

Best Execution Policy

1. Introduction

This document sets out the Best Execution Policy (“Policy”) for The Korea Development Bank London Branch (“KDB London”, “us” or “we”) and our approach to providing the best possible result when executing client orders for our clients as required by the European Union Markets in Financial Instruments Directive 2014/65/EU (“MiFID”) and the rules of the Financial Conduct Authority (“FCA”).

When dealing with clients, we have a general duty to act honestly, fairly, professionally and in the best interest of the client. In relation to order execution, KDB London is required to take all sufficient steps to obtain the best possible results on a continuous basis when we are executing orders on your behalf or passing your orders to others for execution.

Please note that by conducting business with us following receipt of this document, you will be deemed to have consented to this Policy. Should you provide us with a reasonable and proportionate request for information about our policies and arrangements and how they are reviewed, we will answer clearly within a reasonable time.

2. Scope

This Policy applies only to clients categorised by KDB London as Professional Clients and to certain types of transactions in ‘financial instruments’. Financial instruments is a defined term under MiFID which includes, but not limited to, shares, bonds, ETFs, derivatives (excluding certain categories of commodity derivatives) and units in collective investment schemes. It does not include, for example, FX spot, deposits, loans and physical commodities. This Policy also does not apply to business conducted with clients who we have categorised as Eligible Counterparties, hence we will not owe Best Execution for transactions entered into with Eligible Counterparties.

KDB London provides investment services to its clients in the following business areas where we are subject to the best execution obligation: 1) Execution of orders on behalf of clients, and 2) reception and transmission of our clients’ orders.

3. Best Execution Obligation

The best execution obligation is applicable when we are acting in principal capacity (e.g. where we provide quotes to you, accept a discretionary order from you or negotiate a price with you) and you are placing a legitimate reliance on us to protect your interest in regards to the execution of a transaction.

The obligation to provide best execution, however, is subject to certain exceptions. These are situations where you do not legitimately rely on us to provide best execution. In order to determine whether there is legitimate reliance, we will consider all relevant circumstances of the transaction, including the following non-exhaustive list of factors (referred to as the ‘Four-Fold Test’ published by the European Commission).

- (1) Which party initiates the transaction?
In circumstances where we provide trade ideas, market communications or indicative prices as part of our general business, we regard these communications as purely for information purposes and do not believe that such communications will be deemed to have initiated the transaction. Where a client initiates a transaction, it is unlikely that you will be placing relying on us to provide best execution.
- (2) Questions of market practice and the existence of a convention to ‘shop around’
In some markets, for example (including but not limited to) the wholesale OTC derivatives and bond markets, it is common market practice that the client solicits quotes from various sources (i.e. shop around for a quote) and then bases its decision to deal on these quotes. Under these circumstances, it is unlikely that you will be placing reliance on us;
- (3) The relative levels of price transparency within a market
In circumstances where pricing information is transparent and it is reasonable that you have ready access to prices in a particular market, it is unlikely that you will be placing reliance on us.

- (4) The information provided by KDB London and any agreement reached Where any agreements or arrangements we have with you is clear that we will not provide a service that includes executing on your behalf and there is no other reason to suggest that you are relying on us to protect your interests in relation to the pricing and other elements of the transaction, it unlikely that you will be placing reliance on us.

Where, following consideration of all relevant factors, we conclude that you are not legitimately relying on KDB London, then best execution will not apply.

4. Best Execution Application

4.1 Best Execution Factors & Criteria

KDB London takes all sufficient steps to obtain the best possible execution result for our clients. In the absence of any specific instructions from you, the following execution factors will be considered:

- (1) Price – the market price at which the order is executed;
- (2) Costs – including implicit costs such as the possible market impact, and explicit external costs such as execution venue fees, clearing and settlement fees and any other fees paid to third parties, and explicit internal costs such as commission or spread;
- (3) Speed of execution – time taken to execute an order;
- (4) Likelihood of execution and settlement – ability to complete an order;
- (5) Size and nature of the transaction – the way that KDB London executes an unusual order (for example, one that is larger than the normal market size or has unusual features such as an extended or shortened settlement period) may differ from the way it executes a standard order;
- (6) Likely market impact;
- (7) Nature of the market for the financial instrument;
- (8) Any other consideration deemed relevant to the execution of your transaction.

