Risk Disclosure on Financial Instruments

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Pursuant to the Austrian Securities Supervision Act 2018 (WAG 2018) and the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), we are required to provide you with the following risk information about financial instruments.

1. Risk disclosure

The following information is intended to serve as basic information and does not replace investment advice. This document aims to inform and sensitize investors in general to economic relationships that can sometimes result in a dramatic change in the value of assets.

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 its total loss. Depending on the nature of the product, this risk can be based on various causes such as e.g. the product itself, the markets or the issuer. These risks are not always foreseeable in advance, so that the following presentation may not be regarded as conclusive in this respect.

The specific risks arising from the creditworthiness of a product's issuer always depend on the individual circumstances of the issuer and investors should therefore pay particular attention to this.

The description of the financial instruments described in this document is based on the usual product features of such financial instruments. However, the design of the specific product is always decisive, so that the below description cannot replace a detailed examination of the specific product.

When investing in financial instruments, it is important to note the following:

- With every investment, the potential return depends directly on the risk. The higher the potential return, the higher the risk will be.
- Irrational factors (sentiment, opinions, expectations, rumours) can also influence price movements and thus the return on an investment in financial instruments.
- Investing in several different financial instruments can reduce the risk of the overall investment (principle of risk diversification).
- Each customer is responsible for the correct taxation of their investment. Neither Bitpanda Financial Services GmbH nor Bitpanda Financial Services GmbH (Berlin) Branch provides tax advice.

We would like to take this opportunity to point out that the accumulation of risks can enhance risks, resulting in significant changes to the value of financial instruments. Potential investors should therefore be prepared for losses of invested capital, including the possibility of a total loss.

2. General risks

2.1. Currency risk

With foreign currency transactions, the return on and the performance of the investment depend not only on the local yield on investment in the foreign market, but also greatly on the performance of the foreign currency with respect to the investor's reference currency (e.g. the euro). A change in the exchange rate can therefore either increase or decrease the return and value of the investment.

2.2. Risks for transactions with foreign elements

Transactions involving foreign countries (e.g. foreign borrowers) entail the additional risk - depending on the specific country - that political action or exchange controls may make the realisation of the investment difficult or impossible. Also, problems may occur when processing an order. In foreign-currency transactions, the currency may end up no longer being freely convertible as a result of such action.

2.3. Country risk

Country risk is the credit risk 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.

2.4. Liquidity risk

The option of selling or settling an investment at a fair market price at all times is called negotiability (= liquidity). A market is considered liquid when investors are able to sell their securities without an average-sized selling order (relative to the market's normal trading volume) leading to noticeable price fluctuations that make it impossible to execute the order or only allow execution at a substantially different price level.

2.5. Credit 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 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).

2.6. Interest rate risk

Interest rate risk results from the possibility of future interest rate movements in the market. During the term of fixed-interest bonds, a rise in interest rates will cause prices to drop, whereas a decline in market interest rates will cause prices to increase.

2.7. Price risk

Price risk is the risk of potential changes in the value of individual investments. In the case of transactions involving future transfer of ownership (e.g. foreign exchange forwards, futures, writing of options), price risk may make it necessary to post collateral (a margin) or to raise the existing margin, i.e. to tie up liquid assets.

2.8. 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 temporary 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). The risk of total loss also exists if issuers of securities get into financial difficulties and the resolution authority responsible for the issuer applies resolution tools, e.g., deletes shareholders' shares or applies the bail-in instrument to unsecured bonds, which may result in a complete write-down of the nominal value of the bonds.

2.9. Inflation risk

The term inflation describes a general increase in prices on the market. Rising price levels in an economy lead to lower purchasing power and a loss in the value of capital assets. Such price increases are expressed as a percentage in an inflation rate or as an absolute value in a price index. The price increase can refer to a specific market segment and a specific period of time. A well-known inflation indicator in Europe is the Harmonised Index of Consumer Prices (HICP), which refers to certain goods and services purchased by private households.

Inflation risk is the risk that the value of a capital asset will decrease due to the loss of purchasing power caused by price increases on the market. Since the price level is influenced by many factors, it is not possible to predict how high inflation and consequently the loss in value will be in certain periods of time. To compensate for inflation, wages, salaries, pensions, etc. are usually adjusted annually to maintain the purchasing power. Investors invest their capital assets in various investment options, such as savings accounts, bonds, funds, etc., in order to compensate for the loss in value due to inflation as best as possible through interest, dividends and similar income distributions.

2.10. Sustainability risk

Sustainability risks are defined as environmental, social or governance events or conditions that could have an actual or potential material adverse effect on the value of the investment. Climate risks also count as sustainability risks. Climate risks include all risks that arise from climate change or that are increased as a result of climate change. Here again, a distinction is made between physical risks and transition risks. Physical climate change risks result directly from the consequences of climate change, e.g. an increase in the average global temperature, more frequent natural disasters and extreme weather events such as floods, heat/drought periods, storms and hail. Transition risks are risks that arise from the transition to a climate-neutral and resilient economy and society and can thus lead to a devaluation of assets, such as changes in political and legal framework conditions in the real economy (introduction of a CO^2 tax, changes in building regulations and zoning, etc.), technological developments (e.g. renewable energies) and changes in consumer behaviour. These risks can affect the value and performance of investments of all categories (shares, bonds, investment funds, etc.). Sustainable investments can be just as risky as traditional investments - please note the risk information for each type of investment.

2.11. Buying financial securities on credit

Purchasing financial instruments on credit poses an increased risk. The loan must be repaid regardless of the success of the investment. In addition, the credit costs reduce the return. We expressly advise against purchasing financial instruments on credit.

2.12. Guarantees

The word guarantee can have different meanings. On the one hand, it is understood to mean the commitment of a third party other than the issuer to undertake to pay the issuer's liabilities. On the other hand, it may designate the commitment undertaken by issuers themselves to provide a specific payment irrespective of the trends of certain indicators that would otherwise determine the amount of the liability. Guarantees may involve a wide range of different other conditions. Capital guarantees are usually valid only at maturity (redemption), which is why price fluctuations may well occur until such time. The quality of a capital guarantee essentially depends on the guarantor's credit standing.

2.13. Tax aspects

Investors should consult a tax advisor to assess the impact of an investment on their personal tax situation prior to investing. The customer remains ultimately responsible for ensuring that their tax return is complete and correct. Bitpanda Financial Services GmbH does not offer tax advice.

3. Risk disclosure of the financial instruments

The following overview provides a description of the main risks associated with various financial instruments.

Please note that this overview also describes some financial instruments that cannot be traded with Bitpanda Financial Services GmbH. For reasons of transparency, we have included information on these financial instruments nonetheless, as their risks might be of importance for certain structured products.

3.1. Money market instruments

Definition: Money market instruments encompass certificated money market investments and borrowings, including certificates of deposit, medium-term bonds, global note facilities, commercial papers and all notes with a maturity for the principal of up to about five years and fixed interest rates for periods of up to about 1 year. Moreover, money market transactions also include repo deals and agreements.

The return and risk components of money market instruments largely correspond to those of "bonds/debt securities/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 sellability cannot be assured. 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 in simple terms:

Certificates of deposit: money market instruments issued by banks with terms of usually between 30 and 360 days.
Medium-term bonds: money market instruments issued by banks with a term of up to 5 years.
Commercial papers: money market instruments, short-term promissory notes issued by corporates with maturities of between 5 and 270 days.
Global note facilities: a variant of commercial paper facilities allowing the issue of commercial papers in the US and European markets at the same time.
Notes: short-term capital market papers with maturities of usually 1 to 5 years.

3.2. Bonds

Definition: Bonds (= debentures, annuities) are securities by which the issuer (= borrower, issuing firm) accepts an obligation towards the holder (= creditor, buyer) to pay interest on the capital received and to redeem the bond according to the agreed terms. Alongside bonds in the narrow sense, there are debt securities that differ substantially from the above-mentioned characteristics and the description provided below. Please refer to the

description of debt securities in the section "Structured products". Especially in the present context, product-specific risk is determined not by the designation as bonds or debentures but by the specific configuration of the individual products.

Return: The return on a bond consists of the interest on the principal and any difference between the purchase price and the achievable price upon sale/redemption. It is therefore possible to anticipate the return only if the bond is held until redemption. In the case of variable interest rates, the return on a bond cannot be calculated in advance. Return (at maturity), which is calculated according to established international standards, is used as an indicator/reference for the return. Where a bond offers a return that is substantially higher than that of bonds with comparable maturities, specific reasons are likely responsible, such as an elevated credit risk. When a bond is sold prior to redemption, the realisable selling price cannot be anticipated; the return may therefore turn out to be higher or lower than the return originally estimated. Any transaction costs charged need to be deducted from the overall return as well.

Credit risk: There is a risk that borrowers defaults on all or part of their obligations, e.g. in the event of insolvency. The debtor's credit standing must therefore be taken into account when deciding on an investment. An indication for assessing the borrower’s credit standing is the “rating” (= evaluation of the borrower’s credit standing) by an independent rating agency. An AAA rating represents the best credit standing; the lower the rating (e.g. B or C), the higher the credit risk - but the rate of return on the security (risk premium) will presumably also be higher due to the costs resulting from the borrower's higher default risk (credit risk). Investments with a comparable BBB rating or higher are called "investment grade" investments.

