

POLICY FOR EXECUTION
OF CLIENT ORDERS FOR
TRANSACTIONS IN FINANCIAL INSTRUMENTS

Prepared pursuant to art. 86 of the Law on Markets in Financial Instruments and art.66 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 in conjunction with art. 27, para. 4 of Directive 2014/65/EU.

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1 GENERAL PROVISIONS

1.1 INTRODUCTION SCOPE OF THE POLICY FOR EXECUTION OF CLIENT ORDERS

This Policy for execution of client orders for transactions in financial instruments (hereinafter referred to as the „Policy”) has been prepared in accordance with the requirements of the Law on Markets in Financial Instruments /LMFI/ and Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

The Policy for execution is applied to all orders submitted by the clients to the Bank for purchase, sale or exchange of securities or other financial instruments within the meaning of Art. 4 of the LMFI.

The transactions in financial instruments are carried out according to the rules and requirements applicable to the respective venue of their execution and the legislation applicable to that venue.

The obligation for ensuring the best possible result upon execution of orders of a client applies to all types of financial instruments. Considering the differences in the market structures or in the financial instruments structure however, it would be difficult to define and apply a unique standard and a procedure for best execution which would be valid and effective with regard to all classes of instruments. Due to this, the best execution obligations apply in such a way that considers the specific circumstances related to specific types of financial instruments.

The bank in its capacity as an investment intermediary cannot execute orders at the expense of clients unless they have provided in advance their written consent with the current Policy under item 1.

1.2. CUSTOMER RELATIONSHIP CARE FOR THE INTERESTS OF THE CLIENTS

The relations between UniCredit Bulbank („the Bank”), acting as an investment intermediary and its clients are built on the basis of mutual trust, confidentiality of the information and bilateral financial benefit in compliance with the statutory provisions stipulated in the applicable European and national legislation.

While executing a client order UniCredit Bulbank, acting as investment intermediary, observes the restrictions, bans, requirements and terms of the applicable legislation, considering the price, expenses, speed of execution of the order, the likelihood for execution and settlement, the amount, the nature and all other circumstances related to the execution of the order. In case of specific instructions provided by the client, the investment intermediary shall execute the order by following these instructions.

Upon the execution of an order submitted by a professional and retail client, the best possible result is defined by the total amount of the transaction, including the price of the financial instrument and the costs, related to the execution of the order. The costs for the client related to the execution of the order include all costs directly related to the execution of the order, including fees for the execution venue, clearing/settlement fees, as well as other fees and remunerations, payable to third parties, participating in the execution of the order.

The Bank chooses only one venue of execution only if it can reasonably expect that the chosen venue will allow it to achieve results for the clients which are at least so good as the results it could reasonably expect by choosing alternative venues of execution.

To achieve the best possible result in the cases where more than one competitive venues for execution of an order in relation to a financial instrument exist and upon performance of assessment and comparison of the results which could be achieved for the retail and the professional clients upon execution of the order on any of the venues listed in the policy for execution of orders of the intermediary, which are suitable for its execution, it should be considered the commission of the intermediary and the costs for execution of the order on any of the possible venues for execution of the order.

The assessment for the best execution of the client orders is not bound only to the establishment of the best price for the client but also to all factors listed below. If for a specific transaction in financial instruments it is established that the price at which it has been concluded is not the best price

possible, offered on the market at the time of its conclusion, this does not mean that the condition for best execution of the client order has been breached.

The assessment by the bank of the execution of the client order under the best conditions for the client takes into account the overall impact of the following factors:

- Price of the financial instruments;
- Costs, related to the execution of the order;
- Speed of execution of the order;
- Probability for execution and settlement of the order;
- Size of the order;
- Type of order;
- Other factors that are important for the execution of the order.

In case of specific instructions provided by the client, the investment intermediary shall execute the order by following these instructions.

The investment intermediary shall not influence the client to provide him/her instructions for execution of the order in specific way through an explicit indication or implicit offering of the content to the instructions of the client, when the intermediary should reasonably know that such instruction would probably prevents the intermediary from achieving the best possible result for the client. However, this should not prevent the investment intermediary from offering to the client to choose between two or more specific execution venues on condition that these venues comply with the policy for execution of orders of the intermediary.

All fees depending on the execution venue are indicated in the tariffs of the bank.

For clients defined as eligible counterparties within the meaning of MIFID and the classification of item 1.2.2.1.1 of this Policy, the Bank is not specifically bound to apply the best execution principle.

The best execution principle shall not be applicable in the cases where a specific transaction is concluded based on a request for quotes on behalf of a client in which the potential transaction is between the client and the bank in its capacity not as an agent and intermediary but as a party to the transaction. In these cases the transaction is based on the client order certifying the acceptance of the conditions quoted by the bank and the price of the order is fixed.

