

## Order execution policy

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The Order execution policy is issued by OTP banka d.d., Domovinskog rata 61, Split, registered with the Split Commercial Court within registration number: 060000531, with headquarter in Split.

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### I. INTRODUCTORY PROVISIONS

The Order Execution Policy (hereinafter referred to as: Policy) regulates/prescribes the rules to be followed by OTP banka d.d. (hereinafter referred to as: Bank) as an investment company with the objective of achieving the best outcome in the execution of client orders.

The Policy does not guarantee the best possible execution of every individual order for the client; however, it enables the achievement of the best efficiency in order execution.

This Policy refers to all financial instruments as defined by the Capital Markets Act (hereinafter referred to as: Act).

When executing client orders related to investment services, the Bank shall take all reasonable steps to execute the subject orders under conditions that are most favourable for the client.

Provisions of this Policy are based on provisions of the Capital Markets Act (Official Gazette 65/2018; 17/2020) and Commission Delegated Regulation (EU) 2017/565, which define the obligations of the investment company regarding client order execution.

Provisions of this document also rely upon provisions of other documents of the Bank governing operations with financial instruments.

By accepting the Order Execution Policy, the Client acknowledges that any communication regarding providing investment services from the Bank's side or trading of any kind of financial instruments or non-financial instruments is noted and recorded according to relevant regulation and other policies of the Bank.

### II. DEFINITION OF TERMS

Individual terms used in this Policy shall have the following meaning:

**Execution of orders** means the activities of an investment company with the objective of concluding a contract on buying/selling one or more financial instruments for the client's account.

**Client** is every natural or legal entity to which an investment company renders its investment and/or auxiliary services.

**Eligible counterparties** in terms of the Capital Markets Act are:

1. Investment companies;
2. Credit institutions;
3. Insurance companies;
4. UCITS funds and UCITS funds management companies;
5. Pension funds and pension funds management companies;

6. Other financial institutions required to obtain operating license under special regulations or whose operations are regulated by EU legislation;
7. National governments and public bodies for managing public debt and central banks;
8. Supranational organizations.

**Professional investor** is considered to be a client who possesses sufficient experience, knowledge and expertise to make its own investment decisions and properly assess the risks associated with it. The Bank may enable a professional investor, on its express demand, to be treated with a higher protection level that is provided to retail investors. The Client is required to request a higher level of protection if and when it considers itself not to be able to correctly assess or manage the involved risks.

Pursuant to the Act, clients considered to be Professional investors are:

1. Entities which are required to be authorised or supervised by a supervisory body to operate in the financial market (investment firms, credit institutions, other financial institution authorised by the competent body or regulated according to special regulations, insurance companies, collective investment schemes and management companies of such schemes, pension funds and management companies of such funds, pension insurance companies, commodity and commodity derivatives dealers, local legal entities and other institutional investors not previously specified and subject to authorisation or supervision to operate in the financial market).
2. Large undertakings meeting at least two of the following size requirements on a company basis with regard to the previous year:
  - balance sheet total at least HRK 150,000,000
  - net turnover HRK 300,000,000 and
  - capital HRK 15,000,000
3. National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

**Professional investors on demand** are considered to be clients that are not expressly specified in the Act as professional investors, but have requested professional investor status from the Bank, where the Bank has assessed that the client can make investment decisions and understand risks associated with a certain transaction or service.

When submitting the request for professional investor status, the client must provide proof of having met at least two of the following conditions to the Bank to meet:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous year
- the size of the client's financial instrument portfolio exceeds HRK 4,000,000.00
- the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

Should the Client waive the benefits of the higher level of protection, as well as the detailed rules of conduct in order to be considered as a professional Client, the following procedures must be followed:

- the Client must state in writing to the Bank that he wishes to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product
- the Bank must give the Client a clear written warning of the protections and investor compensation rights they may lose
- the Client must state in writing, in a separate document from the contract, that he is aware of the consequences of losing such protection.

