

# GENERAL INFORMATION ON INVESTMENT SERVICES

December 2020

Version 2.0

The information provided herein serves the purpose of informing customers about circumstances which may be of importance to them with respect to investment services provided and ancillary services carried out by Raiffeisen Centrobank AG ("Raiffeisen Centrobank") but cannot replace the required contractual agreements and General Terms and Conditions of Raiffeisen Centrobank.

## A. RAIFFEISEN CENTROBANK

### 1. Information on the bank

**Name:** Raiffeisen Centrobank AG

**Address:** Am Stadtpark 9, 1030 Vienna

**Telephone:** +43 1 515 20-0

**Fax:** +43 1 513 43-96

**E-Mail:** [office@rcb.at](mailto:office@rcb.at)

**Legal Entity Identifier (LEI):** 529900M2F7D5795H1A49

**BIC (SWIFT):** CENBATWW

**VAT-number:** ATU 15355005

**Registration number:** 117507f

**Name of Registration court:** Commercial Court of Vienna

### 2. License

Raiffeisen Centrobank has been granted a licence to provide banking and investment services, which authorizes Raiffeisen Centrobank to engage in banking and investment service activities on behalf of their customers as well as to engage in payment services. Raiffeisen Centrobank is subject to the regulatory supervision of the Austrian Financial Market Supervisory Authority ("FMA"), [www.fma.gv.at](http://www.fma.gv.at), Otto-Wagner-Platz 5, A-1090 Vienna, Austria and the Austrian National Bank ("OeNB"), [www.oenb.at](http://www.oenb.at), Otto-Wagner Platz 3, A-1090 Vienna, Austria,

Additionally, Raiffeisen Centrobank is subject to supervision by the European Central Bank ("ECB"), which ECB undertakes within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 of the Council of the European Union). The extent of the license granted to Raiffeisen Centrobank may be derived from the company database (bank code 19930).

### 3. Communication with Raiffeisen Centrobank

Raiffeisen Centrobank communicates with its customers orally, by telephone, fax, e-mail or in writing either in German or English. All documents of contractual relationship for Raiffeisen Centrobank and its customers are available in German and English language. In general all orders shall be placed in writing form, unless a different agreement has been reached between Raiffeisen Centrobank and the customer (such as an agreement to place order via telephone, fax or e-mail).

### 4. Recording of Telephone Conversations and other Electronic Communication

Pursuant to the provisions of the Austrian Securities Supervisions Act (Wertpapieraufsichtsgesetz – hereinafter "WAG") RCB is obliged to record all telephone conversation and other electronic communications with customers which result or may result in transactions. This obligation includes both incoming and outgoing communications. Customers are entitled to get copies of such recordings and of records of other electronic communications within a reasonable time period to the extent they relate to transactions in financial instruments. Copies of such records of such conversation and communication have to be archived by Raiffeisen Centrobank for a period of five years (or up to seven years upon instruction by a competent authority) and have to make them available to the customers.

The customer hereby takes note of the recording of such telephone conversations and electronic communications with Raiffeisen Centrobank and **explicitly consents** to the use of such records as evidence in the event of any court or other proceeding resulting from a dispute between Raiffeisen Centrobank and the customer or from the initiation of an official investigation in connection with a transaction.

### 5. Information on Data Processing in Accordance with the Austrian Financial Market Money Laundering Act

The credit institution is required under the Austrian Financial Market Money Laundering Act (FMMLA) to perform a customer due diligence to prevent money laundering and terrorist financing when entering into business relationships with customers or when carrying out an occasional transaction and obtain and keep records of certain documents and information.

The credit institution is required under the FMMLA to, inter alia, identify the customers, beneficial owner of customers or trustors of customers, if any, and verify their identity, assess the purpose and intended nature of the business relationship, obtain and verify information on the source of funds and continuously monitor transactions undertaken

throughout the course of the business relationship. The credit institute has, in particular, to keep copies of the documents and information which have been obtained while fulfilling such customer due diligence obligations and maintain records of transaction documents which are necessary to identify transactions.

