

UniCredit Bank Czech Republic and Slovakia, a.s., with its official address in Prague 4 -Michle, Želetavská 1525/1, postcode 140 92, Id. No.: 649 48 242, registered in the Commercial register kept by the Municipal court in Prague, section B, file 3608, organisational unit: UniCredit Bank Czech Republic and Slovakia, a. s., the branch office of a foreign bank, Šancová 1/A, 813 33 Bratislava, Id. No.: 47 251 336 registered in the Commercial register kept by the Regional court in Bratislava I, section: Po, file No.: 2310/B (hereinafter only as the “Bank”) issues herewith, according to provisions of the Act No. 566/2001 Coll. on securities and investment services and changes and amendments of several acts as amended (hereinafter only as the “Act”) and related legal regulations, this published part of its rules of conflicts of interests (hereinafter only as the “Conflicts of interests Policy”).

CONFLICTS OF INTERESTS POLICY

Pursuant to principles set out in the Directive of the European Parliament and the Council 2014/65/EU on markets in financial instruments and to the Act within provision of investment services in terms of approval for investment services provision (the licence of the investment firm) the Bank has created its Conflicts of interests policy that presents and publishes by this document to its clients (the clients whom the investment services are provided, including the potential clients according to the Act) whom the investment services is to be or shall be provided.

The document of the Conflicts of interests policy aims to inform the clients on principles and ways of settlement of conflicts of interests applied within the Bank as well as the whole bank group UniCredit of which the Bank is the member, namely as for the identification of possible conflicts of interests and the setting of mechanisms to prevent their occurrence and to fulfil the Bank’s obligation to inform the client on the character and source of a conflict of interests of which the occurrence is not possible to be reliably avoided.

Where the conflicts of interest can occur?

The conflict of interests can occur between:

- the Bank, its employees and Bank’s clients or its potential clients;
- the person that controls the Bank, is controlled by the Bank or the person controlled by such person as the Bank is and their managing persons and the Bank’s clients or potential clients;
- the clients or potential clients of the Bank among each other.

What can be defined as a conflict of interests?

The conflict of interests usually occurs when the Bank and persons stated in the article above or the person with specific relation to the Bank is in such situation that the Bank or this person:

- can gain some financial benefit or can avoid a financial loss to the prejudice of client;
- has an interest that is different from the client’s interest in the result of a service provided to the client or in the result of a business performed in the name of the client;
- is motivated to prefer a client’s interest to interests of another client;
- does business in the same field as the client;
- gets or will get an inducement (see below) from another person or will provide it to a person other than the client in connection with the service to the client and such inducement does not represent a usual payment for the provided service and thus could influence the procedure of provision of such service.

How the Bank controls the conflict of interests?

Organisational structure and separation of incompatible positions

The Bank has set its organisational structure with respect to the rule of separation of incompatible positions.

The separation of incompatible positions means the staff separation and system prevention of undesirable flow of information among individual organisational units so that their incorrect use does not occur and thus no possible conflict of interests.

The similar rules are also applied within the structure of the bank group UniCredit of which the Bank is the member, namely through the application of the policy of Principles of conflict of interests within the bank Group UniCredit (the Group's Policy of conflicts of interests).

Managing and controlling system

The managing and controlling system of the Bank includes the organisational units that continuously deal with issues of conflicts of interests and perform the separate and independent supervision over persons who participate in provision of investment services. They identify individual possible conflicts of interests and suggest measures to eliminate or manage such occurrence of conflicts of interests.

Remuneration system

The remuneration system of Bank's employees is continuously monitored and set so that it avoids the possible conflict of interests. The limitations related to reception of gifts or benefits related to provision of investment services are valid for all Bank's employees.

Informing of the client

The Bank records the cases in which it is not possible to avoid the possible conflict of interests using the above stated mechanisms due to the character of the matter or due to similar reasons and the client is always informed on the existence of such case before his/her order is executed so that the client can decide whether to use or not the required investment service provided by the Bank under such conditions.