Before accepting any request for waiver of a higher protection level, the Bank shall take all reasonable measures to determine whether the Client meets the criteria mentioned above.

The Client shall keep the Bank informed of all changes which may affect the current categorization. Should the Bank become aware that the Client no longer meets the initial conditions which made him eligible for professional treatment, the Bank shall take appropriate action at its own discretion.

**Retail clients:** a client who does not possess sufficient experience, knowledge and expertise to make its own investment decisions and proper assessment of the associated risks and does not comply with the criteria for professional investor.

**Financial instruments are:**

- a. Transferable securities,
- b. Money market instruments,
- c. Units in undertakings for collective investments,
- d. Derivatives listed in the Capital Market Act
- e. Structured products

**Agency** is the Croatian Financial Services Supervisory Agency whose competences and scope are prescribed by the Law on Croatian Financial Services Supervisory Agency and the Capital Market Act.

**Limited order** is the order to purchase or sell a definite quantity of financial instruments at the price stated in the order or at the price which is more favourable for the client

**Market manipulation is a way of behaviour which is characterized as market abuse and represents:**

1. Transactions or trading orders that give or may give inaccurate or misleading signals in terms of supply, demand or price of financial instruments or that, by coordinated activities of one or several persons, keep the price of one or several financial instruments at an artificial level, unless the person entering into transaction or giving trading orders proves that the reasons for doing so are justified and that such transactions or trading orders are in accordance with the accepted market practices on the respective regulated market,
2. Transactions or trading orders that use fictitious procedures or any other form of deception or fraud,
3. Dissemination of information through the media, including the Internet, or by any other means that may or may give false or misleading signals regarding financial instruments, including the spreading of rumours and false or misleading information, where the person disseminating the information knew or should have known that the information is false or misleading. Regarding journalists when performing their profession, such dissemination of information should be assessed in the light of the rules governing their profession, unless such journalists gain, directly or indirectly, advantage or benefit from disseminating such information

**Regulated market** is a multilateral system operated and/or managed by market operator, which meets the following conditions:

- a. connects the interests of third parties for purchasing or selling financial instruments or makes such connection possible, in the system, in accordance with predetermined uniform rules and in a manner leading to the conclusion of contracts relating to financial instruments that are listed for trading under its rules and / or in the system
- b. has approval as a regulated market and
- c. operates regularly in accordance with the provisions of Part Two of this Act

**Multilateral Trading Platform (hereinafter: MTP)** is a multilateral system managed by an investment firm or a market operator, connecting supply and demand for financial instruments of several interested parties. Such connection of demand and supply is done in accordance with predetermined uniform rules and results in contracts between the parties, in accordance with the provisions of this Act.

**Systematic internaliser** is an investment company that is trading in an organized, participatory and systematic way for its own account by executing client orders outside a regulated market or multilateral trading platform

### III. ORDER EXECUTION VENUES

The Bank executes the orders for purchase or sale of financial instruments traded on the domestic market at the following venues:

- Regulated market ( Zagreb Stock Exchange – hereinafter: ZSE)
- Multilateral Trading Platform(MTP)
- Outside a regulated market or MTP, if a financial instrument is not listed on a regulated market or MTP, unless otherwise instructed by the client

The Bank transmits orders for the purchase or sale of financial instruments traded on foreign markets to the following execution venues:

- Regulated market

- MTP
- Systematic internaliser
- Other markets comparable to regulated markets or MTP
- Outside organized markets (OTC-markets and similar)

If a financial instrument is listed on several stock exchanges, the Bank shall place the client's order on the stock exchange where the client's order can be executed at the most favourable conditions, unless otherwise instructed by the client.

In situations when this is required by a third party or the technical and operational order execution infrastructure for, the Bank may ask the client to determine the venue of order execution. The definition of the venue of execution shall be considered explicit instruction and the Bank considers that, by execution of such order according to the client's explicit instructions, it has fulfilled its obligation of achieving the best possible outcome.

