



Summary of the analysis of the quality of order execution

Pursuant to the Capital Market Act (Official Gazette No. 65/2018, 17/2020, 83/2021, 151/2022), Directive 2014/65/EU of the European Parliament and of the Council (hereinafter: MIFID Directive), Commission Delegated Regulation (EU) 2017/576 and Commission Delegated Regulation (EU) 2017/565, Privredna banka Zagreb d.d. (hereinafter: the Bank) is required to make public annual report for the previous year stating the top five execution venues as well as the top five investment firms in terms of trading volumes to which it transmitted or placed client orders for execution in the previous year, together with information on the quality of execution obtained.

Please find below a summary of the analysis of order execution quality of the Bank, for the calendar year which ended on 31 December 2023.

The report stating the top five execution venues as well as the top five investment firms in terms of trading volumes to which in 2023 the Bank transmitted or placed client orders can be found on the official website of the Bank.

A. Explanation of the relative importance that has been given, when assessing the quality of execution, to the execution factors such as the price, costs, speed, likelihood of execution or any other factors, including *inter alia* qualitative factors

The order execution policy (hereinafter: the Policy) represents a mechanism which ensures that all reasonable steps have been taken in order to obtain the best possible result when executing client orders. The Policy currently in force is available on the Bank's website (www.pbz.hr), at its branch offices, via PBZ Investor platform as well as on the premises of the Brokerage Office of the Corporate Banking Products Department.

The Policy applies to investment services of order execution and receipt and transmission of orders in the name and for the account of clients when acting as an agent in purchases and sales of financial instruments, which (services) the Bank provides to clients in accordance with currently valid regulations and internal acts of the Bank.

The provisions of the Policy apply to retail and professional clients.

The Bank shall act in compliance with the provisions of the Policy also in respect of orders issued by eligible counterparties, without being obliged - in such cases – to obtain the best possible result.

When executing orders, the Bank takes all reasonable steps to obtain the best possible result i.e. to provide the best execution, while paying particular attention to the following elements of an order:

- price,
- costs,
- speed and likelihood of execution,
- speed and likelihood of settlement,
- size and nature (i.e. type) of an order.

The Bank determines the relative importance of the above-mentioned elements taking into account the following criteria:

- characteristics of a client (such as, the client's categorisation, explicit instructions, etc.),
- characteristics of an order,
- characteristics of a financial instrument,
- accessibility and characteristics of the possible execution venues to which a particular order can be directed for execution.

When the Bank executes an order of a retail client, the best possible result is determined primarily in terms of the total costs of a transaction. The total costs of a transaction include the price of a financial instrument and all costs directly related to execution, including execution venue fees, clearing and settlement fees and all other fees paid to third parties involved in the execution of the order. In order to ensure additional protection of the interests of retail clients, the Bank may also take into consideration a characteristic of an order and the likelihood of settlement with the aim of obtaining the best possible result for a retail client. When executing an order of a professional client, the Bank may additionally take into consideration the speed and likelihood of execution and settlement, the size and nature (i.e. type) of an order, market impact, the type of financial instrument, transparency, as well as all other circumstances which the Bank considers to be conducive to best execution in a particular case.

The execution of orders on execution venues of which the Bank is a direct member constitutes, in the opinion of the Bank, best execution for clients in terms of the total transaction costs.

When the Bank receives from a client explicit instructions for the execution of an order, the Bank shall, to the extent possible, execute the order in question following the received instructions. An explicit client instruction (for instance, regarding the execution venue) may prevent the Bank from taking steps prescribed by the Policy for the purpose of obtaining the best possible result when executing that client's order. It is considered that, by executing such an order in accordance with the explicit client instructions, the Bank has fulfilled its best execution obligation, even though the result of the execution of the mentioned order does not have to be the most favourable to the client in that specific case.

When a client gives an order to buy/sell a financial instrument that is quoted on two or more execution venues, the Bank shall always, unless it receives a different explicit client instruction, execute the order on the execution venues of which it is a direct member.

If a client issues an order relating to a financial instrument quoted only on one execution venue, the Bank shall execute that order i.e. shall forward it (directly or indirectly) to that execution venue, which shall be considered as obtaining the best possible result for the client.