**The FMMLA serves for the credit institution as the legal basis in accordance with the Austrian Data Protection Act to use such customer data for customer due diligence purposes to prevent money laundering and terrorist financing which is a legal obligation of the credit institution and serves public interests.** Processing of data for such customer due diligence purposes is based on a legal obligation of the credit institution. The credit institution has, therefore, to disregard any objection of a customer against such data processing.

**The credit institution has to delete all personal data which has been exclusively processed and stored in accordance with the FMMLA after the expiry of a retention period of five years unless any other law requires or authorizes to further retain data or a longer retention period has been set forth in a regulation promulgated by the Austrian Financial Market Authority.**

Personal data which is processed exclusively in accordance with the FMMLA to prevent money laundering and terrorist financing may not be used in any form which is incompatible with such purposes. Personal data may not be processed for other purposes such as commercial purposes.

## B. COMPLAINTS

Raiffeisen Centrobank always endeavors to attend to its customers in the best possible way regarding their concerns, requests and needs in all banking matters. If a customer should nevertheless have a reason for, Raiffeisen Centrobank will attend to such complaint without delay.

### 1. Content of a complaint / Submitting a complaint

Raiffeisen Centrobank kindly asks its customers to provide all documents and information related to the respective complaint/business case in order to enable Raiffeisen Centrobank to promptly address and resolve the complaint. Moreover, the customers are asked to provide their current contact details.

We kindly ask our customers to communicate their complaint at first directly to their customer consultant either by e-mail or telephone. Our customers may also forward their complaints per e-mail or mail to the Complaints Management at Raiffeisen Centrobank.

#### **Compliance Office**

Raiffeisen Centrobank AG  
Am Stadtpark 9  
A-1030 Vienna  
[complaints@rcb.at](mailto:complaints@rcb.at)

In addition, there is also the possibility to submit a complaint via the website:  
[www.rcb.at/en/beschwerdemanagement/](http://www.rcb.at/en/beschwerdemanagement/)

Complaints submitted online will be forwarded directly to the Complaints Management Function of Raiffeisen Centrobank.

### 2. Handling and resolution of complaints

Raiffeisen Centrobank has implemented internal rules and policies to safeguard effective and speedy complaint resolution. Upon receipt of a complaint the customer will promptly be informed of the current status of his/her complaint.

Every complaint is to be handled duly and promptly. Raiffeisen Centrobank will normally provide information on the current status of a complaint within 3 working days. Complaint Management at Raiffeisen Centrobank takes every effort to handle complaints without unnecessary delay and works towards reaching a common solution. All information relevant to the complaint will be collected and analyzed and shall form the basis of the decision. Should the handling of a complaint be more time-consuming, the complainant will be informed in due course.

### 3. Mediation bodies outside the Bank

The Joint Conciliation Board of the Austrian Banking Industry has been established to reach an out-of-court settlement of disputes about obligations in relation to banking between consumers residing in Austria or in another signatory state of the European Economic Area ("EEA") and a credit institution domiciled in Austria. A complaint may be referred to a conciliation body on the precondition that the consumer has previously communicated the complaint to the credit institution concerned and the parties have tried to resolve the complaint beforehand.

Joint Conciliation Board of the Austrian Banking Industry  
Wiedner Hauptstraße 63, 1045 Vienna  
Phone +431505 42 98  
Fax: +43(0)590900118337  
[office@bankenschlichtung.at](mailto:office@bankenschlichtung.at)

For more details kindly see [www.bankenschlichtung.at](http://www.bankenschlichtung.at)

Mediation for consumers/"Schlichtung für Verbrauchergeschäfte" (especially in the context of foreign currency loans): Mariahilfer Straße 103/1/18, A-1060 Vienna ([www.verbraucherschlichtung.at](http://www.verbraucherschlichtung.at))

You also have the option to address your complaint to the Austrian Financial Supervisory Authority ([www.fma.gv.at](http://www.fma.gv.at)).