Information about the execution venue where the Bank executes orders for each individual type of financial instruments is available in Attachment 1 to this Policy.

When rendering investment services in connection with trading on foreign markets, the Bank shall consider accessing the respective execution venues through partner brokerage firms whose services will be used by Bank on foreign markets.

### **OTC transactions**

To obtain the best possible result for the Client with regard to OTC (over-the-counter) or off-exchange products, more elements than only the price are considered as decisive. Products for trading platforms do not exist or cannot be used for lack of contract documentation with potential trading partners are traded OTC. In this case, the best result in terms of pricing and execution quality is still achieved through intensive data analysis.

Given the fact that OTC products (in this case FX derivatives including local currency and IRSs) are generally illiquid, the Bank collects different market data (specified by the Client regarding certain transaction details: tenor, volume, currency pair) with regard to:

- price (historical data on the price of the product)
- volume
- product volatility
- cost
- speed of execution
- likelihood of execution
- size and nature of the order
- probability of risk (if applicable)

By collecting all of these data, the Bank obtains a certain number of market prices due to counterparty limit setup (ISDA market agreement, CSA) and determines a range from which it selects the best possible price for the Client based on above mentioned factors. Considering this, the key parameters for pricing within the acceptable range (provided by local and international market participants) are as follows:

- EUR yield curve/HRK yield curve
- FX swap/FX forward/outright
- USD yield curve/HRK yield curve

This allows the Bank to achieve the best possible result for the Client with respect to the available opportunities for closing the transaction on the market.

## **IV. BEST EXECUTION POLICIES**

The best execution policies described in this document are developed to ensure that the client has a full understanding of the Bank's best execution principles and the way it executes the Client's orders, as well as the definition of other key elements of the policy. When determining the relevant factors for best execution, the Bank shall consider (among other criteria) the following factors:

1. The Client's characteristics, including client classification as retail or professional investor

2. Characteristics of the financial instrument to which the order refers
3. Characteristics of a trading venue to which the order can be sent for execution

Where the client has special instructions regarding order execution, the Bank is not obliged to comply with the elements for best execution assessment as defined by this Policy and shall act according to such instruction provided the corresponding explicit instruction complies with the existing regulations and has been received in any of the ways in which client orders are received.

When executing Client orders, the Bank shall take all reasonable steps to obtain the best possible result for the Client, taking into consideration different aspects of the order.

The following elements shall be particularly taken into consideration:

- price of the respective financial instrument,
- costs related to execution,
- speed of execution,
- likelihood of execution,
- likelihood of settlement,
- order size and significance and
- currency risk

Regarding client classification, the Bank differentiates between executing orders for retail and professional clients.

When the Bank executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total value consisting of the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client and directly relating to the order execution, including execution venue fees, clearing and settlement fees and any other fees payable to third parties involved in the execution of the order.

Should there be more than one venue for executing the Client's orders, the Bank shall take into account its own commissions and order execution expenses at each of the other venues and provide detailed information to enable the Client to identify possible advantages and disadvantages of each venue.

The Bank may provide investment or ancillary services on behalf of the Client through another investment firm. The Bank, as an intermediary, is in such case responsible for the completeness and accuracy of the information transmitted. The investment firm receiving a service or transaction order from the Bank (as intermediary) on behalf of the Client shall be responsible for concluding the service or transactions pursuant to Article 118 of the Capital Markets Act.

When the Bank executes an order on behalf of a retail client, the best possible result shall be determined based on the following factors: price, transaction costs, risks relevant to the execution, speed of execution, likelihood of execution and settlement, the liquidity of the market, size and nature of the order, market impact of the order, nature of the market for the financial instrument and any other factor important for the execution of the order.

In achieving the best possible result for the Client (professional or retail investor), the price is usually regarded as the most important factor. Since there may be other factors that should be given priority over price at any given time (due to market volatility), the Bank shall enable its employees (based on their extensive experience), to recognize current trends and, based on resources available to them, take all reasonable steps to achieve the best possible execution of Client orders.