At the moment when an order is given for an investment instrument and when the conflict of interests can occur in relation to this specific client and the Bank cannot avoid it, the client is informed on the character of this specific conflict of interests at the moment of giving the order for this investment instrument. In other cases in which the client does not give the order, the client is informed on the possible conflict of interests that the Bank cannot avoid before the provision of investment service or ancillary service.

Catalogue of conflicts of interests

Within this policy the Bank generally informs its clients on types of conflicts of interests that it identified and it namely records all individual conflicts of interests that cannot be effectively avoided in relation to individual investment instruments within relevant investment services and every client is always individually informed on such specific cases, namely as for individual transactions with investment instruments.

Inducements

According to legal regulations the Bank may not receive or provide a fee, commission or nonmonetary advantage, including those for an investment research, in relation to the provision of investment services that can cause the breach of obligation to act in qualified, honest and just way in the best interest of clients. Such performances are determined as the inducements and are acceptable only under very specific conditions. The fee, commission or other nonmonetary advantage received from the client or the person acting on his/her account or provided to the client or the person acting on his/her account is not considered as the inducements.

Acceptability of inducements

The reception of inducement is admissible if it

- a) is focused on the improvement of quality of service provided to the client and
- b) is not in conflict with the obligation of investment firm to act in honest and just way and in the best interest of the client.

Management of inducements and informing of clients

The inducements can represent the possible occurrence of a specific case of conflict of interests. The Bank manages inducements under conditions that are the same as for the managed conflict of interests, including the identification, maximum possible elimination of unacceptable inducements and it keeps its catalogue of inducements on which it informs the client individually for every transaction of investment instruments or through the informational material of relevant product or through the information on its web pages. Details of inducements are available upon request.

The client will be informed on the existence, character and amount of an inducement before the provision of a specific investment or ancillary service within the document on preliminary costs and fees.

What possible types of conflicts of interests are identified by the Bank in relation to individual investment services?

Reception and transmission of orders related to financial instruments

In relation with the investment service of reception and transmission of a client's order the conflict of interests can occur among individual clients. The Bank eliminates such conflict of interests so that it receives and refer instructions from individual clients based on the time priority and performs the individual instructions purely in accordance with the Order execution policy.

Another possible conflict of interests can occur in reception and transmission of clients' orders related to investment instruments emitted directly by the Bank or a subject that is in the Group with the Bank. This is the conflict of interests that cannot be effectively avoided and the client is informed on this fact in advance.

The possible conflict of interests can occur in the case when the orders given by the client are passed by the Bank for their execution to a subject that is in the Group with it. This is the conflict of interests that cannot be effectively avoided. The way of transmission of orders and persons whom the order is given are stated in the Order execution policy and the client is acquainted with its content.

Order execution related to financial instruments at the client's account

The same cases of conflicts of interests for provision of investment service of reception and transmission of orders (see above) can also occur in the provision of this investment service.

Besides these conflicts of interests another conflict of interests can occur provided the client's order is performed from the own account of the Bank. This is the conflict of interests that cannot be effectively avoided and the Bank does not see it as a substantial conflict of interests with negative effect to the client. Within the investigation and prevention of conflicts of interests the Bank accepted provisions in this sphere that are summarized in the Order execution policy and the client is acquainted with its content.

The similar conflict of interests can occur provided the client gives orders to financial instruments emitted by the Bank with important relation out of the sphere of provision of investment services (for example the credit relation, consultancy relation, property participation etc.). Such possible conflict of interests is eliminated from the above stated activities of the Bank by the organisational, staff and system separation of doing business at the client's account.

Doing business with financial instruments at own account

At the business at own account the conflict of interests can occur with the Bank and the client who gives the orders for transactions that are the same as transactions made by the Bank at its own account. Such possible conflict of interests is eliminated by the organisational, staff and system separation of the business at own account of the Bank and of the business at the client's account and at the same time it is solved in the Order execution policy.

