

## BEST EXECUTION POLICY

SpareBank 1 SMN ("**SMN**") is SpareBank 1 Markets AS ("**SB1 Markets**") Parent Company. Some Clients will establish a customer relationship with both SMN and SB1 Markets when purchasing investment services. The two companies have decided to establish a common best execution policy. This document therefore applies both for Clients that solely have a customer relationship with SB1 Markets, and for Clients that have a customer relationship with both companies.

### 1. INTRODUCTION

SB1 Markets shall in accordance with the Norwegian Securities Trading Act and Markets in Financial Instruments Directive (MiFID II) take all sufficient steps to obtain the best possible results for their clients when executing a client's order ("**Best Execution**"). This requires SB1 Markets on (i) receipt and transmission of orders on a client's behalf, and/or (ii) execution of orders on a client's behalf, to perform a precise assessment of the execution of the order to achieve Best Execution, with reference to any specific instructions from the client and the nature of the order and the relevant markets. Best execution obligation is only applicable to execution of orders in financial instruments on behalf of non-professional clients and professional clients that are not eligible counterparties. In areas where considered necessary, for example in relation to order handling, the policy distinguish between non-professional and professional clients.

The policy for this assessment will be these guidelines for order execution (the "**Policy**"). The duty to ensure Best Execution does not entail that SB1 Markets has any portfolio management responsibility on behalf of the client beyond the specific duties that are imposed by law, or are otherwise agreed with the client.

Further, SB1 Markets` duty to achieve Best Execution will be dependent on how specific and concrete the respective order is (see further details in section 2). An order is considered as received, and SB1 Markets will be in a position to trade on the client's behalf, when an instruction on order execution giving SB1 Markets a contractual or transmission obligation to the customer is received. With the placement of a non-specific order, the client entrusts SB1 Markets to protect their interests in relation to price and other factors in a transaction, which can be affected by the choices the broker takes when executing the order.

In order to achieve Best Execution SB1 Markets will, as far as possible, make use of the same standards regardless of which financial instruments are traded and in which market place the client's orders are executed. The guidelines apply to both listed and unlisted financial instruments. Diversity in the markets and instruments, as well as the various types of orders and volume, will however lead to different factors being taken into account. SB1 Market will draw particular attention to the fact that price volatility in certain markets can mean that the timeliness of execution is a priority, whereas in other markets with low liquidity, execution of the order in itself will constitute Best Execution. Choice of market place can also be limited; it might occur that it is only one actual market to execute an order.

The Policy does not cover settlement (handling of delivery and payment) after execution of an order, but relate to the order execution itself. If financial settlement of a transaction is completed by another investment firm, SB1 Markets` Policy will still fully apply for the order execution.

In accordance with an agreement, SMN is responsible for settlements regarding interest rate and foreign currencies transactions conducted by SB1 Markets.

### 2. EXCEPTIONS FROM THE POLICY

The Policy applies when SB1 Markets executes orders on behalf of clients. When SB1 Markets publishes rates or quote prices, at which SB1 Markets finds it acceptable to sell or buy for (price-driven markets), this

is not considered as an execution of an order. The same applies when SB1 Markets and the client agree a price on a transaction, where SB1 Markets is the counterparty and is exposed to risk.

### **2.1 Facilitation of client trades/market-making**

When SB1 Markets quotes a price for trade of certificates, bonds, currency, and for trade in currency, interest rate- and commodity derivatives, and the client wishes to act on quoted price, the trade will normally not be regarded as an execution of an order on behalf of the client, and the requirement for Best Execution will therefore not apply. If trade in financial instruments, which normally are traded in price-driven markets is carried out through an ordinary execution, the Policy will still apply for such part of the order.

### **2.2 Specific to equity derivatives**

If SB1 Markets quotes a price for equity derivatives, the trade will normally be exempted from the requirement for Best Execution in connection with execution of the order. On receipt of the order for purchase or sale of equity derivatives registered on Oslo Børs, SB1 Markets will compare the price we can offer with the price that is available on Oslo Børs, and give the client the best price.

### **2.3 Specific instructions**

If the client gives specific instructions regarding the whole or parts of the order, for example as to limit, best, choice of execution venue etc., the order will as far as possible be executed in correspondence with the client's instructions. Where an order or a part of an order is executed in relation to specific instructions, this is regarded as Best Execution, cf. Commission Delegated Regulation EU/2017/565 article 64 no. 2. When a specific instruction concerns only parts of the order, this Policy will apply for the remaining part of the order.

Orders placed by the client themselves using a self-service trading solution, for example the trading service in SpareBank 1 online banking or DMA, will be regarded as a specific instruction given by the client, which shall be executed by SB1 Markets in relation to this.

