

DZ BANK AG Quality Report

This DZ BANK Quality Report on the monitoring of the quality of execution obtained at execution venues and investment firms refers to the 2017 calendar year.

DZ BANK analyses and monitors the quality of execution at all execution venues where it executes client orders, and all investment firms to which it transmits client orders for execution.

DZ BANK has prepared one standard quality report for all classes of financial instruments, since the criteria for achieving the best possible results and the weighting of the criteria are applied in a uniform manner across all classes of financial instruments. There are no material differences in terms of the content of the summary of the quality of execution achieved at the execution venues for different classes of financial instruments.

1. Execution criteria

When determining and monitoring the execution venues and investment firms, the Bank considers the following criteria for the achievement of the best possible results for its clients:

- the price of the financial instrument
- the costs involved in order execution
- the speed of execution
- the likelihood of execution and settlement of the order
- the size of the order
- the nature of the order
- qualitative factors, such as trading hours of individual execution venues, trade monitoring, access to trading venues, and the provision of trading technology

Due to the different characteristics of the client categories, DZ BANK distinguishes between retail clients and professional clients when it comes to the weighting of the factors listed above. The specific weighting for the individual client categories is listed under Point 5.

The weighting applied by DZ BANK to the individual criteria and the consideration of other qualitative factors are carried out in a uniform manner, independent of the class of financial instrument.

Client orders are executed or transmitted to an investment firm bound by the Bank's instructions in line with the criteria listed above for equities, bonds (including participation certificates), securitized derivatives (warrants, certificates, equity linked bonds and other securitized derivatives), exchange traded products, investments funds and subscription rights.

If DZ BANK transmits the client orders to a third-party investment firm for execution in accordance with the execution policy of the executing investment firm, DZ BANK shall check whether the firm considers the interests of the DZ BANK clients in its execution criteria. Exchange traded derivatives (futures and options) are usually transmitted to investment firms bound by the Bank's instructions.

If DZ BANK executes client orders at a fixed price (fixed-price transaction), the Bank meets its obligation with respect to the best possible execution if the price offered to the Client corresponds to the current market conditions. DZ BANK offers fixed-price transactions in debt instruments (bonds and money market instruments), securitized derivatives (warrants, certificates, equity linked bonds and other securitized derivatives), OTC derivatives and investment funds.

A detailed list of the financial instruments for which DZ BANK offers its customers commission transactions and/or fixed-price transactions can be found in the DZ BANK execution policies.

Where there is an instruction from the Client relating to the order or a specific aspect of the order, DZ BANK will execute the order following the instruction. For orders that have been executed at execution venues in accordance with the Client's instruction, the execution venues are not selected or monitored in line with the criteria mentioned above.

2. Links and conflicts of interest

DZ BANK selects the execution venues and investment firms in line with the process already outlined, taking into consideration the interests of the Client. To avoid negatively impacting the Client's interests, the execution venues and investment firms are compared and assessed in line with uniform, non-discriminatory attributes under MaComp (Minimum Requirements for the Compliance Function and Additional Requirements Governing Rules of Conduct, Organisation and Transparency) in accordance with the "DZ BANK AG guiding principles on handling conflicts of interest". Execution venues and investment firms are selected using the weighted criteria mentioned above, taking into account the specific characteristics of the Client, the nature of the Client order and of the execution venue, as well as other qualitative factors including access to trading venues and technical connection facilities. DZ BANK is not involved in the selected execution venues or investment firms in terms of corporate law. It does not maintain close links with the execution venues or brokers.

3. Arrangements regarding payments made or received

DZ BANK has reached an agreement with the execution venue, Tradegate, regarding an infrastructure contribution. DZ BANK provides its clients with access to the execution venue, Tradegate, through this procedure. DZ BANK is granted the infrastructure contribution for the support through monitoring, further development and maintenance of the infrastructure for the order routing and hence for technical access to the execution venue Tradegate. The agreement has no effect on the costs for DZ BANK clients.

4. Change in the best possible execution venues

The execution venues and investment firms used by DZ BANK in 2017 to achieve the best possible results for its clients were the same as those used in the previous year.

5. Execution policies for retail clients and professional clients

DZ BANK has prepared separate execution policies for retail clients and professional clients. DZ BANK assigns weights to the criteria listed in Point 1 to achieve the best possible results depending on the Client categorisation (retail client or professional client) communicated to the Client in advance in line with the Securities Trading Act (WpHG). The weighting assigned to criteria for the retail client and professional client is outlined below.

Retail clients

When executing a retail client's order, DZ BANK primarily considers the total fee comprising the price of the financial instrument and all costs related to the order execution, as well as the criterion likelihood of execution and settlement, which may also have an impact on the total fee.

Criterion	Weights*
Price	50%
Costs	40%
Likelihood of execution and settlement	10%

* The qualitative factors have been taken into consideration under the criterion likelihood of execution and settlement. All other criteria were weighted with 0%.

Professional clients

When executing professional client orders, the criteria price, costs, speed of execution, likelihood of execution and likelihood of settlement are taken into account.

Since speed and likelihood of execution and settlement play an important role for professional clients alongside with price and costs, the execution venues with the highest liquidity are selected as the best possible execution venues for these clients.

Criterion	Weights*
Price	50%
Costs	20%
Speed of execution	15%
Likelihood of execution	5%
Likelihood of settlement	10%

* The qualitative factors have been taken into consideration under the criterion likelihood of execution and settlement. All other criteria were weighted with 0%.

6. Additional criteria for the execution of retail client orders

DZ BANK primarily considers the total fee when executing or transmitting orders of the retail clients. The total fee includes the price of the financial instrument as well as all the costs related to the order execution.

Furthermore, the Bank has considered the criterion likelihood of execution and settlement, which impacts the total fee, with a weighting of 10%. The following qualitative factors (trading hours of individual execution venues, trade monitoring, access to trading venues and provision of trading technology) have also been taken into consideration under the criterion likelihood of execution and settlement.

7. Data and tools for assessing the execution quality of the execution venues

The criteria for the best possible execution for the determination and review of the quality of the execution at the execution venues are assessed on the basis of various internal and external data sources (market and historical data) using various IT systems and tools. The analysis is made based on the information and prices published by the execution venues and varies depending on the type of transaction and the relevant financial instrument in each case.

Samples from orders executed are also taken into account in the assessment. The order data is used to identify the most recent quotes on the relevant execution venues before the time the order is entered. The market value to be obtained is then calculated from the quotes and is added to the actual amount together with the fees of the corresponding trading venue. The actual amounts are then compared and based on these amounts the best execution for the Client is determined. While price and costs are decisive factors for retail clients, additional criteria such as liquidity and likelihood of settlement are used when making assessments for professional clients.