Price risk: If the bond is held until maturity, you will receive the redemption proceeds promised in the bond terms and conditions upon redemption. In this context, please note the risk of early termination by the issuer, if specified in the terms and conditions of issue. If you sell before maturity, you will 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-income 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 have an impact on 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 price change of a bond in response to a change in interest rates is described by the “duration” indicator. The duration depends on the remaining term of the bond. The longer the duration, the greater the impact of changes in the general interest rate level on the price, both positively and negatively.

Liquidity risk: The tradability of bonds can depend on various factors, such as issue volume, remaining term, stock exchange practices, and market conditions. A bond

may also be difficult or impossible to sell and, in this case, would have to be held until maturity.

Right of termination and redemption limits: Subordinated bonds may not be terminated at the discretion of the bondholders. Any rights of the issuer to terminate or redeem the subordinated bonds are subject to prior approval by the competent authority.

3.2.1. Some special cases of bonds

Subordinated Bonds ("Tier 2"): According to Art 63 of the CRR, subordinated bonds are Tier 2 instruments. These bonds establish direct, unconditional, unsecured and subordinated liabilities on the part of issuers with a maturity of no less than 5 years. The creditors enjoy no call option. In the event of the issuer's liquidation or insolvency, the claims of Tier 2 bond holders are subordinate to the claims of non-subordinated bond holders.

High-yield bonds: High-yield bonds are securities in which an issuer with a low credit rating (= debtor, issuer) undertakes to pay fixed or variable interest on the capital received and to repay it in accordance with the terms and conditions of the bond.

Convertible bonds for home loans: Convertible bonds for home loans are issued by home loan banks and have the purpose of financing homes (new construction and refurbishment). Such bonds certify the claim to payment of capital and interest in the form of a convertible bond. According to the terms of the bond, they can be converted into participation rights of a home loan bank (= redeemed). Once converted, the rank of the participation rights corresponds with that of ordinary shares. Payments on participation rights depend on the profit made; there is no follow-up payment for remuneration not paid in individual years. Currently, tax incentives are available for convertible bonds for home loans. Prior to purchase, applicability of such incentives should be verified.

Secured and unsecured bonds: Classic senior bonds are considered first-ranking claims that are serviced first in the event of insolvency of the issuer (debtor). This means that investors (creditors) with these securities have a higher chance of recovering their invested capital in such an insolvency case than investors who have invested in subordinated bonds or equity-related securities of the issuer, for example. Bonds may be secured or unsecured. Secured bonds are in a better position than unsecured bonds because certain assets are designated to cover them in the event of the issuer's insolvency. On the other hand, they have a lower potential return compared to unsecured bonds.

3.3. Structured Products

"Structured investment products" are investment instruments with variable returns and/or capital repayments that depend on specific future developments or trends. Furthermore, these investment instruments may be structured in such a manner as to

allow the issuer to call in the product early if the targets specified beforehand are reached or they may even be subject to automatic call-in.

In the following, individual product types are described. Common collective terms are used to designate these product types, but they are not used uniformly on the market. Due to the wide range of linking, combination and payout options for these investment instruments, a wide variety of investment instruments have developed, the chosen designations of which do not always uniformly follow the respective designs. For this reason, it is therefore necessary to always check the specific product conditions.

Risks

1) Insofar as interest and/or income distributions have been agreed, these may depend 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 stocks, certain prices, commodities, precious metals, etc.) and may therefore be partially or completely eliminated.

3) When it comes to interest and/or return payments as well as capital repayments, special consideration must be given to interest rate, currency, business, sector-specific, country-specific and credit risks (possibly no right to separation and recovery of assets that do not belong to the bankrupt estate) as well as tax-related risk.

4) The risks referred to in points 1) to 3) may lead to high price fluctuations (price losses) during the term or make sales during the term more difficult or impossible, regardless of any existing interest, earnings or capital guarantees.

3.3.1. Interest Rate Spread Securities Products (Constant Maturity Swap)

These products, which are structured like debt securities, are initially issued with a fixed coupon. Once the fixed-rate period has expired, variable interest rates become applicable. Most of these coupons have a one-year term and their performance depends on the current interest rate situation (e.g. interest rate curve). In addition, these products may also be issued with a target rate, i.e. once an agreed target rate is achieved, the product is called in early.

Return: In the fixed-rate period, the investor usually obtains a higher coupon rate than with conventional bonds available in the market. In the variable-rate period, investors can achieve higher coupons than with fixed-interest bonds.

Risk: During the term, there may be market-related price fluctuations, which can be correspondingly significant depending on the interest rate trend.

3.3.2. Guarantee Certificates

When guarantee certificates reach maturity, the initial face value or a certain percentage thereof is paid out regardless of how the underlying security performed ("minimum redemption").

Return: As set forth in the terms and conditions of the certificate, the maximum return that can be obtained through the performance of the underlying security may be subject to a maximum redemption price or other limitations on the extent to which the investor gets to benefit from the performance of the underlying security. The investor is not entitled to any dividends and similar disbursements on the underlying security.

Risk: During the maturity period, the value of the guarantee certificate may fall below the agreed minimum redemption price. However, the value of the certificate at maturity will generally be at the minimum redemption price. The minimum redemption price is determined by the issuer's credit standing.

3.3.3. Twin Win Certificates

At maturity, the issuer of twin-win certificates pays out a redemption price that is determined by the performance of the underlying instrument. The certificates have a barrier. If the price does not reach the barrier of the twin-win certificate or if it falls below the barrier before it matures (as is generally the case), the investor gets to share in the absolute performance of the underlying instrument starting from the base price set by the issuer, i.e. even losses in the price of the underlying instrument can be translated into gains on the certificate. If the price reaches the barrier of the twin-win certificate or if it falls below the barrier prior to maturity, the certificate is redeemed at a price at least equal to the current price trend of the underlying instrument. A disproportionate share in the performance of the underlying instrument is possible above the base price (if the issuer so decides). However, the maximum redemption price may be limited.

Return: Where the price does not reach the barrier, investors also get to profit from the negative performance of the underlying instrument, as they share in the absolute performance; price losses in the underlying instrument may thus be translated into gains. Depending on a number of different factors (e.g. volatility of the underlying instrument, time to maturity, distance of the underlying instrument from the barrier), the certificate may react more or less strongly to the price fluctuations of the underlying instrument.

Risk: Twin Win certificates are high-risk instruments for asset investment. If the price of the underlying asset underlying the respective Twin Win Certificate develops unfavourably, there may be a loss of a substantial part or all of the invested capital.

3.3.4. Express Certificates

With express certificates, the investor gets to share in the performance of the underlying instrument with the option of early redemption. Should the underlying instrument reach the threshold specified by the issuer on one of the effective dates, the certificate expires early and is automatically redeemed by the issuer at the redemption price applicable on the relevant effective date. If the underlying instrument fails to reach the threshold on the final effective date, the certificate is redeemed at the closing price of the security underlying the certificate established at maturity/on the final effective date. In that case, if the issuer sets a barrier when issuing the certificate and the price of the underlying instrument neither reaches nor breaches the barrier during the monitoring period, the certificate is redeemed at a price of at least the minimum redemption price as defined by the issuer.

Return: With express certificates, investors have the option of realising the underlying instrument's positive performance early. Even if the specified threshold is not reached, the minimum redemption price may be paid out if the barrier has not been reached or breached. Depending on a number of different factors (e.g. volatility of the underlying instrument, time to maturity, distance of the underlying instrument from the barrier), the certificate may react more or less strongly to the price fluctuations of the underlying instrument.

Risk: Express certificates are high-risk investments instruments. Should the price of the securities underlying the respective express certificate move unfavourably, all or much of the invested capital may be lost.

3.3.5. Discount Certificates

With discount certificates, investors get to obtain the underlying security (e.g. the underlying share or index) at a discounted current price (safety buffer), but, in return, their share in the growth of the underlying security is limited to a certain ceiling (cap or reference price). At maturity, the issuer either gets to redeem the certificate at the maximum value (cap) or deliver the shares or, if the underlying security is an index, to pay a cash settlement equal to the index value.

Return: The potential return results from the difference between the discounted purchase price of the underlying security and the price ceiling determined by the cap.

Risk: In the event of a sharp fall in the price of the underlying, shares will be delivered at the end of the term (the equivalent value of the delivered shares will be below the purchase price at this time). Since the allocation of shares is possible, the risk warnings for shares must be observed.

3.3.6. Bonus Certificates

Bonus certificates are debt securities that, in addition to the notional, pay out at maturity a bonus or appreciated price of an underlying security (individual shares or indexes) subject to certain requirements. Bonus certificates have fixed maturities. The terms and conditions of the certificate usually stipulate the payment of funds, or the delivery of the underlying security, at maturity. The type and amount of redemption at maturity depend on the performance of the underlying security. Three levels are set for a bonus certificate: a starting level, a barrier underneath the starting level, and a bonus level above the starting level. If the underlying security falls to the level of the barrier or below it, the bonus is forfeited and the certificate is redeemed at the price of the underlying security. Otherwise, the minimum redemption price is determined by the amount of the bonus. Once the certificate reaches maturity, the bonus is paid out along with the amount initially paid for the notional value of the certificate.

Return: With a bonus certificate, the investor acquires a claim against the issuer for payment of a sum of money dependent on the development of the underlying asset. The return 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 claim to separation or segregation with regard to the underlying asset.