## **3. DETAILS ON THE POLICY FOR BEST EXECUTION**

### **3.1 Relevant factors**

SB1 Markets will take regard of the following criteria when ensuring best execution:

- Price
- Costs
- Speed of the execution
- Likelihood of execution and settlement
- The size of the order
- The type and nature of the order
- Other criteria relevant to the execution of the order (such as likely market impact)

### **3.2 Consideration of relevant factors**

When weighing up the above mentioned factors (section 3.1) against each other, the following criteria should be taken into consideration:

- the characteristics of the client, including categorization of the client as non-professional or professional

- the characteristics of the client order, including where the order involves a securities financing transaction
- the characteristics of the financial instruments that are subject to the order
- the characteristics of the execution venues to which the order can be directed

With regards to execution of orders for non-professional clients, the total amount to be paid by the client will normally be the decisive factor for the choice of execution (price). This entails that the criteria of speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs will be given precedence over the immediate price and cost consideration only if SB1 Markets considers that that these criteria are instrumental in delivering the best possible result in terms of the total consideration to the non-professional client. When determining the total amount, SB1 Markets shall take into account the price of the financial instrument and the costs relating to the execution including direct clearing and settlement fees, other fees paid to third parties involved in the execution of the order.

If the order is of such volume that SB1 Markets consider it likely that it will affect the pricing of the instrument in the market, SB1 Markets can execute the order fragmented and over time if the broker consider it suitable to achieve Best Execution on behalf of the client.

### **3.3 Alternative methods for execution of orders**

In order to meet SB1 Markets` duty to carry out all reasonable measures to achieve Best Execution for the client, SB1 Markets will use one or more of the following marketplaces when we execute customer orders:

*3.3.1 On a regulated marketplace, multilateral trading facility ("MTF"), organised trading facility ("OTF"), systematic internaliser ("SI") or market maker:*

- by submitting the client`s order to an execution venue where SB1 Markets is a member, or has access through Smart Order Routing (SOR). SB1 Markets points out that market places are in constant change and development. SB1 Markets reserves the right at any given point in time to discontinue the use of or take in use other markets and MTFs.
- by placing the order with another investment firm if SB1 Markets does not have access to the relevant execution venue. SB1 Markets will ensure that the other investment firm`s guidelines are compliant with our Best Execution Policy.

*3.3.2 Outside a regulated venue or MTF:*

- By buying from or selling to other clients (client- to client trading). If SB1 Markets has received orders for both purchase and sale of the same financial instrument, and these orders can be matched internally, SB1 Markets will usually place the orders in the trading system where the financial instrument is listed. The trading system will automatically perform a matching of the orders to the market price. Alternatively, the orders will be executed by SB1 Markets itself concluding the contract on behalf of the clients. SB1 Markets will then protect the client`s interests with the same care as otherwise, and set the price on the basis of the rate on the stock exchange, or if stock exchange rates are not available, a rate which is reasonable in light of the market position.
- by becoming, in whole or in part, a counterparty (trading on own-account). If SB1 Markets or SMN is counterparty, this will be stated on the contract note or other confirmation. If SB1 Markets or SMN becomes a counterparty (trading on own account) in relation to a client order, this will take place at a price which is equal to the best achievable price in a trading system, such as the stock exchange price. Exceptions will apply if SB1 Markets, in its capacity as a Market Maker and when asked directly by a client, quotes a price at which we are prepared to either buy or sell the relevant

financial instruments, and the client accepts this price. When SB1 Markets act as a counterparty in non-cleared transactions, the client will obtain counterparty risk to SB1 Markets.

- e. by placing the order with another investment firm which SB1 Markets collaborates with.

### **3.3.3 Relevant execution venues**

SB1 Markets is a member on following regulated trading venue and MTF:

- Oslo Stock Exchange
- Euronext Expand
- Nordic AB

The list is not exhaustive. From time to time executions may take place on other platforms, hence there is an alignment with the Policy. If circumstances arise where relevant markets are not given in advance, SB1 Markets will consider which market(s) on the list will most probably provide Best Execution for our clients. For certain financial instruments there will be only one possible market for execution of the order. Which markets are available for execution of an order in a self-service trading solution for securities, depends on the service offered.

In certain circumstances orders will be executed outside regulated markets or MTF if SB1 Markets finds that this will provide Best Execution for the client.

