

Questionnaire

Questions relating to internalisation of settlement

1. Of those Central Securities Depositories (CSD) you have access to, how many of them allow you to hold an omnibus account (the prerequisite for internalising settlement)?

Erste Group Bank AG does have direct access to the Austrian Central Securities Depository (OeKB – WSB). It is usual in the Austrian Market that market participants do hold an omnibus account at CSD level and segregate client and participant's own assets within their internal books.

2. What percentage of trades to be settled that enter your system is passed on to a CSD, and what percentage is internally settled?

For the OTC-Market approx. 30 % of the transactions are settled internally and 70% are forwarded to the Austrian CSD.

3. Do you aggregate all your clients in such omnibus accounts where they exist? If not, how many of your clients are held in such accounts and how do you decide whether or not they should be included (please also indicate the total number of clients)? Does the allocation depend on the underlying nature of the client (i.e. institutional, retail, ...)? If yes, please indicate the nature of the clients.

With the exception of one client, we do aggregate all our clients and our own assets in our omnibus account held with the CSD.

By standard we would allocate our clients to our omnibus account, only upon specific request of a client we would open a separate account at CSD level.

It does not depend on the nature of the client.

4. How do you monitor the trades that get settled internally? Do you have specific rules and procedures relating to these processes?

We have defined specific rules (matching rules) in our Custody-System, which allows us to automatically match and settle those internal trades. They also settle Delivery versus Payment. The internal trades are monitored in the same way as external trades. The procedures are yearly reviewed by our internal and on an irregular basis from our external auditors.

5. Do you inform your customers explicitly when you internalise settlement rather than passing trades on to the CSD? How much information do you provide to your client on the process of internalisation?

For OTC-transactions, our customers know if trades would be settled internally, as they have to be aware, if the counterparty's agent is also Erste Group Bank or a different Agent in the market. They instruct us via standardised SWIFT message and indicate the counterparty and Agent (in such cases Erste Group).

ON-Exchange:

Those clients, who are using our Order-Routing Systems, know that their orders are directly forwarded and fulfilled on the Vienna Stock Exchange (Wiener Börse).

For clients, forwarding their orders directly to Erste Group Bank's Trading Desk, it is not important to know, if such orders are directly passed on and fulfilled at the Vienna Stock Exchange (Wiener Börse) or if they are netted internally. Therefore they are not informed separately about that fact.

6. Is there a difference in the degree of internalisation between different product classes (e.g. homogenous products, such as bonds, versus more heterogeneous products, such as equities) and/or different type of trades (e.g. exchange traded versus OTC)?

There is not much difference in the degree of internalisation between different product classes and different type of trades.

Questions relating to CCPlike activities

7. Do you undertake any activity whereby you take on the counterparty risk of a party to a trade and assume all losses that may derive from such a position? If yes, is the volume of such activity significant to your business? Are your clients aware of such activity?

No, we do not take any counterparty risk.

8. Do you provide services whereby you act as an intermediary between a client and a CCP (i.e. you act as General Clearing Member)? If yes, is such activity significant to your business?

Erste Group Bank does act as General Clearing Member in the Austrian Market and as such we act as an intermediary between our clients (NON-Clearing Member) and the Austrian CCP (CCP.A). This activity is not significant to our business.

9. In either of the above cases, how do you monitor and protect yourself and your clients from the risks arising from such activities?

Daily control of Margin Requirements versus Client's deposit of Collateral and if not enough Client-Collateral available, Margin Calls would be immediately released.

Proactive monitoring, if such Margin Calls are covered within the requested time-frame.

Additional daily trading volume limit for our NCM's to limit the net total settlement risk.

10. Do you differentiate between products (including derivatives) and trading types when deciding whether to provide such services?

We offer NCM Services (as a General Clearing Member for Vienna Stock Exchange Trades) for Stocks and Exchange Traded Derivatives.