3.3.7. Cash or Share Bonds

These consist of three components and their risk is borne by the buyer of the bond: the investor buys a bond (the bond component) whose interest rate includes an option premium. This structure thus gives rise to an interest rate that is higher than for a comparable bond with the same maturity. The bond may be redeemed either in cash or in shares, depending on the price trend of the underlying shares (stock component). Bond purchasers are therefore the writers of a put (option component) and sell to a third person the right to transfer shares to them, by virtue of which they agree to assume any adverse effects of a downturn in prices. Bond purchasers thus bear the risk of the price trend and receive a premium in exchange, the amount of which essentially depends on the volatility of the underlying stock. If the bond is not held to maturity, that risk is compounded by interest rate risk. Any change in the interest rate affects the bond’s price and thus the bond’s net yield relative to its maturity.

Please also observe the related risk disclosure in the sections on credit risk, interest rate risk and price risk of shares.

3.3.8. Index certificates

Index certificates are debt instruments (usually publicly listed) by which investors get to acquire interest in a certain index without having to own the securities included in

the index. The underlying index is generally represented on a 1:1 basis and any changes in said index are taken into account.

Return: With index certificates, investors acquire a claim against the issuer for payment of an amount that is determined by the performance of the underlying index. Returns depend on the performance of the underlying index.

Risk: The risk is determined by the underlying securities included in the index. Should the issuer go bankrupt, the investor has no right to claim separation and recovery of assets that do not belong to the bankrupt estate with respect to the underlying security.

3.3.9. Basket Certificates

Basket certificates are debt instruments by which investors get to share in the going-forward performance of a specific basket of securities without having to own the securities included in the index basket themselves. The make-up of the underlying basket is the issuer's responsibility. The securities included in the basket may be weighted equally or differently. The make-up may be adjusted at specified times (e.g. once annually).

3.3.10. Knock-out Certificates (Turbo Certificates)

Knock-out certificate is a term used to designate certificates that evidence the right to buy or sell a specific underlying security at a specific price if the underlying security fails to reach the specified price threshold (knock-out threshold) prior to maturity. Once the threshold is reached, the investment ends prematurely and is usually lost to a large extent. Depending on the performance of the underlying security, a distinction is made between knock-out long certificates, which bank on a bull market, and knock-out short certificates, which are especially designed specifically for bear markets. Aside from regular knock-out-certificates, there are “leveraged” knock-out certificates, which are usually styled “turbo certificates” (or leverage certificates). The lever (turbo) effect causes the turbo certificate to be affected more strongly by the price movement, causing the value of the turbo certificate to rise or fall more forcefully. Therefore, small investments may achieve higher gains, but the risk of loss is likewise increased.

Return: A return is achieved if there is a favourable difference between the acquisition price or market price and the exercise price (making it possible to buy the underlying security at the lower exercise price or to sell it at the higher exercise price).

Risk: If the knock-out threshold is reached before maturity, either the certificate expires and becomes worthless or an estimated residual value is paid out (the product is “knocked out”). With some issuers, all it takes is to reach the knock-out threshold during the trading day (intraday) for the certificate to be knocked out. The closer the

current stock market quotation is to the exercise price, the stronger the leverage effect. However, at the same time there is an increased risk that the price will fall below the knock-out threshold, either causing the certificate to become worthless or resulting in a pay-out of the estimated residual value.

3.3.11. Spread Certificates

As a share price or index is expected to move within a certain price range (spread) defined by a starting point and a stopping point, spread certificates give investors a chance to share disproportionately in the performance of the underlying security.

Return: The income can result from the disproportionate participation in the price development of the underlying asset.

Risk: However, if the final price established on the value date is below the starting point, the certificate will merely represent the price performance of the underlying security. If the price falls below the stopping point, the investor receives a fixed maximum redemption price at maturity with no right to share in the price increase.

3.4. Investment Funds

3.4.1. Domestic investment funds

General: Shares in Austrian investment funds (fund units) are securities evidencing joint ownership in an investment fund. Investment funds invest the money of the unit holders based on the investment strategy of the investment fund, always following the principle of risk diversification. Typically, traditional investment funds are divided into three main types: bond funds, equity funds and mixed funds that invest in both bonds and equities. Investment 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 other investment fund units. Furthermore, a distinction is made for tax purposes between distributing and non-distributing investment funds. In contrast to a distributing investment fund, a non-distributing investment fund does not distribute income, but instead reinvests it in the investment fund. In umbrella funds, returns are invested in other domestic and/or foreign investment funds. Guarantee funds involve a binding commitment - relating to disbursements during a certain time period, repayment of the capital or performance - on the part of a guarantor appointed by the management company.

Return: The return on investment consists of the annual dividends and the change of the calculated value of the investment fund and cannot be determined in advance. Performance depends on the investment policy set out in the fund rules and the market performance of the individual assets of the investment fund. Depending on the composition of an investment fund, the risk warnings for bonds, shares and warrants must therefore also be observed.

Price/valuation risk: Investment fund shares may usually be returned at the redemption price at any time. In the event of exceptional circumstances, redemption may be temporarily suspended until the assets of the investment fund have been sold and the proceeds have been received. Should many unit-holders decide to return their unit certificates all at the same time, the investment fund - if no relevant arrangements are provided for in the fund terms - may suspend redemption of investment fund units due to a liquidity bottleneck. Any such suspension must be implemented in strict compliance with legal requirements and also require notification of the Financial Market Authority (FMA) as well as a public announcement. The purpose of such a suspension is to give the investment fund an opportunity to raise additional liquidity. If unsuccessful, the investment fund may be closed. Your account manager will inform you of any costs payable and, as the case may be, the execution date for your buying or selling order. The term of an investment fund depends on the fund terms and is usually unlimited. Please note that, unlike with bonds, there is generally no redemption and thus no fixed redemption price in the case of investment fund units. When investing in a fund the risk is determined by the investment policy and the respective performance of the investment fund's assets. The possibility of a loss can generally not be ruled out. Although the investment can usually be redeemed at any time, investment funds are investment products that generally pay off only if held for a lengthy period of time. Just like equities, investment funds can be traded in stock markets: they are then known as exchange-traded funds (ETF). It must be pointed out that an investment fund qualifies as an ETF only if the management company has entered into an appropriate agreement with a market maker. **Prices that form at the relevant stock market may vary from the redemption price.** In this respect, risk disclosures for equities should be taken into account.

Tax effects: Depending on the type of investment fund, the tax treatment of the income varies.

3.4.2. Foreign investment funds

Foreign investment funds are subject to legal requirements applicable in other (EU) countries, which may vary from the regulations applicable in Austria. In particular, prudential law in other countries (outside of the EU) may be less strict than in Austria. What also needs to be taken into account is that the investment funds available in other (EU) countries may be different from those available in Austria, such as fund structures under company law. Such investment funds are geared towards supply and demand and not towards the intrinsic value of the investment fund, which is why they are comparable to equities. Please note that the dividends and dividend equivalents of

foreign investment funds (e.g. non-distributing funds) are subject to other tax laws, regardless of their legal form.

3.4.3. Exchange-traded funds (ETF)

Exchange-traded funds (ETFs), are investment fund shares that are traded on a stock exchange similar to individual stocks. An ETF tracks a basket of securities (e.g., a basket of shares or other financial instruments) to reflect the composition of a specific index. This means it replicates the index—often physically—by holding the contained securities according to their current weighting. Because of this, the ETF price develops practically in the exact same way as the index it tracks.

The structure of these funds is highly transparent, and unlike active funds, there is no active security selection by a fund manager. While the price usually mirrors the index, slight deviations can occur; these are measured by the Tracking Error.

Return: The return depends entirely on the development of the underlying assets in the securities basket. Since the ETF replicates an index, the return corresponds to the market performance of that index.

Risk: The risk depends on the underlying values of the basket of securities. There is a general risk of loss due to price declines of the underlying base investments. Because ETFs are passive, no outperformance is possible compared to the benchmark. Additionally, the selection of index values is often not based on qualitative criteria but rather on market capitalization. A significant limitation is that an ETF does not reallocate or exit the market to limit losses; therefore, in times of falling prices, the investor must become active themselves. Finally, investors must consider currency risks if the underlying stocks are denominated in currencies outside the Eurozone.

3.4.4. UCITS ETFs

A UCITS ETF is a UCITS at least one unit or share class of which is traded throughout the day on at least one regulated market or Multilateral Trading Facility with at least one market maker which takes action to ensure that the stock exchange value of its units or shares does not significantly vary from its net asset value and where applicable its Indicative Net Asset Value.

Treatment of secondary market investors of UCITS ETFs: Where units of a UCITS ETF purchased on a secondary market are generally not redeemable from the fund.

Warning: UCITS ETF's units / shares purchased on the secondary market cannot usually be sold directly back to UCITS ETF. Investors must buy and sell units / shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units / shares and may receive less than the current net asset value when selling them.

If the stock exchange value of the units or shares of the UCITS ETF significantly varies from its net asset value, investors who have acquired their units or shares (or, where applicable, any right to acquire a unit or share that was granted by way of distributing a respective unit or share) on the secondary market could be allowed to sell them directly back to the UCITS ETF. For example, this may apply in cases of market disruption such as the absence of a market maker.