If the financial instrument is traded on several execution venues, the order will primarily be sent to the market via SOR. This entails that the order will be executed on the regulated market/MTF, where the best price is available. Nevertheless, before the order is sent to the venue, SB1 Markets will investigate whether liquidity and better prices are available in any "dark pools" which SB1 Markets has access to. If SB1 Markets considers that a trading venue with higher liquidity, in connection to the actual financial instrument, will provide Best Execution for the client, SB1 Markets will seek to execute the order at this venue. SB1 Markets will, based on this Policy, execute the clients order on the best-suited marketplace.

For the circumstances that SB1 Markets transmit or place orders through another investment firm, the quality on their executions is monitored, and if necessary, any deficiencies will be corrected.

### **3.4 Specific to trading unlisted shares**

If an unlisted share (or other financial instrument) is registered on the Norwegian OTC-list (NOTC-list), SB1 Markets will enter the order as an interest in the NOTC-system and then contact another firm that has registered a corresponding interest in the OTC system. SB1 Markets will negotiate with this firm in order to achieve the best possible price on behalf of the client.

### **3.5 Specific to trade in interest and currency markets**

SB1 Markets and SMN are cooperating in connection with trade in interest and currency derivatives and currency spot. SB1 Markets provides the services receipt, transmission and execution of orders and is in charge of all customer contact. SMN is the financial counterparty in all trades and responsible for the financial settlement of the transaction. However, SB1 Markets is handling the settlement on behalf of SMN.

For trading in foreign currency SB1 Markets and SMN make use of the following counterparties:

- Deutsche Bank
- UBS
- Barclays

- JP Morgan
- Nordea

#### **4 TIMING OF ORDER EXECUTION ETC.**

Unless a specific instruction from the client is provided, SB1 Markets shall normally disclose and commence the execution of the order immediately upon receipt of the order. This entails that SB1 Markets will process incoming orders based on time priority, unless it is deemed that Best Execution will be achieved by combining the order with other orders, so called aggregating of orders. SB1 Markets reserves the right to aggregate the client's order with orders from other clients, people or other legal entities, which may or may not be connected to SB1 Markets. Aggregation of orders may take place if it is unlikely that aggregation in general will be disadvantageous to any of the clients. However, the client should be aware that the aggregation of orders may in certain circumstances be disadvantageous.

Further, SB1 Markets reserves the right to aggregate the client's order with transactions carried out for SB1 Markets own account. If the combined order can only be partly executed, the client's order will generally be prioritized over that of SB1 Markets. Exceptions will apply if SB1 Markets could not have executed the order with equally advantageous terms without aggregation. Further information on aggregation of clients' orders can be found in the general terms and conditions for trade with financial instruments through SB1 Markets, clause 8.3.

If the order is received outside the market's opening hours, the order will normally be executed when the market reopens.

#### **5 MARKET DIVERSITIES**

If any interferences occurs at the marketplaces or in the trading system (e.g suspension, annulations etc.), SB1 Markets can execute in other ways than described above, if SB1 Markets consider this most likely to give the client Best Execution. The marketplace and/or the trading system can cancel or make changes to a trade executed in their system. SB1 Markets cannot be responsible for such cancellation or change, regardless if the client has received oral confirmation from the broker or contract note from SB1 Markets.

SB1 Markets may also deviate from the various points in the guidelines in cases where the relevant markets are highly volatile or subject to market disruption.

#### **6 MONITORING AND REVIEW**

To identify, and where appropriate correct deficiencies, SB1 Markets will monitor the effectiveness of the Policy, and regularly assess how often the marketplaces covered by the Policy lead to Best Execution for our clients and to what extent it is necessary to make changes in the execution policies. Taking into account the information published by relevant execution venues and by SB1 Markets in accordance with the Commission Delegated Regulations EU/2017/575 and EU/2017/576. SB1 Markets will evaluate the Policy at least once a year, and/or when significant changes occur which affect SB1 Markets' continued ability to achieve Best Execution for the client. Prevailing Policy, together with a list of marketplaces used, will at all times be available at [www.sb1markets.no](http://www.sb1markets.no) and clients are expected to keep themselves updated on its content.

#### **7 SUSPICION OF MARKET ABUSE OR INSIDER TRADING**

By suspicion of market abuse or insider trading, SB1 Markets have the right not to execute the order.

## Appendix

### Equity and equity- like instruments:

This appendix explains our best execution processes for the following equity and equity-like financial instruments:

- Shares
- Equity Certificates
- Depository receipts
- Warrants
- Exchange traded funds (ETF)
- Exchange traded notes (ETN)

The mentioned financial instruments have different characteristics, hereby different risk factors, liquidity and credit risk.

### How SB1 Markets handle client orders:

When SB1 Markets executes client orders in equity and equity- like instruments we can do so by acting as either the client's agent (execute orders on behalf of the client) or a principal (execute client's order against our internal balance).