## C. OFFERED INVESTMENT SERVICES

Raiffeisen Centrobank offers the following services in the securities business:

### 1. Non-Advisory Business

Non-advisory business is the execution of securities orders which are not based on a personal recommendation of Raiffeisen Centrobank (investment advice). When servicing retail customers we are obliged to assess for each transaction whether the customer has the necessary knowledge and experience to understand the risks connected with the requested financial instrument (appropriateness test). However, Raiffeisen Centrobank is not assessing whether the requested financial instrument is in compliance with the customer's investment objectives, financial situation or risk tolerance. Of relevance are the knowledge and experience of each authorized representative of the customer, who is giving the orders on the behalf of the customer. Raiffeisen Centrobank points out that only a limited assessment of the target-market will be made when engaging in non-advisory business. Non-advisory orders are executed either directly by Raiffeisen Centrobank or transmitted to a financial intermediary for execution. Customers can buy or sell Raiffeisen Centrobank's own issues directly. The transaction is executed directly against the own books of Raiffeisen Centrobank.

### 2. Purchase and sale of securities (execution or reception and transmission of customer's orders)

Raiffeisen Centrobank offers its customers the possibility to purchase and sell financial instruments. Raiffeisen Centrobank either acts as a seller or buyer itself or will pass the order on to a financial intermediary. Raiffeisen Centrobank points out that it will not test the appropriateness of the customer's orders when engaging in the execution/reception and transmission of customers' orders. Nor will Raiffeisen Centrobank conduct any target-market controls when engaging in the execution/reception and transmission of customers' orders business.

## D. DESCRIPTION OF FINANCIAL INSTRUMENTS AND DISCLOSURE OF RISKS

"Investment-Related Information – Disclosure of Risk", which are handed over to the customer together with this "General Information on Investment Services", provide a general description of financial instruments that may be the subject-matter of the services offered by Raiffeisen Centrobank.

At the customer's request Raiffeisen Centrobank will provide further information on specific financial instruments. In addition, an update version of the "Investment-Related Information – Disclosure of Risk" is available for download on the internet site of Raiffeisen Centrobank at [www.rcb.at](http://www.rcb.at).

## E. CUSTOMER INFORMATION

Raiffeisen Centrobank informs its customers on a regular basis about the services, including investment services, provided by Raiffeisen Centrobank, in compliance with the applicable statutory provisions. Before the concluding of any transactions in financial instruments, customers shall receive information on the costs related to the service offered or to the purchase of the financial instrument. Depending on the type of the financial instrument or service, such information will be provided in a standardized or individual form. Customers shall receive such information also ex-post on a regular basis.

Account statements of transactions in financial instruments are made available to the customer immediately but not later than one business day after settlement of the order or after the receipt of a third party's confirmation that the order has been settled in the form agreed with the customer. In addition, the customers shall receive detailed information on a regular basis on investment services rendered and on all concluded transactions.

## F. CUSTOMER CLASSIFICATION AND CUSTOMER'S OPTION TO DEMAND A RECLASSIFICATION

When conducting business in financial instruments, Raiffeisen Centrobank is obliged to classify all its customers as either retail clients or professional clients or eligible counterparties. Such classifications are based on the information available to Raiffeisen Centrobank. The classification will be notified to the customer.

All customers not being professional clients or eligible counterparties will be qualified as retail clients. Depending on its classification, the customer is entitled to certain levels of protection, in particular with regards to Raiffeisen Centrobank's obligation to provide information and disclosure to the client. Retail clients are entitled to the highest level of protection. A change of the client's classification also results in change in the protection level accorded to the client.

## G. EXECUTING CUSTOMER ORDERS

Raiffeisen Centrobank has established written guidelines on the execution of clients' orders of retail clients and professional clients to ensure the best possible result for the client on a regular basis. Information on Raiffeisen Centrobank's Best Execution Policy has been handed over to the customer together with this "General Information on Investment Services". Raiffeisen Centrobank will inform clients with whom it is maintaining a current business relationship on any material change of its Best-Execution Policy.

The current version of Raiffeisen Centrobank's Best Execution Policy is available on the internet website of Raiffeisen Centrobank.

## H. CONFLICTS OF INTEREST

### 1. General remarks on the guidelines for handling conflict of interests

Raiffeisen Centrobank has defined guidelines for handling conflicts of interests. These guidelines aim at preventing situations where a conflict of interests that arises either between a customer and Raiffeisen Centrobank or any of its staff or of an enterprise which is controlled by or affiliated with Raiffeisen Centrobank, or between customers of Raiffeisen Centrobank, could be detrimental to the customers' interest.