3.5. Real Estate Funds

General: Real estate funds are special assets owned by a real estate investment company that holds and manages the special assets in trust. Unit certificates evidence interest held in such special assets. Based on the principle of risk diversification, real estate funds invest the funds provided to them by the unit-holders in landed property, buildings, shares in real estate companies, comparable assets and own construction projects; they also hold liquid financial assets (liquidity assets), such as securities and cash on deposit. The purpose of liquidity assets is to ensure that forthcoming payment obligations on the part of the real estate fund can be met (for the purchase of real estate properties, for example).

Return: From the perspective of unit holders, the total return on real estate funds consists of the annual distributions (provided it is a distributing fund) and performance of the calculated share in the fund's value and cannot be anticipated. The performance of real estate fund depends on the investment policy established by the fund regulations, the market trend, the individual real properties held in the fund and other asset components of the fund (securities, cash on deposit). The historical performance of a real estate fund is no indication for its future performance. Among other factors, real estate funds are subject to a return-related risk on account of the potential vacancies in the buildings. Especially in own construction projects, problems may arise when it comes to renting out for the first time. Furthermore, vacancies may negatively affect the value of the real estate fund and lead to reduced dividends. Investing in real estate funds can also lead to a reduction of the invested capital.

Aside from cash on deposit, real estate funds also invest liquid funds in other types of investments, particularly in interest-bearing securities. These components of the fund assets are then subject to specific types of risk inherent in the selected form of investment. When real estate funds invest in foreign projects outside the euro zone, the unit-holder is exposed to additional currency risk, as the market value and capitalised earnings of such a foreign property needs to be converted every time the subscription price and the repurchase price are calculated.

Price/valuation risk: Unit certificates may usually be returned at any time at the repurchase price. It should be noted that real estate funds may have constraints on the repurchase of unit certificates. In exceptional circumstances, the repurchase of certificates can be temporarily suspended until the fund assets are sold off and the sales proceeds are received. In particular, fund regulations may provide that the

repurchase of unit certificates be suspended for lengthy period of
up to two years once substantial repurchases have been made. In such a case, the repurchase price will not be paid out during this period. Real estate funds are typically classified as long-term investment projects.

3.6. Exchange Traded Commodities (ETC)

General: Exchange-traded commodities (ETCs) are exchange-traded debt securities that are usually linked to the performance of commodities or cryptocurrencies. ETCs generally have no fixed term, allowing investors to trade on rising or falling prices without entering into a physical purchase obligation (e.g., for crude oil traded in barrels).

Risks: Investing in Exchange Traded Commodities (ETCs) involves substantial risks, and potential investors must be aware that the value of their investment can fall as well as rise. As ETCs are generally not capital protected, investors do not have a guarantee of repayment and must be prepared to bear a total loss of the invested capital. Past performance is not a reliable indicator of future results, and the performance of an ETC is subject to the deduction of annual product fees, meaning returns will not perfectly match the direct performance of the underlying asset.

ETCs are debt securities typically structured as limited recourse obligations. This means that the issuer's obligation to pay is limited solely to the underlying assets held as collateral. If these assets prove insufficient to cover claims, or if the issuer is wound up, investors rely on the liquidation proceeds of the collateral and may not recover their full investment. Furthermore, investors are exposed to general market risk; if the underlying market price falls, the ETC will suffer a corresponding loss. These underlying markets are often subject to specific volatility drivers: precious metals may be affected by physical shortages or industrial demand; carbon emission allowances are highly sensitive to political decisions and regulatory changes; and crypto assets are known for extreme volatility, speculative sentiment, and unique technological risks such as hacking.

Liquidity and volatility are also critical concerns. The prices of commodities and alternative assets are generally more volatile than traditional asset classes. During periods of market stress, liquidity may be severely reduced, leading to wider bid-offer spreads, delays in trade execution, or even a temporary inability to trade the security. Additionally, if an ETC is denominated in a currency other than the investor's home currency, the investment is subject to exchange rate risk, where currency fluctuations can negatively impact returns.

3.7. Hedge Funds, CTA

3.7.1. Hedge Funds

General: Hedge funds are funds whose investment policy is subject to no or only minor legislative or other constraints. They endeavour to increase their capital through

alternative, sometimes non-transparent investment strategies, using all types of investment available.

Examples of investment strategies:

- **Long/Short**: Undervalued securities are bought and overvalued securities are sold short at the same time.
- **Event-driven**: Attempts are made to exploit special company results such as mergers, takeovers, reorganizations or insolvencies.
- **Global Macro**: This style seeks to identify and exploit inefficiencies in the markets 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 price and performance is determined by the average performance of several hedge funds that are combined into a single index to provide a basis of calculation. Hedge funds of funds and hedge fund index certificates offer investors the advantage of improved risk diversification.

Income and risk components: Hedge funds have the potential of providing very high yields, but the risk of losing your invested capital is equally high. The performance of hedge fund products is particularly influenced by the following factors, which generate both opportunities and risk:

- The performance of hedge funds tends not to be affected by international stock and bond market trends. Depending on the hedge fund strategy, the general market trend may either be amplified or result in a pronounced trend in the opposite direction.
- The performance of hedge funds is influenced especially by the market segment they represent.
- 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.
- Concentrating on just one or a few strategies raises the risk further – that risk can be reduced by diversifying hedge funds 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 target risk/return profile of the fund or by an index committee according to a defined country and sector allocation.
- It is impossible to ensure transparency of the underlying hedge funds for the fund of fund management/index committee at all times.

Liquidity risk: Due to complex hedge fund strategies and the complex management of hedge funds, the price determination of a hedge fund product takes more time than for traditional funds. As a result, hedge funds are less liquid than traditional funds. The prices are generally determined on a monthly rather than a daily basis, so that shares

can frequently be redeemed only once a month. To be able to return the shares at this point in time, investors must issue an irrevocable letter of intent to return their shares well in advance of the redemption date. Share prices may change significantly between the time of the letter of intent to return the shares and the time of redemption, but investors then no longer have the option of reacting accordingly since their letters of intent are irrevocable. The specific terms of redemption depend on the individual product. The limited liquidity of the individual funds and the instruments they invest in can therefore compromise the negotiability of hedge fund.

3.7.2. CTA (Commodity Trading Advisor)

A Commodity Trading Advisor (CTA) is an investment strategy or manager that uses systematic, often fully automated models to trade futures markets with the objective of profiting from identified market trends.

Most CTAs use fully automated trading systems to trade futures, i.e. computer programs that make all decisions independently. The aim is to predict certain trends and future market developments to a certain extent from studies in the immediate past.

Return: The return is made up of the profitable fully automatic investment, which results from the exploitation of recognized trends.

Risk: The risk is that the predicted trends will not come to pass or the automatic trading system will not detect trends.

3.8. Shares/Stocks

Definition: Shares (stock) are securities that evidence equity interest in a company (stock corporation). The shareholder's main rights are to receive a share in the company's profits and to vote in the general meetings of shareholders (with the exception of preferential shares).
Return: The return on investments in shares consists of the dividend payments and price gains/losses and cannot be anticipated with certainty. The dividend is the profit distributed on the basis of a resolution of the general meeting. The amount of the dividend is quoted either as an absolute amount per share or as a percentage of the notional. The profit from the dividend relative to the share price is called the dividend return. Generally, this yield is substantially less than the dividend expressed as a percentage. The greater part of returns from investments in shares is usually achieved from the stock's performance/price trend (see price risk).
Price risk: A share is a security usually traded in the stock exchange. Generally, a price is determined daily on the basis of supply and demand. Investments in shares may lead to substantial losses. In general, the price of a share depends on the business success of a given company as well as the general economic and political environment. Besides, irrational factors (investor sentiment, public opinion) may also influence the share price and thus the return on an investment.

Credit risk: As a shareholder, you have a stake in a company. In particular, its insolvency can make your participation worthless.

Liquidity risk: Tradability can be problematic for market-tight securities (in particular listings on unregulated markets, OTC trading). Even when 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).

Stock Exchange risk: Shares are traded on a stock exchange, occasionally over-the-counter. When trading on a stock exchange, the respective stock exchange practices (closing units, order types, currency regulations, etc.) must be observed. If a share is listed on different stock exchanges in different currencies (e.g. a US share is listed on the Frankfurt Stock Exchange in euros), the price risk also includes a currency risk. When buying a share on a foreign stock exchange, it should be noted that foreign stock exchanges always charge "third-party fees".

Please note: Investments in stocks should be spread across different companies, industries, and countries. Since price fluctuations are always to be expected, the investment period should generally be long-term and the investment should be reviewed regularly. Shareholders should keep themselves regularly informed about the performance of their companies, e.g. through the business press or the Internet.

3.9. Exchange Traded Derivatives (Option and Futures Contracts)

While options and futures come with high odds of positive returns, they also entail a very high loss risk.

3.9.1. Buying Options

Buying options involves the purchase (opening = to buy an option, long position) of calls (options to buy) or puts (options to sell), by which you acquire the right to delivery or acceptance of the underlying security or, if that is impossible, as with index options, the right to payment of an amount equal to the positive difference between the price of the underlying instrument at the time you purchased the option and the market price at the time you exercise the option. American-style options may be exercised at any time before the agreed expiration date, whereas European-style options can be exercised only on the agreed expiration date. To obtain the right under an option, you need to pay the option price (option premium). The price may fail to live up to the expectations you had when you bought the option and the value of your option may decline, possibly even becoming completely worthless by the expiration date. Your risk of loss is therefore the price you pay for the option.