## **V. RECEIPT, TRANSMISSION AND ACCEPTANCE OF ORDERS**

In providing the service of order execution and/or order receipt and transfer in the name and for the account of the client, the Bank shall select the execution venue that enables constant achievement of the best possible outcome. The Bank shall, according to this Policy, execute client orders exclusively on regulated markets or multilateral trade platforms where it is a direct Member. By way of exception, on demand or with the explicit consent of the client, the Bank may also execute an order outside a regulated market or Multilateral Trading Platform.

A list of regulated markets or Multilateral Trading Platforms where the Bank is a direct member is available in Attachment 1 to this Policy. The Bank reserves the right to update the above list and such list shall be available on the Bank's website ([www.otpbanka.hr](http://www.otpbanka.hr)), in the Bank's branches, through the OTP e-trader platform and on premises of the Brokerage team.

When the Client delivers an order for buying/selling of a financial instrument quoted at two or more execution venues, the Bank shall always, unless otherwise instructed by the Client, execute the order on a regulated market or MTP of which it is a direct member. The timeframe of order validity is defined by the rules of order execution venue and/or company to which the order is transmitted, while the Bank can define shorter timeframe of order validity.

When the client places an order that is substantially inconsistent with the market price or which would cause a trading blockade or "non-realistic" market overview if executed, the Bank is entitled to reject such order. The Bank shall also reject the order in case of any suspicion of market price manipulation. The only type of order accepted by the Bank is the „limit" order. If a client makes an order which significantly deviates from the last achieved price, the Bank shall accept such order only if there is, based on the Bank's judgement, no market price manipulation.

The Bank considers, after it has taken into account and assessed all relevant circumstances, that it has in this way ensured the most favourable execution of the order because of the following elements:

- most favourable total costs of transaction,
- direct supervision over the expeditiousness of order issuance and order execution likelihood,
- direct insight into the expeditiousness and likelihood of settlement,
- other circumstances related to the execution of order.

The Bank shall receive orders for the buying and/or selling of a financial instrument traded on a market of which the Bank is not a direct member and forward such orders to third parties (licensed companies – partners) having direct or indirect access to such market, acting in the Client's best interest and according to professional rules. Orders shall be in this case executed according to the Order Execution Policy of such third party, which means that the client's order can be also executed on other execution venues, i.e. outside a regulated market or MTP.

In the selection of third parties, the Bank shall take into consideration their access to order execution, determine whether such party enables compliance with this Policy and monitor the quality of execution provided by it.

In the selection of third parties, the Bank shall primarily consider the following criteria:

1. compliance of third party business operations with provisions of the MiFID directive, including the best execution principle,
2. number of markets to which the third party has access (direct and/or indirect) and the volume of trading on these markets,
3. dynamic real-time model comparison of best execution elements, with emphasis on (by order of priority):
  - a. total costs of transaction,
  - b. likelihood of execution,
  - c. speed of execution,
  - d. financial strength, reputation and stability of the third party.

For trading in non-EU countries, i.e. countries that have not implemented MiFID II, the Company shall according to its own judgement select third parties through which orders are executed.

The Bank shall review this Policy once a year and determine whether third parties to whom orders are forwarded for execution act in the manner that is the most favourable for clients.

If the Client places an order with the Bank regarding a financial instrument quoted only on one execution venue, the Bank shall execute this order or forward it (directly or indirectly) to such execution venue, which shall be considered achieving the best possible outcome for the Client.

If a Client has special instructions regarding execution of orders, the Bank is not obliged to follow the elements for the assessment of best execution as defined by this Policy, and the Bank shall act according to such

instruction only if the explicit instruction is in accordance with the existing regulations and received in one of the ways in which Client orders are received.