The bank executes the client orders by considering the specific parameters specified by the client in its order. The bank always executes a client order upon strict adherence to the specific instructions defined by the client in the order or provided in another way. In some cases the parameters of an individual order may not allow the Bank to apply this policy and conclude a transaction which does not meet its criteria for achieving the best possible execution of an order for transaction in financial instruments. All special instructions of the Client derogate the rules of this Policy, of which the Client shall be considered informed by signing an agreement with the bank and accepting this Policy. Upon execution of an order in accordance with the explicit instructions of the client the parties accept and unconditionally agree that the bank has executed its obligation for achieving the best possible result. The bank shall not be liable in case it has executed accurately and in good faith a client order, following the parameters of the transaction defined in it. The risk and consequences of the execution of such orders shall remain entirely at the expense, risk and responsibility of the client.

Where a third country market is chosen for execution, by his/her explicit instructions for a market the client confirms that s/he is acquainted with the market specificity, as well as with the specific conditions for safekeeping, settlement, registration and exercising of rights over the financial instruments which may differ from those regulated in the EU, if any. Upon the explicit instructions of the client it is assumed that the client is informed and hence aware of the fact that his/her rights related to the financial instruments or cash, may differ due to the applicability of the law of a third country, which also includes the conditions under which the following events might arise:

- The availability of possessory lien or retention right over the client cash or financial instruments for the investment intermediary;
- The availability of right to set-off over the client cash or financial instruments for the investment intermediary;

- The availability and the conditions on which the investment intermediary has or may have right to set-off in relation to client financial instruments or cash;
- The possibility the depository institution to have possessory lien, right to retention or of set-off over the client financial instruments or cash, wherever applicable.

In addition, UniCredit Bulbank AD shall be obliged to observe the laws and regulations for imposing of and compliance with economic and financial sanctions or trade embargo and/or the economic sanctions or any other restrictive financial and economic measures undertaken or imposed by the European Union, USA, UN and/or governments, institutions or agencies ("the Sanctions") and with regard to this it may reject or terminate the execution of a specific order.

1.2.1. FACTORS FOR EVALUATION OF THE EXECUTION OF AN ORDER IN THE BEST INTEREST OF THE CLIENT

1.2.1.1 PRICE

The Bank evaluates the price-formation mechanisms at the venues for execution of orders the subject of which are the financial instruments that are included in the client order, in order to decide which the most favourable venue in terms of price is.

The price normally depends on the number of the participants on the market, the behavior of the market makers (if any) and the organization of the stock exchange (reference market principle), where the respective financial instruments are traded.

1.2.1.2 COSTS

For the provided investment services the Bank may collect fees and commissions defined on the grounds and in the amount specified in its Tariff.

All costs, related to the execution of a client order, including, but not limited to, the fees of the execution venues, fees for clearing and settlement, as well as other fees and remunerations, payable to the Bank and/or third persons related directly to execution of the order, are indicated in the announced commission of the Bank that is collected after the execution of the client order.

1.2.1.2.1 DIRECT EXECUTION OF ORDERS ON STOCK EXCHANGE (REGULATED MARKET) OR OTHER TRADE VENUES

In addition to the commissions of the Bank the costs include any costs incurred in relation to third parties (for example stock exchanges, leading brokers/market makers active on the stock exchanges – including costs for central contracting parties – as well as participants related to the settlement of the orders), as well as costs for access to the respective market.

1.2.1.2.2. INDIRECT EXECUTION VIA INTERMEDIARY

If the Bank does not have a direct access to a given venue for execution of the order, it will not execute the order on its own at that venue, but will use the services of an intermediary. In that case, the costs for execution include both those under Item 1.2.1.2.1, and the ones of the intermediary.

1.2.1.2.3 SPECIFICITIES OF FIXED PRICE TRANSACTIONS WITH THE BANK

For fixed price transactions with the Bank, usually the fees are included in the value of the financial instruments. These transactions are concluded based on a request of quotes on behalf of a client in which the potential transaction is between the client and the bank in its capacity not as an agent and intermediary but as a party under the transaction. In these cases, respectively, the requirement for the best possible execution shall not apply.

1.2.1.3 OTHER ASPECTS RELATED TO THE EXECUTION OF CLIENT ORDERS

According to the regulations, the Bank has also taken into account the following aspects related to the execution of client orders:

1.2.1.3.1 SPEED OF EXECUTION OF THE ORDER

The speed of execution on a specific trading venue is determined to a large extent by the type of the market model (i.e. the organization of the trade on the respective market, determined in its rules and the applicable legislation).

1.2.1.3.2 PROBABILITY FOR EXECUTION AND SETTLEMENT OF THE ORDER

The probability for a specific order to be executed on a specific trading venue is determined to a large extent by the liquidity of the financial instruments, subject to the client order on the specific venue.