All orders will normally be sent through our Smart Order Router (SOR), unless other is specified by the client. The following execution venues are mainly used:

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| • Nasdaq.OMX Copenhagen             | • ITG Posit                      |
| • Nasdaq.OMX Stockholm              | • Sigma X                        |
| • Nasdaq.OMX Helsinki               | • Instinet Blockmatch            |
| • Oslo Stock Exchange               | • Liquidnet                      |
| • Nasdaq OMX First North (Sweden)   | • Smartpool                      |
| • Nasdaq OMX First North (Denmark)  | • Deutsche Börse – Xetra         |
| • Nasdaq OMX First North (Finland)  | • NYSE Euronext Amsterdam        |
| • Aktietorget                       | • NYSE Euronext Brussels         |
| • SEBX                              | • NYSE Euronext Paris            |
| • Euronext Expand                   | • NYSE Euronext Lisbon           |
| • Euronext Growth                   | • London Stock Exchange          |
| • Norwegian over the counter market | • SIX (Swiss Exchanges)          |
| • NGM Equity                        | • Borsa Italiana                 |
| • NGM -Nordic MTF                   | • Irish Stock Exchange           |
| • Nasdaq.OMX Riga                   | • Madrid Stock Exchange          |
| • Nasdaq.OMX Tallinn                | • Vienna Stock Exchange          |
| • Nasdaq.OMX Vilnius                | • Nasdaq                         |
| • Nasdaq.OMX Iceland                | • American Stock Exchange        |
| • BATS Europe                       | • New York Stock Exchange (NYSE) |
| • Chi-X Europe                      | • Toronto Stock Exchange         |
| • Turquoise                         |                                  |
| • UBS MTF                           |                                  |

SB1 Markets has access to numerous other market places listed on the following website:

<https://www.instinet.com/legal-regulatory>. The documents are called "Appendix to the Order Execution Policy - EMEA Venues" and "Appendix to the Order Execution Policy - non-EMEA Venues".

SB1 Markets note that market places are constantly changing and developing. SB1 Markets reserves the right at any given point in time to discontinue the use of or take in use other markets and MTFs.

The Smart Order Router (SOR) will route the order to the venue that will give the best price.

If SB1 Markets receives orders for both purchase and sale of the same financial instrument, these orders can be matched internally in accordance with the client's interest and current regulations.

In addition, SB1 Markets will also itself constitute as an execution venue for the execution of orders from clients when SB1 Markets executes orders by trading on own account on behalf of clients acting as an execution venue i.e. as a systematic internaliser, market maker or liquidity provider. In these situations, SB1 Markets will act as a principal. When SB1 Markets responds to a request for quote (RFQ), the respective price will depend on market situation, order size, liquidity etc.

When a professional client trade based on a quote provided by SB1 Markets, the initial assumption will be that the client does not legitimately rely on SB1 markets to provide best execution. This assumption will be checked against the so-called four-fold cumulative test, published by the European Commission to establish whether the obligation to best execution is relevant. The four-fold cumulative test encompasses the following criteria:

- Which party initiates the transaction. If the client initiates a transaction it is less likely that the client will be relying on us to provide best execution.
- Questions of market practice and the client's capacity to trade other places.
- The relative levels of price transparency in the market.
- The information provided by SB1 Markets and any agreement reached between the client and SB1 Markets may impact on whether best execution is obliged.

For non-professional clients, the result of the four-fold cumulative test will normally be that you are entitled to best execution when you trade based on a quote provided by us.

### **How to place an order:**

Clients can send orders electronically via SB1 Markets online trading platform or manually by phone or chat functions.

Electronical orders are sent directly through the market in accordance with the client's specifications. Orders that are valid for several days will be withdrawn from the market on a daily basis, and then resent the next morning, unless the client manually ask SB1 Markets to keep the order in the market.

Orders received manually are sent through the market in accordance with the client's specifications.

SB1 Markets has access to several different types of algorithms that can be used while executing client orders.

### **Priority of execution factors**

SB1 Markets executes orders for shares and equity-like instruments in the same way for both non-professional and professional clients. Situations may arise where other factors (speed of execution, market impact, size of the order for execution) are more likely to get priority over price.

**Equity derivatives:**

This appendix explains our best execution processes for the following equity derivatives:

- Stock options and forwards
- Index options and futures
- Total return swaps (TRS)
- Other tailor- made derivatives

Equity derivatives may be exchange traded- or OTC derivatives.

