



Standardized Investment Guidelines for ERMS Portfolio Management

as of 1 July 2016

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Section 1 Scope

(1) These investment guidelines are an integral part of the provisions of section VIII of the Product Annex for Investment Services on Portfolio Management, governing the investment and administration of client assets entrusted to the Bank.

(2) The customer shall select in the standardised investment guidelines by filling in the relevant fields in the Annex II of the Participation Agreement.

Section 2 Investment and administration of the customer's assets

(1) The Bank shall invest the customer's assets in euro-denominated, fixed-income and tradable debt securities pursuant to the indices specified under paragraph 2 in conjunction with the annex. The Bank shall invest solely in securities awarded a rating of A (Single A) or above according to the monthly data provided by *Markit Group Limited* for the iBoxx group of indices.

(2) The customer can set up no more than three sub-portfolios by making a selection from the indices listed below and specifying the relative weight to be attached to each of the sub-portfolios. The relative weighting to be stipulated for each sub-portfolio shall not be less than 10%. Cash stocks are not taken into account when calculating the relative shares.

Markit-iBoxx	Eurozone index ex-BBB
Markit-iBoxx	Supranationals index
Markit-iBoxx	Supranationals 1-3 index
Markit-iBoxx	Germany index
Markit-iBoxx	Germany 1-3 index

For the purposes of this section 2, the Bank shall generally make use of prices supplied by reliable providers of price information (e.g. Markit and Bloomberg) or other sources of such data used by the Eurosystem. Upon request, the Bank shall provide details of the data providers actually used.

(3) When investing the customer assets, the Bank shall use its free discretion as to which securities of the respective index are to be purchased on the customer's behalf. The bank does not carry out an assessment of investment risks, in particular of the interest risk, the credit risk and the liquidity risk. The Bank is entitled to allocate securities which are acquired in compliance with these investment guidelines from one sub-portfolio to another sub-portfolio provided the security is contained in the relevant index.

(4) If a security purchased on the customer's behalf is no longer part of the relevant index, the Bank will sell that security by the end of the next calendar month. The same applies if a

security purchased on the customer's behalf no longer meets the condition set out in section 2 paragraph 1 sentence 2.

(5) If on the last business day of a quarter the relative weighting of a given sub-portfolio deviates from the weightings specified by the customer in Annex II of the Participation agreement by more than 3 percentage points (permitted range of fluctuation), the Bank will take appropriate action by the end of the following month in order to restore the stipulated relative weighting or to reduce the deviation to the permitted range of fluctuation.

Appropriate action to that effect is, amongst others, the reinvestment of maturities or of interest payments as well as the disposal of securities.

Moreover, the Bank is entitled, but not obliged, to take the aforementioned measures even if the permitted range of fluctuation has not yet been exceeded.

Section 3 Changing a selection

Changes to the selections made by the customer in Annex II of the Participation Agreement pursuant to section 1 paragraph 2 concerning the investment of client assets as well as the choice of indices and their relative weighting may also be effected by means of a unilateral declaration on the part of the customer, which must be made in writing. Any such changes shall become effective after a three-month period has elapsed from the end of the month in which the Bank has received the customer's declaration.

Annex

The **Markit-iBoxx Eurozone index ex-BBB** is composed of securities contained in the iBoxx EUR Overall index which, based on the methodology used by the index provider, i) are issued by a euro-area member state and ii) according to the index provider, are not rated below grade A (single A).

The **Markit-iBoxx Suprationals index** is composed of securities contained in the iBoxx EUR Overall index which, based on the methodology used by the index provider, are issued by a supranational institution.

The **Markit-iBoxx Suprationals 1-3 index** is composed of securities contained in the iBoxx EUR Overall index which, based on the methodology used by the index provider was, are issued by a supranational institution and ii) have a residual maturity of between one and three years.

The **Markit-iBoxx Germany index** is composed of securities contained in the iBoxx EUR Overall index which, based on the methodology used by the index provider, are issued by the Federal Republic of Germany.

The **Markit-iBoxx Germany 1-3 index** is composed of securities contained in the iBoxx EUR Overall index which, based on the methodology used by the index provider, i) are issued by the Federal Republic of Germany and ii) have a residual maturity of between one and three years.