For example, conflicts of interests may arise out of Raiffeisen Centrobank's business activities, especially:

- when Raiffeisen Centrobank is executing transactions in financial instruments either on its own account or on the account of its customers, while other customers of Raiffeisen Centrobank are simultaneously also active in the same markets.
- when Raiffeisen Centrobank is servicing financial instruments as market maker or specialist and is concluding transactions for such financial instruments and is holding such instruments on its own accounts.
- when Raiffeisen Centrobank is entering into hedging transactions to mitigate the risks derived from its own trades or trades made on behalf of its clients; hedging transactions may affect the value of financial instruments, indices or benchmarks.
- when Raiffeisen Centrobank issues certificates where the value of the certificate depends on the value of a benchmark and Raiffeisen Centrobank also manages the composition of the benchmark and calculates its value.
- when Raiffeisen Centrobank receives or provides inducements from/to third parties in relation to the provisions of financial services.
- when Raiffeisen Centrobank awards performance-based remunerations to its employees or when Raiffeisen Centrobank's employees maintain personal relations that may trigger conflicts of interest.
- when Raiffeisen Centrobank has access to no-public information on the issuer or on financial instruments which Raiffeisen Centrobank is being forbidden from disclosing vis-à-vis its customers although such information may be of relevance for the business decision of the customer.

Raiffeisen Centrobank has taken the following measures to identify and overcome conflicts of interests:

- Priorisation of customer's interest: When providing investment services, the customers' interest is always taken into account; as a matter of principle, customer interests always prevail over Raiffeisen Centrobank's own interests

and the interests of its staff. If a conflict of interests cannot be avoided despite the measures taken, Raiffeisen Centrobank will solve the conflict in the interest of the customer. Such solution may also consist of disclosing such conflict of interest to the customer and/or refraining from engaging into the business transaction with the customer.

- Compliance Organization: Raiffeisen Centrobank has set up a Compliance Organization and has nominated a Compliance Officer. The divisions have to report potential conflicts of interests to the Compliance Officer, who will identify and deal with them, monitor the measures implemented by Raiffeisen Centrobank on an ongoing basis, ensure that in the case of unavoidable conflicts of interests the investment services are being provided in compliance with the statutory provisions and will report regularly to the Executive Board.
- Areas of confidentiality: By establishing areas of confidentiality it is ensured that passing on confidential information is limited to the extent necessary in the ordinary course of business. For example, Raiffeisen Centrobank's dealings for its own account are carried out separately from dealings for customers. If in a specific case exchanging of information between the areas defined cannot be avoided, which may entail a conflict of interests, this fact has to be reported to the Compliance Officer, who will then take appropriate measures. Due to its organizational structure Raiffeisen Centrobank has ensured that any improper influence on the way in which investment services are provided by Raiffeisen Centrobank is prevented.
- Own issues: Pricing of Raiffeisen Centrobank's own products is always effected on the basis of the current market situation.
- Best Execution Policy and allocation to issue: Raiffeisen Centrobank has established a Best Execution Policy for processing of customer orders. In the event of scarcity-related conflicts of interest (ie, there are more customer orders than can actually be fulfilled), clearly formulated pre-allocation principles (such as principle of priority or pro rata apportionment) are used in accordance with Raiffeisen Centrobank's guidelines. These guidelines aim to discourage the unfair preferences of individual clients.
- Prevention of market abuse: At Raiffeisen Centrobank guidelines and codes of conduct apply to all staff members, which prevent insider trading and market manipulation (market abuse). This means that the staff of Raiffeisen Centrobank is trained on a regular basis. Furthermore, guidelines were issued for all staff members according to which dealings of staff members for their own account have to be carried out in such a way that conflicts of interests between customers and Raiffeisen Centrobank staff are prevented or solved in a way that is beneficial for the interests of Raiffeisen Centrobank's customers.
- Gifts and allowances: Accepting and making gifts and allowances by and to the staff of Raiffeisen Centrobank is handled according to Raiffeisen Centrobank's internal guidelines. Raiffeisen Centrobank's employees are forbidden accept or to make gifts and allowances whenever this may lead to a conflict of interest or would be considered inappropriate.

