditors of the bank and individuals holding at least 5% of the bank's capital, even if such individuals, by virtue of their office, work for affiliated undertakings of the bank (except for insignificant participating interests). Moreover, close relatives of individuals linked to the credit institution, as well as third parties, are excluded from the protection scheme if the close relative or third party acts for the account of individuals linked to the credit institution.
- Claims of other companies, which are affiliated undertakings (§ 244 UGB) of the credit institution.
- Claims for which the credit institution granted the depositor, or the party entitled to a claim, interest rates or other financial benefits on an individual basis, which contributed to the deterioration in the financial situation of the credit institution.
- Claims in connection with money laundering.
- Claims of credit or financial institutions or securities trading firms, as well as of institutional investors, such as insurance companies, investment companies (funds), pension and retirement income provision funds, etc.
- Claims of federal, regional and local governments, and of comparable territorial authorities abroad.

Otherwise we would refer to the statutory regulations contained in §§ 44–55 and § 59 ESAEG concerning investor compensation, which upon request we will be pleased to provide.

## **Investment insurance and investor compensation limits**

No claim exists for double compensation exists, as payment will be made for one and the same claim emanating from the stipulations regarding investment insurance and investor compensation.

## Information on Bank Resolution and Creditor Participation (Bail-in)

In response to the experience of the financial crisis 2008, many countries have passed laws to ensure the orderly resolution of distressed banks without the participation of taxpayers in the future. This means that the bank's shareholders and creditors may be required to participate in the losses in the event the resolution of a bank. The goal is to make it possible to wind up a bank without the use of public funds.

The European Union has adopted the following legal acts to achieve this end:

- The Bank Recovery and Resolution Directive, „**BRRD**“, and
- A regulation defining uniform provisions and a standard procedure for the resolution of credit institutions and certain investment firms under a uniform resolution mechanism and uniform resolution fund („**SRM Regulation**“).

Among other items, the BRRD stipulates that every EU Member State must establish a national resolution authority with defined powers for the resolution and recovery of credit institutions. These measures may have adverse effects on shareholders and creditors of banks.

BRRD was passed into law in Austria by the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken, BaSAG). The BaSAG came into force on 1 January 2015.

The precise design of the measures at national level that may be taken by the resolution authorities can differ in detail. In the following, we will explain the possible resolution measures on the basis of Austria as an example. The resolution procedures of other countries, especially non-European countries, may deviate and include even more stringent measures.

### ***When could this affect me?***

As a shareholder or creditor of a bank you may be affected if you hold financial instruments issued by the bank (e.g. shares, bonds or certificates), or have uncovered deposits with the bank.

Any securities you hold on your custody account as a customer of the bank that are not issued by the custodian bank will not be affected by the resolution measures against this bank. In the event of the resolution of a custodian bank, your ownership rights to these financial instruments on the custody account will not be affected.

### ***Who is the resolution authority?***

A resolution authority was created to facilitate an orderly resolution in the event of a crisis. The resolution authority overseeing the bank concerned has the power to order resolution measures under certain circumstances.

On a European level, a European resolution authority has been newly established, namely, the Single Resolution Board (SRB), for banks subject to the direct supervision of the ECB. The SRB will use the services of the national resolution authorities to carry out the resolution measures, but the key decisions will be taken by the European resolution authority. The Austrian Financial Market Authority (FMA) has been defined as the national resolution authority. The FMA as the resolution authority is also responsible for the banks not supervised by the ECB (so-called non-systemic banks) in Austria.

For the sake of simplicity, the following sections do not differentiate between SRB and FMA.

## ***When does banking resolution or a bail-in become necessary?***

The resolution authority has the power to order certain resolution measures when the following conditions for resolution are given:

- The default or probable default of the bank concerned has been ascertained by the resolution authority. This assessment is based on applicable legal provisions, and is given, for example, when a bank no longer meets the legal requirements for a banking licence due to losses (e.g. does not meet the minimum capital requirements of Basle III).
- There is no prospect of preventing the default of the bank through alternative measures from the private sector or any other measures of the supervisory authorities.
- The measure serves the public interest, i.e. it is necessary and reasonable, and liquidation through regular insolvency proceedings is not an equivalent alternative.

## ***What measures can the resolution authority take?***

If all of the conditions for resolution are given, the resolution authority may take extensive resolution measures – even before insolvency – and this may have an adverse effect on shareholders and creditors of the bank:

- The **bail-in tool** (also referred to as **creditor participation**): The resolution authority may write down financial instruments and other eligible liabilities of the bank either partially or fully, or convert these into equity capital (shares) as a measure to stabilize the bank.
- The **sale of business tool**: In this case, shares, assets, rights or receivables of the bank to be wound up are fully or partially transferred to a specific buyer that is not a bridge institution. In so far as shareholders and creditors are affected by the sale of the business, another already existing institution will be their counterparty.
- The **tool to establish a bridge institution**: The resolution authority may transfer shares in the bank, or part or all of the assets of the bank including its liabilities to a so-called bridge institution. This may restrict the capability of the bank to meet its payment and delivery obligations towards creditors, and may reduce the value of the shares in the bank.
- The **asset separation tool**: In this case, the assets, rights and liabilities are transferred to one or more special purpose vehicles set up for the purpose of asset management (wind-down unit). The aim is to manage the assets with the goal of maximizing their value until they are sold at a later date or liquidated. Similar to the situation when the sale of business tool is used, creditors are faced with new debtors after the transfer.