**How SB1 Markets handle client orders:**

When SB1 Markets executes client orders in equity derivatives we can do so by act as either an agent or a principal. If a client wants to trade an exchange traded derivative SB1 Markets will seek to quote the best possible price based on several factors like volatility, expected dividend, interest rate, risk margins etc. SB1 Markets will compare the quoted price with observable prices in the market, and if the observable price in the market is better than our quoted price, SB1 Markets will act as an agency and execute the order in the market.

When quoting prices in an OTC derivative, SB1 Markets will seek to quote the best possible price based on the same factors as mentioned above. For such kind of contracts, observable prices may not be available; under these circumstances, SB1 Markets will give a best estimate and act as a principal if the client accepts the price.

**How to place an order:**

Clients can place orders or request for quote manually by phone, email or chat functions. SB1 Markets will executed the order in accordance with the client's specifications. Exchange traded derivatives will be executed at the execution venue where the instrument is listed. In cases where SB1 Markets does not have access to certain markets orders will be placed with another investment firm. SB1 Markets will ensure that the other investment firm's guidelines is compliant with our Best Execution Policy.

**Bonds:**

This appendix explains our best execution processes for the following bonds, the list is not exhaustive:

- Commercial paper
- Credit bonds
- Covered bonds
- Government bonds
- Hybrid bonds
- Convertible bonds
- High Yield bonds

Bonds are normally traded off exchange. SB1M normally acts on a principal or matched principal basis. Clients trade bonds on the basis of a quote provided by SB1 Markets or by placing an order. This may be done through telephone or electronic channels. The trade concludes when clients and SB1M agree on a price.

In cases where the client requests to sell bonds, which SB1 Markets does not want to add onto their own book, SB1 Markets will try to find buyers in the market. If the client wants to invest in bonds, which SB1 Markets does not have on their own book, SB1 Markets will contact potential sellers. The margin will increase in such cases due to extra work involved.



The price quoted will include a margin and this shall cover the costs related to market risk, counterparty risk, funding, capital adequacy requirements, operational costs, taxes, execution venue fees, clearing fees, settlement costs and a profit to SB1M.

Bonds have varying levels of liquidity. Liquidity will affect the price, and may be obtained through SB1M's own book, clients orders or market liquidity.

SB1M will seek to quote a fair price. The price will depend on transaction data and observable prices in the market. The size and nature of the order may affect the price. In some cases there may be limited or no information available about current market prices. In such cases, the price will be based on a best estimate, based on current pricing of similar instruments or issuers.

SB1M also use internal models for pricing. If SB1M does not want to keep the bonds in our inventory, or if we do not hold the bonds, we will seek an interested counterparty in the market. The margin in these cases reflect the effort made by SB1M. Executed bond transactions are monitored and benchmarked against available market data by use of a transaction cost analysis (TCA). Internal policies will ensure that we monitor and follow up outliers.

#### **Interest rate derivatives and FX derivatives:**

This document explains the principles applied by SB1M when executing orders in interest rate derivatives and FX derivatives for non-professional clients and for professional clients that are not eligible counterparties.

The principles apply for the following financial instruments:

- FX forwards
- FX options
- Forward rate agreements (FRA)
- Interest rate swaps (IRS)
- Interest rate options

The client trades an interest rate derivative or FX derivative by accepting a quote from SB1M. For some of the financial instruments listed above SB1M offers electronic trading. The quote is based on SB1M's internal pricing models and relevant market prices.

For non-professional clients the quality of execution is determined in terms of the total consideration. Total consideration consists of transaction costs and the price of the financial instrument.

Professional clients that ask for a quote from SB1M and subsequently accept the quote cannot fully expect Best Execution according to this document.

All client orders are executed with SMN/SB1M as counterparty. This implies that all quotes provided by SMN/SB1M are at SMN/SB1M's own risk.

The most important determinants for the price of the financial instrument are:

- Observed prices for similar instruments
- FX rates, interest rate curves, interest rate differentials and volatility
- Market liquidity
- The size and characteristics of the order
- Regulatory factors
- The credit quality of the client

The liquidity of interest rate derivatives and FX derivatives vary over time and across different financial instruments. Market information is calibrated to internal data when necessary to obtain a fair market price.

SB1M executes orders promptly and in the sequence in which they are received. When a client provides specific instructions on order execution, this might prevent SB1M from executing the order according to the principles outlined in this document.

SB1M will evaluate the principles by comparing client quotes to market data. Direct comparable market prices will rarely be available, which implies that the evaluation typically will be based on market price estimates.

Considerations related to speed and likelihood of order execution are not relevant, since SB1M provides binding quotes to clients upon individual assessment of each order.

SB1M will periodically publish information on the quality of order execution.