In case a conflict of interest cannot be avoided in spite of the measures taken and listed above, Raiffeisen Centrobank will either refrain from entering into the transaction in question or will disclose such conflict to the customer, so that the customer is able to take a decision while being fully aware of such conflict of interest.

## 2. Information on details

At the customer's request Raiffeisen Centrobank will inform the customer in person of further details regarding the guidelines on handling conflicts of interests on paper or another durable medium.

# I. INDUCEMENTS

## 1. General remarks on benefits

Receiving and granting of monetary and non-monetary benefits by Raiffeisen Centrobank in connection with securities investment services or ancillary investment services are permitted under specific circumstances. As matter of principle, Raiffeisen Centrobank takes attaches great value to assure that such benefits do not jeopardize its best-execution obligation.

## 2. Granting of benefits

Raiffeisen Centrobank provides regularly monetary and non-monetary benefits to its cooperation partners for distributing the certificates issues by Raiffeisen Centrobank. Such non-monetary benefits include, in particular, the provision of information material and conducting of training activities. This aims at ensuring the quality of advice and the information provided by the cooperation-partners to the customers.

Monetary benefits depend on the volume of financial instruments sold and/or held in custody and can be broken down into the following categories:

- Offering commissions (fees): as described in the product information for the specific products
- Commissions for distribution /sale /conclusion of transactions: between 0 and 4 per cent
- Trailer commissions: between 0 and 2 per cent p.a.

### 3. Accepting of benefits

Under certain circumstances, Raiffeisen Centrobank may receive monetary and non-monetary benefits from third parties.

Any benefits received by Raiffeisen Centrobank will be disclosed onwards prior to receiving any orders. Upon request Raiffeisen Centrobank will inform on the use of any benefits received. At any rate, Raiffeisen Centrobank will not accept any benefits that may result in a violation of its obligation to act in the best interest of its customers.

Raiffeisen Centrobank will inform the customer on the mechanism for transferring a benefit received in relation to the provision of an investment service or ancillary service.

Raiffeisen Centrobank may possibly receive commission from the issuer for participating in or supporting of capital markets transactions. Raiffeisen Centrobank may receive minor non-financial benefits from manufacturer of financial products and service providers. This includes, in particular, the free provision of information and advertising materials or the free or discounted participation in training courses or conferences (including appropriate entertainment services).

## J. KEY INFORMATION DOCUMENT FOR PRIIPS

Raiffeisen Centrobank makes key information documents ("KID") for packaged retail and insurance based products which are distributed by Raiffeisen Centrobank available. This occurs in the context of the EU-Regulation for Packaged Retail and Insurance-based Investment Products ("PRIIPS").

The KID is to be made available to customers free of charge prior to the conclusion of a transaction. In case of personal contact with retail clients, the KID is to be provided on paper. Otherwise, the KID may also be made available in an electronic format, especially by referring to a website or on a durable medium as an attachment to an e-mail. KIDS for own issues of Raiffeisen Centrobank will be made available on Raiffeisen Centrobank's internet-site [www.rcb.at](http://www.rcb.at) and may be durably stored.

## K. OTHER CONDITIONS FOR THE PROVISION OF INVESTMENT SERVICES AND ANCILLARY INVESTMENT SERVICES

### 4. Prices and costs

Prior to conclusion of a contract the customer will be given separate information on the fees charged by Raiffeisen Centrobank for services. Raiffeisen Centrobank is obliged by mandatory law to provide its customers with encompassing information in connection with investment services and transactions with financial instruments on a durable medium. Inter alia, the customers shall also receive detailed information on a regular basis on investment services rendered and on all concluded transactions.

Prior to the conclusion of transactions with financial instruments, the customers shall receive information on the costs charged in connection with the offered service or the purchase of the financial instrument. Depending on the type of product or service, such information shall be provided to the customer either in a standardized manner or on an individual basis. Customer shall also receive such information ex-post with regular frequency.