3.9.2. Sale of options contracts and purchase or sale of conditional futures contracts

Selling calls: Selling calls involves the disposal (opening, short position) of calls (options to buy), by which you accept the obligation to deliver the underlying security

at a specified price at any time prior to the expiration date (in the case of American-style call options) or on the expiration date (in the case of European-style call options). You are paid the exercise price for assuming that obligation. Should the price of the underlying security rise, you will be expected to deliver the underlying security at the agreed price even if the market price is significantly higher. Your risk of loss, which cannot be anticipated and is, as rule, unlimited, lies in this difference. If you do not own the underlying securities (uncovered short position), you will need to purchase them by means of a spot transaction (cover transaction) and, in that case, your risk of loss cannot be anticipated. If you own the underlying securities, you are protected against cover losses and will also be able to ensure timely delivery. However, as such securities must be blocked until the expiration date of your option, you will not have them at your disposal during that time, which means you will be unable to sell them to protect yourself against falling prices.

Selling Puts: Selling puts involves the disposal (opening, short position) of puts (options to sell), by which you accept the obligation to purchase the underlying security at a specified price at any time prior to the expiration date (in the case of American-style call options) or on the expiration date (in the case of European-style call options). You are paid the exercise price for assuming that obligation. Should the price of the underlying security fall, you will be expected to buy the underlying security at the agreed price even if the market price is significantly lower. This difference between exercise price and the option premium constitutes your basic risk of loss which cannot be anticipated. Any immediate disposal of the securities will only be possible at a loss. However, should you wish to retain ownership and not sell the securities immediately, you will need to take into account the costs this will entail.

Buying or selling forwards: This involves the disposal or, as the case may be, purchase of forwards at a specified time in the future, by which you assume the obligation to accept or, as the case may be, deliver the underlying security at a specified price at the end of the agreed maturity. Should the price of the underlying security rise, you will be expected to deliver the underlying security at the agreed price even if the market price is significantly higher. Should the price of the underlying security fall, you will be expected to buy the underlying security at the agreed price even if the market price is significantly lower. Your risk of loss lies in this difference. If you commit yourself to buying, the full amount in cash required must be available at the time of maturity. If you do not own the underlying securities (uncovered short position), you will need to purchase them by means of a spot transaction (cover transaction) and, in that case, your risk of loss cannot be anticipated. If you own the underlying securities, you are protected against cover losses and will also be able to ensure timely delivery.

3.9.3. Cash settlements

If, in a futures contract, acceptance or delivery of the underlying securities is impossible (e.g. in the case of index options or index futures), you will be required to

pay a cash amount (cash settlement) resulting from the difference between the price of the underlying security at the time you sign the option or futures contract and the market price at the time of exercise or maturity if the market did not perform as you anticipated.

Your risk of loss, which cannot be anticipated and is, as rule, unlimited, lies in this difference and you need to ensure that you have sufficient liquid assets to cover the transaction.

3.9.4. Post security (margins)

In the case of the uncovered sale of options (opening = sale to open, uncovered short position) or buying or selling by forward (futures transactions), the provision of collateral in the form of so-called margins is required. You are obliged to provide this security both at the opening and, as required (price developments against your expectations) during the entire term of the option or futures contract. If you are not in a position to provide additional collateral that has become necessary if necessary, we are unfortunately forced to close open positions immediately and to use collateral already provided to cover the transaction.

3.9.5. Closing Out Positions

When trading in forwards and American-style options, you also have the option of closing out your position prior to expiration. However, do not expect this option to be available at all times. The availability of this option always depends very much on the market situation and in a difficult market, you may have to perform trades at an unfavourable market price resulting in losses.

3.9.6. Other risks

Options entail both rights and obligations – futures contracts entail obligations only – with a short term and specified expiration or delivery dates. On this account, and because of the rapidity of such transactions, additional risk arises. In particular, this risk consists of:

- Options that are not exercised or closed out in a timely manner lapse and become worthless.
- If the required additional margin is not provided in a timely manner, we will close out your position and use up any previously paid margin, notwithstanding any obligations you may have to cover outstanding balances.
- In the case of options (short positions), the necessary steps will be taken without prior notification in the event of assignment. Any securities assigned in the course of exercising puts will be sold if the cover available is insufficient.
- Should you undertake futures contracts in foreign currencies, unfavourable trends in the currency market may heighten your risk of loss.

3.10. Warrants

Definition: Warrants are non-interest bearing and non-dividend securities that give the holder the right to buy (call options) or to sell (put options) an underlying asset (e.g. shares) at a price specified in advance (exercise price) on a specified date or in a specified time period.

Return: By purchasing a call option, the owner sets the purchase price of the underlying asset. A return is earned if the market price of the underlying instrument less the option's purchase price is higher than the exercise price payable. The option holder may then buy the underlying instrument at the exercise price and sell it immediately at the market price. Generally, a rise in the price of the underlying instrument causes a comparatively strong increase in the price of the option (leverage effect), so that most investors realise their return on the investment by selling the option. Inversely, the same applies to put options: their price usually rises when the price of the underlying asset declines. Returns on option investments cannot be anticipated. The maximum loss is limited to the amount of the capital invested.

Price risk: The risk of warrant investments is that the underlying asset does not develop in the way you based your purchase decision on until the warrants expires. In extreme cases, this can lead to the total loss of the capital invested. In addition, the price of your warrants depends on other factors. The most important are:

- Volatility of the underlying asset (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 priceworthiness of the warrants). High volatility generally means a higher price for the warrant.
- Maturity of the option (the longer the maturity of an option, the higher the price).

Even if your expectations with respect to the price performance of the underlying instrument are met, a decline in volatility or a decrease in the time-to-maturity may cause the price of the option to remain unchanged or fall. To buy an option shortly before it expires bears high risks. Buying during high volatility makes your investment more expensive and is therefore highly speculative.

Liquidity risk: Options are generally issued only in small quantities. This increases the liquidity risk. As a result, individual options are prone to particularly strong price fluctuations.

Option Trading: For the most part, options are traded over the counter (OTC). As a rule, there is a difference between purchase and selling price. This difference is for your account. When trading options in the stock market, low liquidity is frequently very low.

Option Terms: Options are not standardised. It is therefore extremely important to find out the exact terms and conditions, especially with respect to:

- Type of exercise: Can the option right be exercised on an ongoing basis (American style) or only on the exercise date (European style)?
- Subscription ratio: How many warrants are required to receive the underlying asset?
- Exercise: Delivery of the underlying asset or cash settlement?
- Last day of trading: This is often some time before the expiration date, so it cannot be assumed that the warrant can be sold until the expiration date.

3.11. Foreign exchange swaps

Definition: Foreign exchange (FX) swaps involve the exchange of specified amounts of one currency for another currency over a certain period of time. The interest rate differential of the two currencies involved is factored in by a premium/discount to the re-exchange price. The quote currency is delivered/received on the same value date.

Return: The return (gain/loss) for anyone trading in FX swaps results from the positive/negative movement of the interest rate differential and can, in the event of a countertrade, be generated during the term of the FX swap.

Credit risk: Credit risk in FX swaps refers to the possibility that the partner will default, i.e. that the partner may be temporarily or permanently unable to carry out the foreign-exchange swap, making it necessary to provide additional cover in the market at less favourable terms.

Transfer risk: Foreign currency transfers may be subject to constraints, particularly those imposed by the currency's home country. This could jeopardise the proper execution of the FX swap.

3.12. Currency swaps

Definition: A currency swap is the exchange of two currencies for a specific period of time. The interest rate difference between the two currencies involved is taken into account by means of a premium or discount in the reverse exchange rate. The delivery or receipt of the counter currency takes place on the same value date.

Return: The return (profit/loss) for the user of currency swaps results from the positive/negative development of the interest rate difference and can be generated in the event of a countertrade during the term of the currency swap.

Credit risk: The credit risk of currency swaps consists of the risk of the counterparty's insolvency, i.e., a possible temporary or permanent inability to fulfill the currency swap and, as a result, potentially more expensive replacement coverage on the market.

Transfer risk: The transfer options for individual currencies may be limited, particularly by the currency's country of origin. This would jeopardize the proper execution of the currency swap.

3.13. Interest Rate Swaps (IRS)

Definition: Interest rate swaps involve the exchange between two contracting parties of varyingly defined interest liabilities for a fixed notional amount. As a rule, fixed interest rates are swapped for variable ones. Therefore, an exchange of interest payments occurs, but no flow of capital.

Return: Buyers of an interest rate swaps (fixed-rate payers) benefit from a rise in market interest rates. Sellers of interest rate swaps (fixed-rate receivers) earn a return on their investment if market interest rates fall. Returns on interest-rate swaps cannot be determined in advance.

Interest rate risk: Interest rate risk results from the uncertainty over future market interest rate movements. Buyers/sellers of IRSs are exposed to loss if interest rates fall/rise.

Credit risk: With interest rate swaps, credit risk refers to the possibility of the counterparty's default, making it necessary to provide additional cover in the market at less favourable terms.