The differences in markets, financial instruments, and client priorities means that it is necessary to apply the best execution obligations in a manner that takes into account the different circumstances associated with each particular order. In the majority of cases, price will merit a high relative importance in obtaining best execution (i.e. the total consideration payable by its clients in respect of financial instruments taking into account the price of the financial instrument in question and the costs associated with the execution of the transaction including any margin charged by KDB London. In this regard, the price that we offer its clients is based on KDB London's reference price, quotes provided by certain other market participants and relevant market data, which we gather in order to assess whether the price offered by it is fair and delivers on KDB London's best execution obligation to its clients).

However, there will be occasions when KDB London may judge that one or more of the other factors may be more important (or relevant) than price, when seeking to obtain the best possible result for the Client.

In determining the relative importance of the execution factors, we will use reasonable judgement together with our understanding of the following Best Execution Criteria for the specific transaction.

- (1) Characteristics of the client – including the categorisation of the client as a Professional Client;
- (2) Characteristics of the order – such as the potential for it to have an impact on the market and any specific instructions that you have given to us when submitting the order;
- (3) Characteristics of the financial instruments – the instrument(s) that you have asked us to deal in;
- (4) Characteristics of the execution venue or entities to which the order can be directed – particular features of the liquidity sources available to us.

4.2 Professional Clients

For Professional Clients, in general, we consider that the most important execution factor is the price at which the transaction in the relevant financial instrument is executed, unless you have instructed us otherwise. However, there may be circumstances where the primary execution factors may vary and price is no longer the dominant execution factor.

4.3 Specific Instructions

If you provide us with instructions regarding an order or any aspect of an order, which we accept, then we will execute the order in accordance with such instructions. Where we execute an order (or a specific aspect of an order) following specific instructions from you on the order or its specific aspect, this will satisfy our obligations under MiFID to take all sufficient steps to obtain the best possible result for you. If your instruction covers only certain part or aspect of the order, the remaining part or aspect of the order not covered by your specific instruction will remain subject to Best Execution requirements.

Please note that if you provide us with specific instructions, however, this may prevent us from taking the steps that we would otherwise take to comply with this Policy for the execution of those orders in respect of the elements covered by those instructions. Therefore, we may not be able to obtain the best possible result for the execution of in scope transactions.

4.4 Aggregation of Orders

Our order handling may combine the client's orders with our own orders or with those it executes on behalf of an affiliate or with orders of another of our clients. When combining orders, we must reasonably believe that the aggregation works to the overall advantage of our clients. However, in certain circumstances the aggregation may work to a client's disadvantage in relation to a particular order.

4.5 Monitoring & Review

KDB London will monitor and assess the effectiveness of its Best Execution Policy and its implementation in order to identify and correct any deficiencies at least on an annual basis. Where we identify any deficiencies, it will effect appropriate changes to its best execution arrangements, which might involve changes to KDB London's internal reference price and valuation models.

5. Execution Venues

Based on our assessment of the Execution Factors and the Execution Criteria, we will select one or more venue(s) for the execution of the client's order. Execution venues might include:

- (1) Regulated Markets (RMs);
- (2) Multilateral Trading Facilities (MTFs);
- (3) Organised Trading Facilities (OTFs);
- (4) Systematic Internalisers (SIs);
- (5) Our other offices and affiliates trading desks' principal positions;
- (6) Third party brokers, such as market makers and liquidity providers.

If we choose to execute your order via an execution venue, we will choose the execution venue(s) that we consider to be the most appropriate to meet our obligation to obtain the best possible results for you on a consistent basis.

When we select an Execution Venue we consider a number of factors including the following:

- (1) Quality of execution offered by the venue – quality is determined by past performance of the execution venue and the information on execution quality that will be published;
- (2) Client instructions – you may select a particular Execution Venue for the execution of your order or transaction;
- (3) Priority of execution factors – factors such as price, speed and likelihood of execution may limit or determine the Execution Venue (e.g. some venues may have better prices or have more liquidity than other venues); and
- (4) Product type – certain financial instruments may only be available on specific Execution Venues.

KDB London may execute the transaction internally if in doing so it is acting in the best interest of its clients. In such circumstances, KDB London will itself act as the sole execution venue by acting as the counterparty to transactions it decides to enter into with its clients.