The resolution authority is empowered to alter the due date or the interest rate of the financial instruments issued by the bank at the expense of the creditor. The resolution authority can also initiate the suspension of payment and delivery obligations by means of a special order. Furthermore, the termination rights of a contractual party may be suspended temporarily.

## *When am I as a creditor affected by a bail-in?*

Whether or not you are affected as a creditor by bail-in resolution measures depends upon the reach of the measures and the category of your financial instrument or your claim.

Within the scope of a bail-in, financial instruments and claims are assigned to various classes and used to cover liabilities in accordance with the statutory ranking (so-called cascading contribution to loss absorption or liability cascade).

The following principles apply to the shareholders and creditors of the respective classes concerned. Only when one class of liabilities has been exhausted, but does not suffice to cover the losses to an extent that stabilizes the bank, is it permitted to write down or convert the next class of liabilities in the cascading order.

Certain types of financial instruments and liabilities are exempt by law from the bail-in tool. For example, these include deposits secured by the statutory deposit protection system up to an amount of EUR 100,000 and collateralized liabilities (e.g. covered debt securities, Pfandbriefe).

Liabilities to which the bail-in is applied are also referred to as **eligible liabilities**.

A differentiation is made between the following classes in the cascading contribution to loss absorption of a bank situated in Austria:

- (1) Firstly, resolution measures target **Common Equity Tier 1 (CET1) capital** and, therefore, the shareholders of the bank (e.g. owners of shares).
- (2) Next in line are the creditors of **additional Tier 1 capital** (e.g. Additional Tier 1 - debenture bonds).
- (3) Subsequently, **Tier 2 capital** is used. This involves creditors of subordinated liabilities (e.g. owners of subordinated debt securities – “Tier 2”).
- (4) In the cascading contribution to loss absorption, **unsecured subordinated liabilities** that do not meet the requirements to qualify as additional Tier 1 capital or Tier 2 capital, come next in rank.
- (5) Subsequently, other eligible liabilities from **unsecured subordinate and non-structured debt instruments** (“non-preferred senior loans”) for which explicit mention is made of the lower ranking as opposed to other unsecured and non-subordinated liabilities.
- (6) The final cascading contribution to loss absorption is formed by **other eligible liabilities** (e.g. unsecured, non-subordinated debenture bonds – “senior loans”) and the unsecured deposits of companies and natural persons.

The cascading contribution to loss absorption depicted below thus applies (direction of the arrow), whereby one of the lower classes is only used to cover losses when the higher-ranking classes are sufficient to cover the losses (starting with the CET1):

**Cascading contribution to loss absorption**  
(simplified visualization)  
→

## 1. Common Equity Tier 1 (CET1)

e.g. shares

## 2. Additional Tier 1 capital (AT1)

e.g. additional Tier 1 debenture bonds and silent capital contribution with conversion resp. write-down clause

## 3. Tier 2 capital (T2)

e.g. subordinated debenture bonds – Tier 2

## 4. Other subordinated liabilities

e.g. subordinated debenture bonds that do not meet the requirements of AT1 or T2 instruments

## 5. Unsecured, non-subordinated and structured debenture bonds

e.g. non-preferred senior loans

## 6. Other eligible liabilities

e.g. unsecured, non-subordinated debenture bonds („senior loans“), unsecured deposits of companies and natural persons > EUR 100,000

**Exempt from bail-in**  
(presentation is not exhaustive)



**Deposits covered by the statutory deposit protection scheme up to € 100,000**

**Secured liabilities**  
e.g. covered debenture bonds

## ***What are the potential consequences of the resolution measures for me as a creditor?***

When the resolution authority orders or takes a measure pursuant to these rules, the creditor is not permitted to call the financial instruments or liabilities, or exercise any other contractual rights. This shall apply as long as the bank meets its main performance obligations under the conditions applicable to the financial instruments and liabilities, including payment and performance obligations.

When the resolution authority decides to take one of the measures described, shareholders and creditors may suffer the total loss of the capital invested. Shareholders and creditors of financial instruments and liabilities may thus completely lose the price paid for the acquisition of the financial instruments and liabilities plus any additional costs relating to the purchase.

The mere possibility of resolution measures being ordered can make it hard to sell the financial instruments or liabilities on the secondary market. This may mean that shareholders and creditors of the financial instrument or liabilities can only sell these at substantial markdowns. Moreover, in the case of valid repurchase obligations on the part of the issuing bank, significant losses can be incurred when selling such financial instruments.

When a bank is being wound up, shareholders and creditors are not permitted to be treated less favourably than under normal insolvency proceedings against the bank.

However, if the resolution measure results in less favourable treatment than a shareholder or creditor would receive under normal insolvency proceedings against the bank, this results in a claim for compensation from the shareholders or creditors against the fund set up for banking resolution (restructuring fund or Single Resolution Fund, SRF). Should the result be a compensation claim against the SRF, there is a risk that the resultant payments will be made much later than would be the case had the bank properly complied with its contractual obligations.

## ***Where can I obtain more information?***

The Austrian Financial Market Authority (FMA) supplies information on its website on the recovery and resolution rules applicable in Austria ( <https://www.fma.gv.at/bankenabwicklung-in-oesterreich/> ).

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Last update: 08/2020

We wish to point out that the provision of the information above is prescribed by law and is updated continually on the Oberbank AG homepage, [www.oberbank.at](http://www.oberbank.at), under the menu item “Service” / “Legal Matters” / “MiFID”. The menu item “Service” / “Legal Matters” contains all other material information for investors.