Special Terms for IRS: IRS are not standardised. The specifics for the execution of IRS must be contractually agreed ahead of the transaction. They are custom-made products. It is therefore imperative to be fully briefed on the exact terms of interest-rate swaps, in particular:

- notional amount
- maturity
- Interest rate definitions

3.13.1. Special form: Constant Maturity Swap (CMS)

Definition: Constant maturity swaps involve the exchange between two contracting parties of varyingly defined interest liabilities for a fixed notional amount. Usually, a variable money market interest rate (e.g. 3-month EURIBOR) is swapped for a capital market interest rate (e.g. 10-year EUR IRS). However, this capital market interest rate does not remain fixed for the entire maturity, but is adjusted at regular intervals.

Return: Buyers of CMS (payer of the capital market interest rate) earns a return when the interest rate curve levels out, i.e. when capital market interest rates fall and money market interest rates rise. Returns on constant maturity swaps cannot be determined in advance.

Interest rate risk: Interest rate risk results from the uncertainty over future movements in capital market and money market interest rates. Buyers/sellers of CMS are exposed to loss if interest rates curve levels out/becomes steeper.

3.13.2. Special form: CMS Spread Linked Swap

Definition: In CMS spread-linked swaps involve the exchange of variously defined interest rate liabilities. Generally, money market interest rates (e.g. 3-month EURIBOR or, alternatively, a fixed interest rate for the full term of the swap), on the one hand, and the difference between two CMSs (e.g. 10-year EUR CMS less 2-year CMS), to which a certain multiple is applied (e.g. multiplied by 2), on the other. For a specified initial period, CMS spreads have a fixed coupon.

Return: Buyers of CMS spread-linked swaps (payers of the CMS difference) earn a return once the two involved capital market interest rate curves level out (e.g. 10-year EUR IRS and 2-year EUR IRS). Returns on CMS spread-linked swaps cannot be determined in advance.

Interest rate risk: Interest rate risk results from the uncertainty over future interest rate movements in the short-term capital market relative to the long-term capital market in relation to the money market interest rate (or the amount of the fixed interest rate).

3.14. Forward Rate Agreements (FRA)

Definition: In forward rate agreements, the interest rates of future interest periods is agreed in advance. Since trading is carried out on the inter-bank market rather than in stock exchanges, FRAs are not standardised. Unlike interest rate futures, FRAs are custom-made products when it comes to their principal, currency and interest period.

Return: By buying/selling FRAs, the buyers/sellers fix the interest rate for a specified period. If, at maturity, the reference rate is higher than the agreed interest rate (FRA price), the buyers of FRAs receive a compensation payment. If, at maturity, the reference rate is lower than the agreed interest rate, the sellers of FRAs receive a compensation payment.

Interest rate risk: Interest rate risk results from the uncertainty over future market interest rate movements. Generally, this risk is higher, the more pronounced the interest rate rise/fall is.

Credit risk: With FRAs, credit risk refers to the possibility of the counterparty's default, which would cause the loss of positive cash values and thus necessitate additional cover in the market at less favourable terms.

Special conditions for FRAs: FRAs are not standardized. These are tailor-made products. It is therefore particularly important to find out about the exact conditions, in particular:

- notional amount
- maturity
- Interest rate definitions

3.15. Interest Rate Futures

Definition: Interest rate futures are futures contracts for short-term investments, money market or capital market instruments with standard maturities and standard contract volumes which are traded in the stock market. In interest rate futures, the return on an investment (interest rate or price) is fixed in advance. Furthermore, unconditional commitments are made, which must be fulfilled regardless of the future performance even if the above-referenced risk comes to bear.

Return: For speculators in interest rate futures, the return (profit/loss) results from the difference in the interest rate or price at maturity of the contract, in accordance with the terms and conditions of this forward contract. Using interest rate futures for hedging purposes reduces the financial risk of existing or future positions.

Interest rate risk: The value of interest rate futures is primarily determined by the trend in the return on the underlying instrument. The buyer's risk position is therefore comparable to the risk of the party holding the underlying instrument. The risk results from the uncertainty of future movements in the market interest rate. Buyers/sellers of futures contracts are exposed to interest rate risk in that they are obliged to increase the margin or to meet their obligation at maturity if the market interest rate level rises/falls. Generally, this risk is higher, the more pronounced the interest rate rise/fall is. The resulting risk of loss may amount to a multiple of the original capital investment (margin).

Liquidity risk: With futures contracts, liquidity risk refers to the possibility of settlements (sale/repurchase) in certain markets leading to noticeable adverse price movements when either supply or demand is excessive.

3.16. Over the counter (OTC) options trades

3.16.1. Standard Option – Plain Vanilla Option

The buyers of options acquire a temporary right to buy (call) or sell (put) the underlying asset (e.g. securities, currencies, etc.) at a fixed exercise price or (e.g. in the case of interest rate options) the right to compensatory payment calculated as the positive difference between the exercise price and market price at the time of exercise. By writing an option, you agree to satisfy the rights of the buyer of the option. Options may involve varying exercise terms:

American style: throughout the term.
European style: at the end of the term.

3.16.2. Exotic Options

Exotic options are financial derivatives derived from standard options (plain vanilla options).

3.16.3. Special Barrier Option

In addition to the exercise price, barrier options have a threshold value (barrier) at which the option is either activated (knock-in option) or deactivated (knock-out option).

3.16.4. Special Form Digital (Payout) Option

This option involves a fixed payout, which the buyer of the option receives in exchange for paying a premium once the price (interest rate) of the underlying security moves below or above (depending on the option) the threshold (barrier).

Return: Option holders make a profit if the price of the underlying instrument rises above the exercise price in the case of call options or falls below the exercise price in the case of put options and they get to exercise or sell (plain vanilla option, activated knock-in option, non-deactivated know-out option). If a knock-in option is not activated or a knock-out option is deactivated, the option expires and becomes worthless. The holders of digital (payout) options earn a return if the threshold is reached before or at maturity, which means they receive the payout.

General risks: The value (price) of options depends on the exercise price, performance and volatility of the underlying instrument, the term, the interest-rate structure and the market situation. The capital invested (option premium) may therefore even be lost completely. If the price of the underlying instrument does not move in the direction anticipated by the seller of an option, the resulting potential loss may be virtually unlimited (plain vanilla option, barrier option) or, as the case may be, amount to the agreed payout (digital option). Special consideration must be given to the fact that option rights not exercised in a timely manner will lapse on expiration of the exercise period and will therefore be cancelled as worthless in the accounts.

Special risks of over-the-counter options transactions: As a rule, over-the-counter options are not standardised. They are usually custom-made instruments. It is therefore imperative to be fully briefed on the exact terms and conditions (style of exercise, exercise and expiration). When buying OTC options, credit risk refers to the possibility of losing the premium as a result of the counterparty's default, indirectly adding to the cover paid in the market. As custom-made products, OTC options are usually not traded in organised (secondary) markets. Consequently, the negotiability of such options cannot be guaranteed at all times.

3.17. FX Option Trades

Definition: Buyers of currency options acquire the right but not the obligation to buy or sell a certain amount of currency at specified exchange rates and/or on specified dates. The seller (writer) of the option grants the buyer the relevant right. In exchange for this option, the buyer pays the seller a premium. The following types of options are available:

Buyers of call options acquire the right to buy a set amount of a particular currency at a specified price (exercise price or strike price) on or before a particular date (delivery date). In selling call options, sellers agree to deliver/sell a specified amount of a particular currency at the base price on or before a particular date. In buying put options, buyers acquire the right to sell a specified amount of a particular currency at the base price on or before a particular date. In selling put options, sellers agree to sell, at the request of the buyer, a specified amount of a particular currency at the base price on or before a particular date.

Return: A revenue is earned on a call option if the market price of the currency is higher than the exercise price payable by the buyer. Overall performance is determined after deducting the purchase price of the option (= premium). The buyer then has the option of buying the foreign currency at the exercise price and reselling it immediately at the market price. The seller of the call option is paid a premium for selling the option. By analogy, the same applies for put options when the currency is expected to depreciate.

Risks of buying an option

Risk of total loss of the premium: Buying currency options comes with the risk of losing the whole premium, as it becomes payable regardless of whether the option is exercised or not.

Credit risk: Credit risk with currency options, credit risk refers to the possibility of the counterparty's default, in which case the previously paid premium is lost, indirectly adding to the cover paid in the market.

Currency risk: Currency options come with the risk that, by the time the option expires, the exchange parity of the underlying instrument may not develop as you had anticipated when you bought the option. In extreme cases, this can lead to the total loss of the premium.

Risks of selling an option

Currency risk: The risk of selling options is that the market value of the foreign currency does not develop in the way that the seller based his decision on until the option expires. The resulting potential for loss is not limited for written options. The premium of the foreign exchange option depends on the following factors:

- Volatility of the underlying exchange rate (measure of the fluctuation range of the exchange rate)
- selected strike price
- Option Term
- Current exchange rate
- Interest rates of the two currencies
- Liquidity

Transfer risk: The transfer possibilities of individual currencies can be limited specifically by the respective home country of the currency. This would jeopardize the orderly processing of the transaction.

Liquidity risk: For foreign exchange options as tailor-made products, there is typically no regulated secondary market.

Therefore, it cannot be ensured that they can be sold at any time.

Special conditions for currency options: Foreign exchange options are not standardized. It is therefore imperative to be fully briefed on the exact terms, in particular.