In such circumstances the Bank shall not be able to take all the steps defined in the Policy for the purpose of achieving the best execution of such Client's order. In case of an explicit client instruction, it shall be considered that the Bank has fulfilled its obligation to achieve the best result for the Client.

If the client's request refers only to individual elements for assessing the best execution defined by this Policy, the Bank is obliged to act in accordance with such instruction provided it is not contrary to the existing regulations. As for remaining elements, the Bank shall act in accordance with this Policy.

The Bank shall, upon the client's request, present the data from which it is obvious that the order has been executed in accordance with this Policy. In order to make it possible to present the data mentioned in the previous paragraph, the Bank has adopted procedures for the filing of documents, which also define the record keeping of executed orders.

The Bank shall not charge its fees in a way that would unjustifiably discriminate one or several execution venues. The Bank shall not give preference to an execution venue where the execution of a transaction would represent additional financial burden to the Client. In the selection of third parties, the Bank shall not give the preference to entities where execution through such entities would entail additional financial burden for the Client.

## **VI. REPORTING AND MONITORING**

To ensure MIFID II compliance and full transparency regarding the quality of execution, the Bank shall monitor, collect and publish data regarding:

- the execution venue and financial instruments – the top five execution venues in terms of trading volumes for all executed client orders per class of financial instruments (where applicable)
- price – the price for each day of trading (average transaction price of all transactions performed daily)
- costs – description of the nature and level of all components of costs applied by the execution venue, before any rebates or discounts are applied, and information on how those costs differ according to the user or financial instrument involved and the relevant amounts by which they differ
- investment firms – top five investment firms used for completing Clients orders

All data shall be available on the Bank's website in an easily downloadable and usable format.

Examples of the data which will be used in the reports, as well as the tables, are shown in the Annex. The Bank shall issue two types of reports; one for retail and one for professional investors.

## **VII. NOTIFICATION OF CLIENTS AND THEIR CONSENT TO THIS POLICY**

The Bank shall make the Client aware of the Policy prior to the provision of investment services and activities. This Policy shall be available to clients on the premises of the Bank where investment services are rendered and on the Bank's website. Should the client request the Bank to inspect this Policy in a way other than stated herein, the Bank shall deliver the Policy to the client according to the rules of client notification.

The Client shall provide to the Bank written express consent in compliance with the order Execution Policy prior to the commencement of any form of purchase or sale of financial instruments listed on any regulated market or multipurpose trading platform (MTP) or outside regulated markets or MPTs or receiving advice on any form of financial or other investment. Clients can provide to the Bank their consent to the Order Execution Policy by signing the Contract on the order to buy\_sell financial instruments, the written Policy acceptance statement or by using any other durable medium according to regulations.

If the Bank was not able to obtain the prior consent of the Client to the Order Execution Policy for objective reasons, or the Client refuses, explicitly or by his conduct, to give the consent to this Policy, the Bank is

entitled not to accept the order, i.e. reject its execution, of which it shall forthwith notify the Client, clearly stating the reasons for such rejection of order.

#### **VIII. POLICY REVIEW AND UPDATES**

The Bank shall continuously monitor the efficiency of this Policy and assess, at least once a year, whether measures and procedures guarantee the achievement of the best outcome for the Client and update this Policy as necessary.

The Bank shall regularly assess whether the execution venues indicated in the Order Execution Policy provide the best possible outcome for the client. If the execution venues included in the Order Execution Policy do not provide the best possible result for the client, the Bank shall make changes to the Policy and notify clients of any material changes to their order execution arrangements and/or execution policy.

The Bank shall inform the client forthwith of every modification or update of the Policy, in the usual way or by making the most recent version of the Order Execution Policy available on the Bank's website ([www.otpbanka.hr](http://www.otpbanka.hr)), in the Bank's branches, through the OTP e-trader platform and on the Bank's premises where investment services and activities are performed. Any amendment or supplement to this Policy shall be applicable since taking effect and the Bank shall consider that the client has accepted all amendments or supplements when the client sends his/her next order, unless notified otherwise by the client.