The Bank considers that, in this way, after it has taken into account and assessed all relevant circumstances, it ensures the best execution of orders, on account of the following elements:

- the most favourable total transaction costs,
- direct control over the speed of placing of orders and over the likelihood of order execution, direct control over the speed and likelihood of settlement,
- other circumstances related to order execution.

Orders to buy and/or sell a financial instrument that is traded on the market *of which the Bank is not a direct member* are received by the Bank and transmitted to third parties i.e. entities (authorised companies – partners) which have direct or indirect access to that market, while acting in the best interests of the client and complying with the rules of professional conduct. In that case, the execution of orders is completed in accordance with the order execution policy of the third entity in question, which means that a client's order may be executed also on other execution venues.

When selecting such third entities, the Bank examines their approaches to execution, establishes if the entity in question enables compliance with the Bank's Policy and monitors the quality of execution provided by the said entity.

When selecting such third entities, the Bank primarily follows these criteria:

- compliance of business activities of a third entity with the provisions of the MiFID Directive, including its compliance with the best execution requirement, the number of markets to which a third entity has access (direct and/or indirect access) and the volume of trading on these markets,
- a dynamic model of real-time comparison of elements for determining best execution, where the emphasis is placed on (listed here in order of priority): the total costs of a transaction, the likelihood of order execution, the speed of order execution, the financial strength, reputation and stability of a third entity.

B. Description of any existence of close links, conflicts of interest and common ownership with respect to any execution venue on which orders are executed

The Bank owns a minority stake in Zagrebačka burza (Zagreb Stock Exchange). The Bank also holds a stake in SKDD d.d. (Central Depository & Clearing Company), as does the Zagreb Stock Exchange. The Bank has put in place adequate measures and procedures aimed at preventing and managing conflicts of interest.

C. Description of any specific arrangements with any execution venue regarding payments made or received and received rebates, discounts or non-monetary benefits

The Bank does not have any specific arrangements with any execution venues on which client orders are executed regarding payments made or received, or received rebates, discounts or non-monetary benefits.

D. Explanation of the factors that led to any change in the execution venues listed in the Policy, if any such change occurred

The Policy provides the list of the most important execution venues for financial instruments which the Bank uses to execute and/or transmit orders of its clients. The Bank is a direct member of an execution venue only as far as the Zagreb Stock Exchange is concerned.

E. Explanation of how order execution differs according to client categorisation, if categories of clients are treated differently and if this may affect the order execution arrangements

The Bank, when executing orders (on the execution venue of which the Bank is a direct member) and when transmitting orders to third parties (for execution on execution venues of which the Bank is not a direct member), exercises the same care regardless of the client categorisation. The list of the most important execution venues which includes the indication if the Bank is a direct member of the execution venue (in which case it executes orders) or if it is not a direct member (in which case it transmit orders to third parties) is provided in the Policy.

The handling of client orders is explained in more detail in the Policy.

F. Indication whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were necessary to deliver the best possible result to the retail client in terms of the total consideration

When the Bank executes an order of a retail client, the best possible result is determined primarily in terms of the total costs of a transaction. Pursuant to the Policy, when the Bank receives from a client explicit instructions for the execution of an order, the Bank shall, to the extent possible, execute the order in question following the received instructions. It is considered that, by executing such an order in accordance with the explicit client instructions, the Bank has fulfilled its best execution obligation.

The execution of orders on execution venues of which the Bank is a direct member constitutes, in the opinion of the Bank, best execution for clients in terms of the total transaction costs. Orders to buy and/or sell a financial instrument that is traded on the market of which the Bank is not a direct member are received by the Bank and transmitted to third parties i.e. entities (authorised companies – partners). The list of the most important execution venues which includes the indication if the Bank is a direct member of the execution venue (in which case it executes orders) or if it is not a direct member (in which case it transmit orders to third parties) is provided in the Policy.

G. Explanation of how the Bank uses any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575

The Bank monitors the mentioned data in order to be able, if necessary, to react in due time and make adequate decisions aimed at providing the best possible quality of service and protecting the interests of its client.

H. Explanation of how the Bank uses data provided by consolidated tape providers established under Article 65 of the MiFID Directive

The Bank has not used the services of a consolidated tape provider.