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

3.18. Interest Rate Options

Definition: Interest rate options are agreements that set an upper limit, a lower limit or an option on interest rate swaps. They are used for one of the following purposes:

- for hedging purposes, or
- speculative trading to realise a gain

A distinction is made between calls and puts. Common variants include caps, floors and swaptions, etc. By purchasing a cap, buyers secure an upper interest rate limit for future borrowing that is set by the strike price. In speculative trading, the value of a cap increases as interest rates rise. Selling a cap can be used only as a speculative instrument. Sellers receive the premium and commit themselves to compensating the buyer for any difference in interest rates. For buyers, floors secure a certain minimum interest rate on a future investment. In speculative trading, the value of a floor increases as interest rates fall.

Regarding hedging purposes: Depending on the selected reference term, the current three- or six-month market interest rate is compared with the hedged strike every three or six months. If the market price is higher than the strike price, a compensation payment is made to the cap holder.

Regarding speculative trading to realise a gain: The value of a cap increases as interest rates rise. In this case, however, the forward rates (future interest rates traded today) are more important than the current interest rates. The same applies by analogy when a floor is purchased/sold. The buyer of a floor secures a lower limit for interest rates, whereas the seller holds a speculative position. A swaption is an option on an interest rate swap (IRS = agreement to exchange interest obligations). A basic distinction is made between the payer swaption (=payer of the fixed interest rates) and the receiver swaption (receiver of the fixed interest rates under the IRS agreement). Both types can be either bought or sold.

A further distinction is made between two types of performance with difference risk profiles:

Swaptions with physical settlements: The purchaser becomes a party to the swap when the swaption is exercised. Buyers of payer swaptions acquire the right to make fixed interest payments at the exercise price on the delivery date based on a notional amount and to receive variable interest payments. Sellers of payer swaptions undertake to receive fixed interest payments at the agreed exercise price on the delivery date based on a notional amount and to make variable interest payments. Buyers of receiver swaptions acquire the right to receive fixed interest payments at the exercise price on the delivery date based on a notional amount and to make variable interest payments. Sellers of receiver swaptions undertake to make fixed interest payments at the agreed exercise price on the delivery date based on a notional amount and to receive variable interest payments.

Swaption with Cash Settlement: When swaptions are exercised, the purchasers receive the difference between the cash value of the swaps and the swaption interest rate or current market interest rate

Return: Holders of interest rate options earn a revenue on their investment if the market interest rate level on the exercise date is above the cap's exercise price or below the floor. With swaptions, a return on the investment is earned if the market interest rate level on the exercise date is above the agreed exercise price in the case of payer swaptions or below the agreed exercise price in the case of receiver swaptions. Sellers get to keep the premium no matter whether the option is exercised or not.

Interest rate risk: Interest rate risk results from the possibility of future interest rate movements in the market. Buyers/sellers of interest-rate options are exposed to interest rate risk which may result in price losses when market interest rates rise or fall, depending on the option position held. Generally, this risk is higher, the more pronounced the interest rate rise/fall is. There is no limit to the potential loss for option writers. The amount of the interest-rate option premium is determined by the following factors:

- Interest rate volatility (fluctuation range of interest rates)
- selected strike price
- Option Term
- Market interest rate level
- Current financing costs
- Liquidity

These factors can cause the price of the option to remain the same or fall even though your expectations regarding the interest rate development of the option have come true.

Credit risk: When buying interest rate options, credit risk refers to the possibility of the counterparty's default, which would cause the loss of positive cash values and thus necessitate additional cover in the market at less favourable terms.

Risk of total loss on purchase: The risk of buying interest rate options is the total loss of the premium, which must be paid regardless of whether the option is exercised in the future.

Special conditions for interest rate options: Interest rate options are not standardized. These are exclusively tailor-made products. It is therefore particularly important to find out about the exact details, especially about:

- **Type of exercise:** Can the option right be exercised on an ongoing basis (American style) or only on the exercise date (European style)?
- **Exercise:** Delivery of the underlying asset or cash settlement?
- **Expiration:** When does the right expire? Please note that the BPFS will not exercise your option rights without your express instruction.

3.19. Cross Currency Swap (CCS)

Definition: In cross-currency swaps, two contracting parties swap either different interest obligations or different currencies in respect of a fixed notional amount. Generally, fixed interest rates in one currency are exchanged for fixed interest rates in a second currency. However, the swap may also involve the exchange of floating rates in one currency against floating rates in another. The payments flow in different currencies based on the same amount of capital, which is determined by the prevailing spot rate on the date of the trade. In addition to the exchange of interest rates payable or interest rates receivable, this type of swap also involves the exchange of capital both at the beginning (“initial exchange”) and on expiration (“final exchange”) of the swap. Depending on the requirements of the individual trading partners, the initial exchange can be omitted.

Return: Revenues on cross currency swaps cannot be determined in advance. If the exchange rate and the interest rate differential move in the trader's favour, a return may be realised by liquidating the CCS prior to maturity. If CCSs are used to improve the interest rate differential, a return may be realised from the lower interest rates of another currency. However, any such gain may be neutralised by exchange losses. A positive development in the relation between the currencies may result in a further increase of the return.

Interest rate risk: The interest rate risk arises from the uncertainty about the future change in the market interest rate level. The buyer/seller of a CCS is exposed to a risk of loss if the market interest rate level falls/rises.

Currency risk: The currency risk results from the uncertainty of future movements in the exchange rate of the currencies involved. With CCSs that include a final exchange,

it is particularly important to note that a currency risk exists not only in the case of the partner's default, but also throughout the life of the swap.

Credit risk: When buying/selling CCSs, credit risk refers to the possibility of the counterparty's default, which would necessitate additional cover in the market.

Special conditions for CCS: CCS are not standardized. These are tailor-made products. It is therefore particularly important to find out about the exact conditions, in particular:

- Nominal amount
- Runtime
- Interest rate definition
- Currency definition
- Course definition
- Initial Exchange yes or no

3.20. Commodity swaps and commodity options with cash settlement (commodity futures)

Commodity futures are special contracts that involve rights or obligations to buy or sell certain commodities at a predetermined price and time or during a specified period of time. Commodity futures are available in the different instruments described below.

Basic information on the individual instruments

Commodity Swaps: A commodity swap is an agreement for the exchange of a series of fixed commodity price payments ("fixed amount") for variable commodity price payments ("market price"), with only a cash settlement ("settlement amount").

Buyers of commodity swaps acquire the right to be paid a settlement if the market price rises above the fixed price. Conversely, buyers of commodity swaps are obliged to pay the settlement if the market price falls below the fixed price. Sellers of commodity swaps acquire the right to be paid a settlement if the market price falls below the fixed price. Conversely, sellers of commodity swaps are obliged to pay the settlement if the market price rises above the fixed price. Both series of payments (fixed/floating) are made in the same currency and based on the same notional amount. The fixed leg of the swap is similar to a benchmark, whereas the floating leg relates to the trading price of the relevant commodities quoted in a stock market or otherwise published in the commodities futures market on the relevant fixing date, or to a commodity price index.

Cash-settled commodity options: Buyers of commodity put options pay a premium for the right to receive, on every exercise day, the difference between the exercise price and the market price in relation to the notional if the market price falls below the fixed price. Buyers of commodity call options pay a premium for the right to receive, on every exercise day, the difference between the exercise price and the market price in relation to the notional if the market price falls below the fixed price.

Risks – Details of the different instruments

Risk with commodity swaps and commodity options with cash settlement: If expectations are not met, the difference between the underlying price on signing the agreement and the market price applicable once the transaction reaches maturity is payable. This difference constitutes the loss. The maximum loss cannot be determined in advance and may exceed the security posted.

Risk with purchased commodity options – price loss: Any change in the price of the asset (e.g. raw materials) that underlies the option in the contract may reduce the value of the option. With call options, a loss in value may occur if the prices fall. With put options, loss in value may occur if the price of the underlying asset rises. The value of options may decline even if the price of the underlying asset does not change, because the value of the option is also influenced by other pricing factors (e.g. term or frequency and intensity of changes in the price of the underlying asset).

Risk on Sold Commodity Options – Leverage: The risk of selling commodity options is that the value of the underlying asset does not develop in the way that the seller based his decision on until the option expires. The resulting potential for loss is not limited for written options.

Risks in commodity futures transactions in general:

Price fluctuations: The amount of the payment obligation arising from commodity futures contracts is determined by the prices at a specific commodity futures market. Commodity futures markets can be subject to strong price fluctuations. Numerous factors related to the commodity supply and demand can influence those prices. It is not easy to forecast or predict such pricing factors. Prices may be influenced considerably by unforeseen events, including natural disasters, illnesses, epidemics or official/government orders, and by unpredictable developments, including weather factors, variations in harvests or delivery, storage and transport risk.

Currency risk: In many cases, commodity prices are quoted in a foreign currency. When you enter into a commodity transaction where the obligation or right to a consideration is denominated in foreign currency or a foreign unit of account, or where the value of the object of the contract is determined by this foreign currency or foreign unit of account, you are exposed to added currency market risk.

Closing out/liquidity: Commodity futures markets are generally narrower than financial futures markets and may therefore be less liquid. For this reason, you may be unable to wholly or partially close out a commodity futures position at the desired time as a result of insufficient market liquidity. In addition, the spread between bid and ask prices in a contract may be relatively wide. Thus, it may be difficult or even impossible to close out positions under certain market conditions. Most commodity futures exchanges are authorised to set limits on price fluctuations, and in so doing ban ask

and bid prices outside certain limits over a specified period of time. This may make it difficult or impossible to close out certain positions.

