

2023

Best Execution Quality Report



Background of this disclosure

This report on the best execution quality achieved (hereinafter referred to as "Report") is a summary of the evaluations and conclusions from the monitoring of the execution quality achieved in the past calendar year for the execution venues at which VP Bank AG and VP Bank Group (hereinafter referred to as "the Bank") executed client orders and orders from portfolio management mandates, as well as for the investment firms to which the Bank submitted client orders for execution.

This Report is linked to the Bank's Best Execution Policy published in the document "MiFID II: Information and Principles" which is available on the Bank's website. In the referred policy, the Bank sets forth its best execution principles following the directive on markets in financial instruments 2014/65/EU ("MiFID II") and local regulations, including the Financial Services Act ("FIDLEG") and as such only applies to professional and non-professional clients domiciled in the European Union ("EU") and the European Economic Area ("EEA"). While not all clients of the Bank are subject to the best execution requirements set forth by MiFID II, the Bank endeavors to provide Best Execution also to such clients and takes into account the relevant local regulations, for example FIDLEG. Within the policy, there are some additional application limitations due to product characteristics ("limited best execution obligation") or due to specific client instructions.

This Report covers the period from 1 January to 31 December 2023. The summary of the analysis and conclusions from the monitoring of the best execution quality obtained applies to all asset classes of financial instruments, unless otherwise stated.

Explanation of the relative importance the firm attaches to the execution factors of price, costs, speed, likelihood of execution or other considerations, including qualitative factors when assessing the quality of execution.

When assessing the relative weighting of above-mentioned execution factors, the Bank takes into account the following execution criteria:

- the characteristics of the client
- the characteristics of the transaction
- the characteristics of the financial instruments
- the characteristics of the Execution venues

In general, the Bank gives priority to the price and costs factors, regardless of the client category or asset class.

However, the relative importance of execution factors may vary depending on certain circumstances. For example, in case of orders in illiquid financial instruments, the execution factor "likelihood of execution and settlement" becomes more important, and thus, it may be against the best interest of the client to await additional prices. The Bank strives to ensure an equal treatment of all clients, regardless of their classification or domicile.

Description of any close links, conflicts of interest and common ownership in relation to execution venues used to execute orders.

The Bank has described its policy on Conflict of Interest in the brochure "MiFID II: Information and Principles". The selection of counterparties and/or brokers (hereinafter referred to as "counterparties") and trading venues is based on industry-standard assessment criteria set forth in the Bank's Best Execution Policy. The Bank has no stake in the selected counterparties and trading venues and does not maintain any close relationships with them. The Bank relies heavily on various execution venues and preferred brokers, which are disclosed in the annex "execution venues of the Bank" of the brochure "MiFID II: Information and Principles", which is available on the Bank's website. Further, the Bank publishes its top five execution venues for the reporting period (according to RTS 28) for each asset class of financial instruments.

Following the selection criteria, the Bank monitors all counterparties and trading venues at least once a year in accordance with the Best Execution Policy in order to assess their execution quality and service.

Description of specific arrangements with Execution Venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

The Bank has not entered into arrangements with any of the execution venues or counterparties regarding payments, discounts, rebates or non-monetary benefits.

Explanation of the factors that led to a change in the list of Execution Venues published in the firm's execution policy, if such a change occurred

During the reporting period, the Bank relied significantly on various execution venues and preferred brokers. The Bank reviewed the list of execution venues and preferred brokers and updated it accordingly to ensure market access and to reflect the performance assessment of each counterparty. A corresponding overview is included in the annex "Execution Venues of the Bank" in the brochure "MiFID II: Information and Principles", which is available on the Bank's website.

Explanation of how order execution differs according to client category, where the firm treats client categories differently and where this may impact the order execution arrangements.

As set forth in the Bank's Best Execution Policy published in the document "MiFID II: Information and Principles", this policy does not apply to eligible counterparties. For professional and non-professional clients, the Bank generally applies the same execution principles and execution factors priorities. In general, the Bank prioritizes execution factors as follows, unless circumstances suggest a different weighting (e.g., for illiquid financial instruments where the likelihood of execution (and settlement) should take precedence):

- **Price** at which a financial instrument is executed.
- **Costs** incurred in executing the order (including external costs such as exchange or clearing fees as well as internal costs such as the Bank's commission or spread based fees)
- **Other execution factors** based on the characteristics of the transaction, the financial instruments or the execution venues (including consideration of market conditions such as illiquidity)

Explanation of whether other criteria took precedence over direct price and cost in the execution of orders from professional and non-professional clients and how these other criteria contributed to achieving the best possible result in terms of overall performance to the client.

In general, the Bank prioritizes the price and cost factors, regardless of the client category or asset class. However, in certain circumstances the relative importance of the execution factors may vary. For example, for orders in illiquid financial instruments, the execution factor "likelihood of execution and settlement" becomes more important, and thus, it may be in the client's interest to wait for additional prices. The Bank endeavors to ensure that all clients are treated equally, regardless of their classification or domicile.

Explanation of how the investment firm has used data or tools in relation to the quality of execution, including data published in accordance with the Delegated Regulation (EU) 2017/575

The Bank maintains a governance framework and operates a control landscape that ensures the effectiveness of the order execution arrangements.

The counterparties and trading venues are carefully selected by the Bank, and the approved counterparties and trading venues are reviewed regularly (at least annually or in the event of significant changes)

regarding the execution quality based on qualitative and quantitative criteria. If deficiencies are identified, the counterparties or trading venues in question are replaced if necessary.

Further information on the corresponding monitoring and reporting obligations, please refer to the Bank's Best Execution Policy which is published in the document "MiFID II: Information and Principles" which is available on the Bank's website.

Explanation of how the investment firm has used the output of a consolidated tape provider in accordance with Article 65 of Directive 2014/65/EU.

The Bank does currently not use a consolidated tape provider.