#### **IX. FINAL PROVISIONS**

Clients having already signed with the Bank contracts on the provision of one or more investment services, prior to this Policy taking effect, are required to give their consent to this Policy as defined by this Policy before placing the next order.

This Policy is made in Croatian and English language. The Croatian version represents the original and English version represents translation of original version. In case of discrepancies between these two versions and/or disputes the valid one shall be the Croatian version.

This Policy shall take effect on 22.03.2021.

By entering into force of this Policy, the Order execution policy of 15.01.2021. shall no longer be valid.



## X. ATTACHMENT 1

The Bank shall forward foreign market execution orders to:

- Interkapital vrijednosni papiri d.o.o. Masarykova 1; 10000 Zagreb
- OTP Bank Nyrt, Nádor street 16., 1051 Budapest, Hungary

Attachment 1 represents the list of the most important financial instruments execution venues used by the Bank to execute and/or transfer the orders or its clients. Out of the numerous prospective execution venues for foreign financial instruments, especially stocks, this attachment includes only the ones which are considered primarily significant by the Bank. Additional execution venues that can be used, but are not listed in the attachment, may be selected according to provisions of the Order Execution Policy. Likewise, some of the execution venues listed in this attachment can be excluded from the Bank's offer in certain situations, depending on the organisational and technical solutions and/or the manner of placing order and the type of investment service selected by a client.

Execution venue	Country/ registered office	Type of venue	Direct member	Access to the execution venue
ZSE Zagrebačka burza	Croatia	Regulated market	YES	Directly
BER Berliner Borse(Xontro)	Germany	Regulated market	NO	Indirectly/Third entity
MIL Borsa Italiana	S.p.A Milan	Regulated market	NO	Indirectly/Third entity
BUD Budapest StockExchange	Hungary	Regulated market	NO	Indirectly/Third entity
ASX Sydney	Australija	Uređeno tržište	NE	Indirektno/Treći subjekt
AMS Euronext Amsterdam	Netherlands	Regulated market	NO	Indirectly/Third entity
BRU Euronext Brussels	Belgium	Regulated market	NO	Indirectly/Third entity
PAR Euronext Paris	France	Regulated market	NO	Indirectly/Third entity
FRA Frankfurt				
Stock Exchange(Xontro)	Germany	Regulated market	NO	Indirectly/Third entity
LSE London Stock Exchange	UK	Regulated market	NO	Indirectly/Third entity
OSL Oslo Stock Exchange	Norway	Regulated market	NO	Indirectly/Third entity
SWX SIX Swiss Exchange Zurich, SET Stock	Switzerland	Regulated market	NO	Indirectly/Third entity
VTX SWX Europe (Formerly Virt-X)	London	Regulated market	NO	Indirectly/Third entity
TYO Tokyo Stock Exchange	Japan	Regulated market	NO	Indirectly/Third entity
TOR Toronto Stock Exchange	Canada	Regulated market	NO	Indirectly/Third entity
VIE Wiener Borse (Vienna Stock Exchange)	Austria	Regulated market	NO	Indirectly/Third entity
GER XETRA Frankfurt,	Germany	Regulated market	NO	Indirectly/Third entity
NAS NASDAQ	New York	Regulated market	NO	Indirectly/Third entity
NMS NASDAQ National Market System	New York	Regulated market	NO	Indirectly/Third entity
ASE American Stock New York, Exchange (AMEX)	USA	Regulated market	NO	Indirectly/Third entity
NYF New York Board of Trade (Futures)	USA	Regulated market	NO	Indirectly/Third entity
NYQ New York Consolidated	USA	Regulated market	NO	Indirectly/Third entity
NYS New York Stock Exchange (NYSE)	USA	Regulated market	NO	Indirectly/Third entity
OBB OTC Bulletin Board Market	USA	Regulated market	NO	Indirectly/Third entity