Limit/Stop Loss Order: Limit orders or stop loss orders serve to limit trading losses in the event of certain market movements. Although such options to limit risk are permitted in most commodity futures markets, limit orders or stop loss orders can generally not be set for OTC commodities.

Futures and spot market: Understanding the relationship between futures contract prices and spot market prices is particularly important. Although market forces may equalise the differences between the futures contract price and the spot market price of the commodities in question to the extent that the price difference on the delivery date is virtually zero, a host of market factors, including supply and demand, may still cause differences between the futures contract price and spot market price of the commodities involved.

Determination of the market price: Market prices are either quoted in the commodity futures exchanges or published in conformity with market practices. Due to system failures, stock market disruptions or other causes, market prices can sometimes not be determined for the agreed fixing date. If no substitute method to determine prices has been agreed, the calculation agent is usually authorised to set a market price at its reasonable discretion.

4. Information on creditor participation (“bail in”) in bank resolution and recovery proceedings

On 1 January 2015 the European Bank Recovery and Resolution Directive ("BRRD") and the European Regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund ("SRM Regulation") entered into force. They were introduced to provide a uniform framework for all EU Member States within the European Union for the prevention of banking crisis and the management of distressed banks. The BRRD was implemented in Austria via the Federal Act on the Recovery and Resolution of Banks (“BaSAG”). The BRRD inter alia requires each EU member state to establish a national resolution authority which is empowered with specific rights for the recovery and resolution of credit institutions. The details of the measures the resolution authorities may take on a national level may differ. Below, we explain possible resolution measures that may be applied in Austria as an example. Resolution procedures in other countries, in particular in countries outside Europe, may deviate and be more drastic.

When will I be affected? You may be affected as a shareholder or creditor of an Austrian or EU -bank if you hold financial instruments issued by the bank (e.g. shares, bonds or certificates) or have claims against the bank as a contracting party (e.g. transactions subject to a master agreement for financial derivatives transactions). But also banks outside the EU (e.g. USA, Switzerland, UK) may be subject to similar provisions.

Deposits of a bank’s customer which are protected by the deposit guarantee scheme are not affected by the bail-in: Securities, held in a custody account and not issued by the custodian bank, are not subject to a resolution measure against this bank. In the case of the resolution of such a custodian bank, your proprietary rights in these financial instruments (provided that they are not issued by the custodian bank) which are booked in the securities account remain unaffected.

Who is the resolution authority? In order to ensure a controlled resolution in the event of a crisis, resolution authorities have been established. The Single Resolution Board (“SRB”) and the Austrian Financial Market Authority (“FMA”) are the responsible resolution authorities in Austria. For ease of reference, we will not differentiate between the SRB and the FMA hereinafter. Under certain resolution conditions, the resolution authority responsible for the affected bank has the power to order resolution measures.

When will there be a bank resolution and when will there be an insolvency? The resolution authority may order certain resolution measures in the event of the following resolution conditions:

- The affected bank’s existence is endangered. This assessment is made in accordance with legal requirements; this may occur, e.g., when the bank no

longer meets the legal requirements for operating as a duly licensed credit institution due to financial losses it has incurred.
- There is no prospect of preventing the bank's default with alternative measures taken by either the private sector or the resolution authorities.
- The measure is required in the public interest, i.e. it is necessary and proportionate, and liquidation in regular insolvency proceedings is no viable alternative.
- The resolution authority determines on a case-by-case basis whether the resolution measures are indeed in the public interest based on criteria defined by law (that is, inter alia, in consideration of whether such resolution is required to prevent negative implications on the financial stability, the protection of the depositors, protection of public finances).
- In case the resolution authority decides against taking resolution measures, receivership proceedings will be initiated against the bank in case of insolvency or over-indebtedness of the bank is deemed to be only temporary. Such receivership proceedings result in you being able to assert your unsecured claims against the bank concerned only after the state of insolvency or over-indebtedness of the bank has been remedied.
- In case it must be assumed that the state insolvency or over-indebtedness cannot be remedied, bankruptcy proceedings will be initiated against the assets of the bank. As the result of such bankruptcy, you shall receive only the recovery percentage corresponding to your claim from the financial instrument issued by the bank that you are holding. In case your claims are secured by collateral (e.g. in the form of a dedicated cover pool reserve), your claims take priority to be satisfied from such collateral.

Which measures may the resolution authority take? If all resolution conditions are met, the resolution authority can adopt – normally prior to initiating the insolvency – comprehensive resolution measures that may have a negative effect on the bank's shareholders and creditors:

- By means of a sale of business The resolution authority may transfer shares, assets, rights or liabilities of the failing institution as a whole or in parts to a third party. To the extent shareholders and creditors are affected by the sale of business, their new counterparty will be another existing institution.
- By means of a bridge institution: The resolution authority may transfer shares in the bank or parts or the whole of the bank's assets or liabilities to a so-called bridge institution. This may affect the bank's capability to meet its payment and delivery obligations vis-à-vis the creditors and it may reduce the value of shares in the bank.
- By means of an asset separation: Assets, rights or liabilities are transferred to an asset management vehicle. Assets are to be managed with the objective of maximizing their value until their future sale or liquidation. Similar to the sale of business tool, the creditor will have to deal with a new debtor after the transfer.
- By means of a "bail-in": The resolution authority may, as a whole or in parts, write down and / or convert into common equity (stocks or other company

shares) certain financial instruments or liabilities of the bank in order to stabilise the bank.

The resolution authority may amend the terms and conditions of financial instruments issued by the bank by means of an official order as well as existing receivables, for example due to a change in the maturity date or the interest rates at the expense of the creditor. Furthermore, payment and delivery obligations may be modified so that they can be temporarily suspended. Termination and other contractual rights that arise for creditors from financial instruments or liabilities may also be temporarily suspended.

In which case does bail-in affect me as a creditor? Whether you as a creditor are affected by the bail-in resolution tool depends on the scope of the ordered measure and on the category your financial instrument or liability can be allocated to.

Certain types of financial instruments and liabilities are legally exempted from bail-in: These include deposits of up to EUR 100,000 covered by the statutory deposit protection scheme and secured liabilities (e.g. covered bonds).In case of a bail-in, financial instruments and liabilities are divided in different categories. The assumption of losses takes place in separate stages, that is, the creditors of the respective categories are usually only called upon in accordance with specific ranking order (the so-called "liability cascade").

For the shareholders and creditors involved in the respective categories, the following principles apply: Only if a category of liabilities has been used completely and this is insufficient to compensate for losses in order to stabilise the bank, the next category in the liability cascade may be written down or converted:

1. The resolution measures first apply to the Common Equity capital and thus the bank's shareholders (hence owners of stocks and other company shares – "Common Equity Tier 1").
2. Then, creditors of Additional Tier 1 capital are being called upon (such as owners of unsecured indefinite subordinated bonds with conversion or write-down clauses).
3. This is followed by Tier 2 capital. This applies to creditors of subordinated liabilities (e.g. owners of subordinated loans).
4. In the liability cascade, unsecured subordinated financial instruments /receivables that do not meet the Additional Tier 1 capital or Tier 2 capital requirements are the next to be called upon.
5. These are followed by unsecured non-subordinated and non-structured debt instruments (such as "Senior Non-Preferred Bonds", Senior-Non Preferred debt instruments which have an original minimum maturity of one year. The respective contract documents (prospectus) of these instruments must expressly mention the lower ranking compared to the next class.
6. Subsequently the next category in the liability cascade are other unsecured non-subordinated financial instruments and liabilities (such as bearer bonds,

derivatives) as well as time deposits and fixed term depositions exceeding EUR 100,000,-- held by enterprises with annual sales of or above EUR 50 million.

7. Finally, deposits held by natural persons or small and medium size enterprises (that is by enterprises with annual sales of up to EUR 50 Mio.) may also be called upon if such deposits exceed the statutory deposit protection scheme of generally EUR 100,000.

Which consequences may the resolution measures have for me as a creditor? If the resolution authority orders or takes a measure following these rules, creditors are not permitted to terminate the financial instruments and liabilities based on this measure alone or claim any other contractual rights.

This applies as long as the bank complies with its substantive contractual obligations from the terms and conditions of financial instruments and liabilities, including payment and delivery obligations.

If the resolution authority takes the measures described above, a total loss of affected shareholders' and creditors' investment is possible.

Shareholders and creditors of financial instruments and liabilities may therefore **completely lose the price paid for the purchase of financial instruments and liabilities plus other costs related to the purchase ("Total loss risk")**.

The sole possibility that resolution measures may be ordered may complicate the sale of a financial instrument or a liability on the secondary market. This could mean that the shareholder and creditor can only sell the financial instrument or liability at a considerable discount. Even with existing repurchase obligations from the issuing bank, there is the risk of a significant discount in the event of a sale of such financial instruments (**"liquidity risk"**).

The risk of a loss increases the more securities of the bank concerned are held by the individual investor ("**concentration risk**")

In the event of bank resolution, shareholders and creditors are not to be placed in a less favourable position than in normal insolvency proceedings affecting the bank.

If resolution measures nonetheless lead to a situation where a shareholder or creditor is placed in a worse position than would have been the case in the bank's normal insolvency proceedings, the shareholder or creditor is entitled to compensation.

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