In case customers conclude transactions with Raiffeisen Centrobank by telephone or by another means of distance communication (such as via platforms) which renders providing the cost information prior to the conclusion of transaction is impossible due to technical constraints, the cost information will be provided to the customer immediately after the conclusion on a durable medium. This requires the prior consent of the customer. The customer is, however, given the option to postpone the transaction so to be able to obtain the cost information in advance.

Possible product costs to be disclosed (which manifest in the context of the distribution of the financial instruments issued by Raiffeisen Centrobank) are on principle disclosed in the Key Information Document which are available on the website of Raiffeisen Centrobank [www.rcb.at](http://www.rcb.at) for download.

In addition to the fees payable to Raiffeisen Centrobank cash expenses will be incurred in transactions in financial



instruments, which Raiffeisen Centrobank has to pay to third parties when executing customer orders (in particular third-party out-of-pocket expenses, purchase price or price of securities acquired and fees of employed brokers). Those expenses shall also be borne by the customer.

## 5. Foreign currency transactions

If in connection with an order placed with Raiffeisen Centrobank payments have to be effected in foreign currencies or payments received in foreign currencies have to be converted into euros, Raiffeisen Centrobank shall effect such conversion on the basis of the market-conforming price which Raiffeisen Centrobank generally charges its customers at the settlement date. Details on currency conversion rate can be found in price-list which is made available in a separate form to the customer prior to the conclusion of the transaction.

## 6. Additional taxes and expenses

Please note that customers may incur further costs and taxes (e.g., Austrian and foreign investment income taxes) in addition to the fees and expenses mentioned above, which are not necessarily paid through or invoiced by Raiffeisen Centrobank.

Customers are responsible themselves for fulfilling their tax liabilities, in particular in their home country.

# L. INFORMATION ON BANK RESOLUTION UNDER THE AUSTRIAN ACT ON BANK RECOVERY AND RESOLUTION („BASAG“)

In Austria, the EU Bank Recovery and Resolution Directive (BRRD) was transposed into national law by the Austrian Act on Bank Recovery and Resolution („BaSAG“).

BaSAG entered into force on 1 January 2015.

BaSAG entrusts the financial market authority with a set of tools to intervene sufficiently early and quickly when institutions or institution groups violate or are likely to violate regulatory rules, so as to obviate a further deterioration in their financial status. In addition, it governs procedures to resolve and recover banks. The focus of BaSAG is to ensure that the owners of the bank (e.g. shareholders) and creditors (e.g. bond holders) bear losses first, before a resolution fund endowed by the banks bears losses. Those objectives should help avoid using taxpayers' money to recover or resolve a bank.

BaSAG pursues three principles:

- recovery and resolution of credit institutions without a severe impact on value
- protection of taxpayers in the course of bank recovery and resolution
- equal treatment of all creditors in a bail-in

### 1. Recovery

Since the Bank Intervention and Restructuring Act (BIRG) took effect, banks have been obliged to draw up and update recovery plans and to take recovery actions in their own responsibility. All recovery actions are based on private law and do not interfere with owners' or creditors' rights.

### 2. Resolution

If recovery fails, the Austrian Financial Market Authority (FMA), which fulfills the role of the national resolution authority, initiates a resolution procedure. FMA prepares resolution plans for individual institutions to provide for a prompt intervention of the regulator and to safeguard financial market stability.

Since 1 January 2016, the Single Resolution Board has taken over full responsibility for bank resolution under direct supervision by ECB.

An institution enters into resolution if it is deemed to be failing or likely to fail in one of the following circumstances:

- the institution infringes with capital adequacy requirements that are conditional for continuing authorisation in a way that would justify the withdrawal of the authorisation by ECB
- the assets of the institution are or will, in the near future, be less than its liabilities,
- the institution is or will, in the near future, be unable to pay its debts or liabilities as they fall due,
- extraordinary public financial support is required except when, in order to remedy a serious disturbance in the economy and preserve financial stability, the extraordinary public financial support takes any of the following forms:
  - i) a State guarantee to back liquidity facilities provided by central banks or for newly issued liabilities,



