

INFORMATION IN ACCORDANCE WITH MIFID II DIRECTIVE 2014/65 EU AND DELEGATED REGULATION (EU) 2017/576 (RTS 28)

Report for the period 01.01.2018 – 31.12.2018

UniCredit Bank AG (HVB) in its role as investment firm is obligated in accordance with Article 3 (3) RTS 28 to publish for each class of financial instruments a summary of the analysis and conclusions it has drawn from the detailed monitoring of the quality of execution obtained on the execution venues where it has executed all client orders in the previous calendar-year.

In this report, valid for the calendar year of 2018, HVB will only comment facts that have been relevant for 2018.

Referring to the »Basic Principles For Execution Of Securities« (Best Execution Policy) of the version valid for 2018, HVB has categorized the financial instruments into two main groups, namely:

- a) Securities
- b) Non-securitized financial instruments (incl. exchange-traded derivatives)

Only in terms of securities, HVB offered execution service in accordance with »Best Execution Policy«. Thus, the dynamic procedure for identifying the best execution venue has applied for most of the securities categories in 2018. Solely for two of the securities categories, investment certificates and foreign currency bonds, the static execution model has applied, according to the "Best Execution Policy".

Based upon regular checks and analyses, HVB verified that the underlying logic led to the best execution for each customer and that all published rules of the Best Execution Policy have been followed in order to determine the best execution venue. For the purpose of regular checks, HVB used both, real-time market data of all trading venues HVB is connected to and regular published reports according to MiFID II directive 2014/65 EU and delegated regulation (EU) 2017/567 of all trading venues HVB is connected to, plus those of potential trading venues that are to be considered, but currently not connected. On basis of the results, no need for adaption was identified.

In the following, a detailed discussion of all facts required by the regulation is given:

Category domestic shares and foreign shares, subscription rights

Static Factors

Venues	Speed of Execution (8%)	Likelihood of Execution (5%)	Qualitative Factors (2%)
Xetra classic Stock Exchange – XETR	2	2	2
Berlin Stock Exchange – XBER	3	3	2
Düsseldorf Stock Exchange – XDUS	3	3	2
Xetra Frankfurt 2 Stock Exchange – XFRA	3	2	2
Hamburg Stock Exchange – XHAM	3	3	2
Hannover Stock Exchange – XHAN	3	3	2
Munich Stock Exchange – XMUN	3	3	2
Gettex _XMUN	3	3	2
Stuttgart Stock Exchange – XSTU	3	3	2
UniCredit Bank AG – UCDE	2	1	3
Morgan Stanley Europe S.E. – MESI	3	3	3

a) Securities

There exist no special arrangements with any execution venues used regarding payments made or received. Additionally, we confirm that we do not receive any discounts, rebates or non-monetary benefits from execution venues we use for execution of client orders. HVB only pays for regular services, obtained from execution venues, as outlined in respective fee schedules of the execution venues.

HVB does not have close links to one of the used execution venues and does not hold any ownership in such venues. Furthermore, HVB is not aware of any conflicts of interests with regards to the execution venues in 2018.

Regarding dynamic execution regulations, HVB provides trading against the bank's own loan book as alternative trading venue for certain products. Underlying functions and processes are working independently, since they are separated by the Chinese wall inside the company. There does not exist any conflict of interest that could disadvantage clients in any way.

In case of executing an order of a retail client, the best possible outcome is measured by total charge, while total charge consists from the product price and the execution fee. The execution fee again, comprises all charges incurred in the process of execution, meaning fees of the trading venue, clearing and processing fees, and other fees, like payments to third parties that are involved in the process of execution. Since the best possible result for the retail client means the best possible outcome in terms of total charge, components like speed of execution, likelihood of execution and settlement, scope and type of order, market impact and other implicit transaction costs are only to be prioritized when they are benefiting the overall result.

When determining the best possible trading venue for professional clients according to the dynamic best execution policy, the best possible result means the best possible outcome in total charge as well. Furthermore, while determining the best possible venue, following components are to be considered:

Category Bonds in euro, participation certificates, certificates and structured bonds

Static Factors

Venues	Speed of Execution (8%)	Likelihood of Execution (3%)	Counterparty Risk (2%)	Qualitative Factors (2%)
Xetra classic Stock Exchange – XETR	3	2	2	2
Berlin Stock Exchange – XBER	3	2	2	2
Düsseldorf Stock Exchange – XDUS	3	2	2	2
Xetra Frankfurt2 Stock Exchange – XFRA	3	2	2	2
Hamburg Stock Exchange – XHAM	3	2	2	2
Hannover Stock Exchange – XHAN	3	2	2	2
Munich Stock Exchange – XMUN	3	2	2	2
Stuttgart Stock Exchange – XSTU	2	2	2	2
UniCredit Bank AG – UCDE	2	1	1	2

Category securitized derivatives (warrants)

Static Factors

Venues	Speed of Execution (8%)	Likelihood of Execution (5%)	Qualitative Factors (2%)
Issuers (connected via RTOs e.g. Cats) – e.g. CATS	3	3	3
Stuttgart Stock Exchange – XSTU	3	3	2
Xetra Frankfurt 2 Stock Exchange – XFRA	3	3	2

In general, factors are assessed as follows:

- 1 – excellent
- 2 – very good
- 3 – good
- 4 – satisfactory
- 5 – adequate

There was no selection of trading venues offered for the categories of foreign currency bonds and investment certificates. Therefore, no dedicated report for these instruments is indicated.

When the adapted execution principles were introduced in January 2018, the bank created new connections to the following trading venues:

- UniCredit Bank AG was added, for not only being able to act as systematic internaliser, but also as potential partner for executing orders
- Morgan Stanley Europe S.E.: This trading venue was added in order to extend the number of trading venues used for the service of determining the dynamic best possible trading venue to execute
- Other issuers: providing the platform CATS creates the possibility for clients to trade directly with certain issuers of warrants and certificates in order to avoid charges of intermediate parties.

The bank confirms that no consolidated data ticker services were taken up, according to MiFID II directive, article 65, in relation to verifying the best execution monitoring activity.

b) Non-Securitized financial instruments (cf. 2.9 execution regulations)

For these types of financial instruments, HVB offers exclusively execution against its own books on an individual bilateral contractual basis with no transfer of such orders to third parties in the absence of any alternative execution places. Thus, the reporting obligations as defined in RTS28 Art 3 (3) are not relevant. With regards to the class of financial instruments laid down in Annex I of the RTS 28 the following instrument classes are affected:

- Interest Rate Derivatives
- Credit Derivatives
- Currency Derivatives
- Equity Derivatives
- Commodity Derivatives and Emission Allowances Derivatives

Non-securitized financial instruments are partly traded on exchanges. As outlined in the Best Execution Policy, HVB requests its clients to indicate a dedicated execution venue for execution of the order. Therefore, the information obligations as defined in RTS28 Art. 3(3) are not relevant since best execution principles are not applicable.

With regards to the class of financial instruments laid down in Annex I of the RTS 28 the following instrument classes are affected:

- Interest Rate Derivatives
- Credit Derivatives
- Currency Derivatives
- Equity Derivatives
- Commodity Derivatives and Emission Allowances Derivatives

The selection of trading venues HVB is linked to and execute as part of Best Execution is constantly being reviewed by us. In addition, this analysis includes the examination of other potentially available trading venues. Based on these analyses, HVB currently see no need to include additional trading venues in our execution routine. This applies to all financial instruments mentioned in this report.

Munich, April 2019