Investment advice related to financial instruments

In relation to the provision of investment advice the conflict of interests of the Bank and the client can occur when the Bank is somehow motivated to place or distribute the financial instruments that are subject of its advice. It usually means financial instruments emitted by the Bank or a member of the bank Group UniCredit. If the Bank does not act purely independently in case of investment advice, i.e. it is motivated to place or distribute a specific financial instrument, or the scope of financial instruments, or their issuers, that are the object of the investment advice, is limited in advance based on the Bank's decision for a specific group of financial instruments, or their issuers, this is the case of conflict of interests that the Bank cannot effectively eliminate and the client is informed on such fact.

In addition the conflict of interests can occur when the Bank provides the investment advice for a financial instrument with of which issuer it has a significant relation out of the sphere of provision of investment services (for example the credit relation, consultancy relation, property participation etc.). Such possible conflict of interests is eliminated from the above stated activities of the Bank by the organisational, staff and system separation of employees who provide the investment advice.

Underwriting or placement of financial instruments (based on the binding obligation or without it)

In case of this investment services there is a conflict of interests of the client and the issuer whereas both interests are represented by the Bank. Such conflict of interests is also amplified by the conflict of interests of the client and Bank when the Bank is motivated to place the issuer's security and at the same time it shall provide the client with professional due care. The conflict of interests resulting from the motivation of the Bank to place the securities is such conflict of interests that the Bank cannot avoid and the client is informed on such fact.

The conflict of interests between the client and the issuer is solved by the Bank within its organisational structure that ensures the preparation of prospectus and services to the issuer by an independent unit separated from the unit doing business on the client's account.

Another specific conflict of interests can occur in the situation when the Bank or a member of UniCredit Group is the issuer. This is the conflict of interests that the Bank cannot effectively avoid and the client shall be informed.

Custody and administration of financial instruments, including related services

At the performance of this ancillary service the conflict of interests can occur among clients. The Bank prevents this possible conflict of interests by setting of systems and internal work procedures that ensure the equal treatment of all clients.

Provision of credit or loan to the client for the purpose of transactions with financial instrument

The conflict of interests can occur among clients in provision of loans. The Bank prevents this possible conflict of interests by setting of internal work procedures that ensure the equal treatment of all clients. The specific case of conflict of interests can be the provision of loan to a subject is also the member of the bank group UniCredit as the Bank is. The Bank eliminates this possible conflict of interests by setting of work procedures, sample contracts and standardised parameters of loans in general for all clients so that the equal position of debtors of the Bank is ensured.

Advisory activities in the sphere of capital structure and business strategy and provision of advice and services related to fusion, merge, transformation or split of a company or to an acquisition of a company

When this ancillary service is provided the conflict of interests of the Bank and the client can occur if the advice relates to a subject from the same financial group (UniCredit Group) as the Bank is. This is the conflict of interests that the Bank cannot effectively avoid and the client shall be informed. In addition the conflict of interests can occur when the Bank provides the advice for a financial instrument with of which issuer it has a significant relation out of the sphere of provision of investment services (for example the credit relation, consultancy relation, property participation etc.). Such possible conflict of interests is eliminated from the above stated activities of the Bank by the organisational, staff and system separation of employees who provide the investment consultancy.

Performance of investment research and financial analysis or another form of general recommendation related to the transactions with financial instruments

The conflict of interests of the Bank and the client can occur in provision of investment recommendations and analysis. Such conflict of interests is eliminated by the organisational structure of the Bank where the unit that performs the investment recommendations and analysis strictly observes the principles of independency and is fully separated, as for the staff and information, from the business unit of the Bank or units in contact with clients. Besides this measure to prevent the conflict of interest there are rules in internal regulations set for the investment recommendations and analysis and their observance represents another element to avoid the conflict of interests.

Foreign exchange services related to the provision of investment services

The possibility of occurrence of the conflict of interests is the same as for the investment service of reception and referring or performance of the client's order.

Services related to underwriting of financial instruments

The possibility of occurrence of the conflict of interests is the same as for the service of subscription or placement of financial instruments (based on the binding obligation or without it).

In Bratislava on 3rd January 2018