- ii) injections of own funds or purchase of capital instruments to address capital shortfalls established in national, Union or Single Supervisory Mechanism-wide stress tests, in asset quality reviews or equivalent exercises by the ECB, EBA or national authorities confirmed by ECB,
- having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by Institutional Protection Scheme („IPS“), or supervisory action (including early intervention measures or write down or conversion of relevant capital instruments) would prevent the failure of the institution,
- a resolution is necessary in the public interest; a resolution is treated as in the public interest if it is necessary for the achievement of and is proportionate to one or more of the resolution objectives and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The resolution authority may exercise the power to write down and convert capital instruments (core capital, additional core capital, supplementary capital) immediately before of together with the application of the following resolution tools:

- transfer of shares or other instruments of ownership, assets, rights or liabilities of an institution under resolution to a purchaser that is not a bridge institution ("sale of business tool");
- transfer of assets, rights or liabilities of an institution to a bridge institution that is owned by public authorities ("bridge institution tool");
- transfer of assets, rights and liabilities to an independent legal entity (bad bank) owned by public authorities that has been created for the purpose of administering and disposing of nonperforming debts and assets, only together with another resolution tool („asset separation tool“), and/or
- conversion of liabilities (including capital instruments eligible as own funds) into equity or reduction of the principal amount of claims or debt instruments during resolution to recapitalise the institution to the extent sufficient to restore its ability to carry out the activities for which it is authorised, to provide capital for a bridge institution or under the sale of business tool or the asset separation tool ("bail-in tool");

### 3. Detailed information on Bail-in

The use of resolution tools by the resolution authority may disrupt the rights of shareholders and creditors and may be exercised without their consent. The resolution authority shall ensure that the application of resolution tools does not incur higher losses than under normal insolvency proceedings.

The “bail-in“ tool covers various creditor groups. While some creditors are fully excluded from bail-in, others have to absorb losses in an exactly defined sequence (“loss absorption cascade“). Losses are absorbed on a tier basis, i.e. creditors of the next higher tier are only bailed in if the claims of the preceding tier of creditors are not sufficient to cover the losses.

Sequence of allocation of losses:

1<sup>st</sup> tier, Common Equity Tier 1 capital instruments (e.g. common shares, the shareholders or holders of other instruments of ownership bear the highest risk of loss);

2<sup>nd</sup> tier, investors who have invested in Additional Tier 1 capital instruments (e.g. silent capital contributions);

3<sup>rd</sup> tier, creditors who have invested in Tier 2 capital instruments (e.g. participation rights) tier, unsecured and subordinated claims of creditors (e.g. subordinated debt instruments);

4<sup>th</sup> tier, unsecured and subordinated claims of creditors (e.g. subordinated debt instruments);

5<sup>th</sup> tier, unsubordinated non-preferred claims (e.g. senior bonds, which are junior to ordinary senior debt but have a higher priority ranking in the normal insolvency proceedings than subordinated liabilities and debt instruments);

6<sup>th</sup> tier, unsecured ordinary senior claims (e.g. ordinary senior bonds);

7<sup>th</sup> tier, not covered deposits (e.g. deposits not covered by deposit guarantee scheme).

### 4. Risks involved in bank resolution

Liquidity risk: Securities prices are sensitive to market fluctuations, especially securities issued by a bank for which a bail-in procedure was initiated. This means that investors are exposed to a risk that the securities issued by the bank cannot be sold or can only be sold at a lower price.

Counterparty/credit risk: The resolution authority may change the terms and conditions of the securities concerned, e.g. by changing the maturity date or deferring interest payments for a certain period. That means that creditors or investors of bank for which a bail-in procedure was initiated are exposed to a risk that they receive payments delayed and/or to a considerable lower extent than originally agreed upon (up to the risk of a total loss of the amount invested).

Concentration risk: The risk of losses increases the more securities of the bank under resolution are included in the investor's portfolio (up to the risk of a total loss of the amount invested).

#### **5. Claims of creditors excluded from bail-in**

There is no bail-in risk in relation to deposits covered by the deposit guarantee scheme or liabilities in a cover pool. Public financial support through additional financial stabilisation tools such as the bank resolution fund shall be used as last resort after having exploited the other resolution tools to the maximum extent practicable.