KDB London may use our other offices and affiliates and third party brokers to provide access to markets where we otherwise may not be able to execute or where we believe it to be in your best interests to do so. We only transmit client orders to our other offices and affiliates and third party brokers who we believe can deliver a result that will meet the Best Execution requirements.

Following the execution of a transaction at an execution venue on behalf of a client, KDB London will inform the client where the order was executed.

The selected execution venues for each product type will be assessed on a regular basis.

In the event you request KDB London to execute a transaction in a financial instrument which is traded on a RM, MTF, or OTF, KDB London may execute your order outside of such trading venues if we have obtained express consent from you to do so. It is important to note that there may be certain consequences (such as increased counterparty risk) of execution outside of such venues. By accepting this Best Execution Policy, you consent to the execution of your order outside a trading venue. Additional information about the consequences of executing orders outside of a trading venue will be provided to you on request.

KDB London may not receive any remuneration, discount or non-monetary benefit for routing client orders to third-parties or execution venues which would infringe the Applicable Regulations requirements on conflict of interest or inducements.

6. Over-The-Counter Transactions

All Interest Rate Derivatives and FX Derivatives transactions will be executed over-the-counter (OTC) outside a trading venue. KDB London will act as the counterparty in respect of all Interest Rate Derivatives and FX Derivatives transactions with its clients and it will enter into such transactions as principal dealing on its own account.

7. Financial Instruments in Scope

7.1 Interest Rate Derivatives

This section explains our best execution processes for interest rate derivatives such as:

- Interest rate swaps
- Interests rate forwards
- Interest rate options
- Cross currency swaps
- Inflation swaps
- Forward rate agreements

(1) How to place an order/trade

You trade an interest rate derivative by accepting a quote provided to you by us or by placing an order with us without having received a quote. Our trading desk assesses all orders individually. When you trade an interest rate derivative with us, we always execute as principal. This means that we deal on own account and that you trade directly with us.

(2) Best execution criteria

The main factor for ensuring best execution in relation to interest rate derivatives is the price. The market for interest rate derivatives is characterised by varying levels of liquidity, as some derivatives have a high level of liquidity and some a low level of liquidity.

The key factors when pricing interest rate derivatives are:

- observable prices (bid and offers) on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting pricing

The price of an interest rate instrument thus depends in particular on the uncertainty about the future development in interest rate levels and market liquidity. For liquid interest rate instruments, we base our quotes in particular on observable market prices (bid and offer) on trading venues. The less liquid the interest rate instrument is, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

7.2 FX Derivatives

This annex explains our best execution processes for foreign exchange derivatives such as:

- FX forwards
- FX swaps
- FX non deliverable forwards (NDF)
- FX options

(1) How to place an order/trade

You trade an FX instrument by accepting a quote provided to you by us. When you trade an FX instrument with us, we always execute as principal. This means that we deal on own account and that you trade directly with us. For some of the above instruments and for certain trade sizes, we offer immediate trading via one of our online banking solutions.

(2) Best execution criteria

The main factor for ensuring best execution in relation to FX instruments is the price.

The key factors when pricing FX instruments are:

- the spot rate(s) of the relevant currency or currencies
- observable prices on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting the pricing

The price of an FX instrument thus depends in particular on the uncertainty about the future development in the relevant currencies, interest rate levels and market liquidity.

For liquid FX instruments, we base our quotes in particular on observable market prices (bid and offer) on trading venues. The less liquid the FX instrument is, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

8. Disclosure Requirements

In accordance with reporting requirements under MiFID, we will publish:

- (1) annually on our website the top five Execution Venues in terms of trading volumes for all executed client orders per class of financial instruments together with information on the quality of execution obtained; and
- (2) quarterly on our website the information on the quality of our execution where we execute certain derivatives trades in MiFID financial instruments not subject to the trading obligation.

7.1 List of Execution Venues

The following lists the execution venues KDB London places significant reliance upon in meeting its best execution obligations, which are consequently the most common trading venues that KDB London will use to execute your order. These lists are kept under review and referred from time to time to ensure that best execution continues to be achieved.

- (1) Interest Rate Derivatives: KDB London (OTC - outside a trading venue), Bloomberg, Reuters
- (2) FX Derivatives: KDB London (OTC - outside a trading venue), Bloomberg, Reuters