As probability for settlement the Bank considers the risk from a problematic settlement in the transfer of the financial instruments, which for its part may have a negative effect on the supply or payment.

1.2.1.3.3 TYPE AND SIZE OF THE ORDER

The Bank makes a distinction according to the size of the order if it affects the choice of the venue for its execution in terms of price and costs.

Moreover, the Bank takes into account whether it is possible to execute a specific type of orders on a specific market.

In certain cases it is possible to submit various types of orders on the specific venue for execution with subject the same financial instruments (limited and additional types of orders (for example "all or nothing"). When they submit an order the clients may specify the type of the order in the contract/order, despite the fact that some types of orders may be exceptional criteria for specific stock exchanges.

1.2.2. CRITERIA FOR DETERMINING THE RELATIVE IMPORTANCE OF THE FACTORS FOR EXECUTION OF A CLIENT ORDER**1.2.2.1 CLASSIFICATION OF THE CLIENTS DETERMINING A RISK PROFILE OF THE CLIENT AND PERFORMING AN ASSESSMENT FOR SUITABLE SERVICE**

1.2.2.1.1. In accordance with the established provisions of the legislation, the Bank classifies its clients as retail clients, professional clients and eligible counterparties. The classification of clients does not affect the execution of the client order in terms of the venue of its execution.

The Bank classifies each client by applying the following criteria and rules:

Eligible counterparty is any client that is: investment intermediary, credit institution, insurance company, collective investment scheme, management company, pension-insurance company, pension fund, other financial institutions which are licensed or regulated by the EU law and the member states, the national governments, public bodies managing the public debt, central banks and international institutions as well as such entities from third countries to which requirements equivalent to those of the EU law apply.

Professional client is this client who has the experience, the knowledge and the expertise to make independent decisions and to assess correctly the risks to which it is imposed. In order to be considered a professional client, the client must meet the following criteria:

The following categories shall all be regarded as professional clients in all investment services and activities and financial instruments for the purposes of the Directive:

- (1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below shall be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country::

- (a) Credit institutions;
- (b) Investment intermediaries
- (c) Other licensed or regulated financial institutions;

- (d) Insurance companies;
 - (e) Collective investment schemes and management companies of such schemes;
 - (f) pension funds and management companies of such funds;
 - (g) Commodity and commodity derivatives dealers ;
 - (h) Locals;
 - (i) Other institutional investors
- (2) Large undertaking meeting two of the following size requirements on a company basis:
- a) balance sheet total EUR 20,000,000;
 - b) net turnover: EUR 40,000,000;
 - c) own funds: EUR 2,000,000;
- (3) National and regional governments, including public bodies that manage public debt at national or regional level, Central banks, international and supranational institutions such as the World Bank, the International Monetary Fund (IMF), the European Central Bank (ECB), the European Investment Bank (EIB) and other similar international organisations.
- (4) Other institutional investors, whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Clients which may be treated as professional clients shall upon request in the process of performing the assessment of suitability satisfy at least two of the following criteria:

- The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- The size of the client's investment portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500 000;
- The client works or has worked in the financial sector for at least one year in a professional position which requires knowledge of transactions or services envisaged.

All clients who do not meet the requirements applicable to a professional client, an eligible counterparty, respectively, are classified by the Bank as retail clients.

The Bank shall provide the possibility to its Clients, at their request and in observance of the legal prerequisites and requirements in place, to change the category assigned to them pursuant to the existing rules and procedures, as in this way they will make use of the respective protection level, specified for this category.

The highest protection of investment rights and interests, and property of a client is ensured for the retail clients, followed by the professional clients and the eligible counterparties.

1.2.2.1.2. While providing investment services, the Bank determines the risk profile of each and every bank client on the basis of presented by the latter information on the latter's investment objectives (including information about the period of time during which the client is willing to hold the investment, the client's preferences as regards the assumed risk, the client's risk profile, and the objectives of the investment), the financial conditions of the client (including, at discretion of the Bank, information about the sources and amount of the constant revenues, assets, including liquid assets, investments and real estate, as well as regular financial obligations), experience and risk appetite. The mentioned information is necessary for the Bank to ascertain the important facts with respect to the client and it provides reasonable grounds for the latter to consider, taking into account the nature and scope of the offered service, that the transaction which is going to be recommended or concluded satisfies the following criteria:

1. corresponds to the investment objectives of the client;
2. the client has the financial capability to assume all the related investment risks, compatible with the client's investment objectives;
3. the client possesses the necessary experience and knowledge in order to understand the risks related with the transaction or with the management of the client's portfolio.

The Bank assumes that, as regards the products, transactions and services offered to a professional client, the latter possesses the needed experience and knowledge, in order to understand the risks related to the transaction or the management of the client's portfolio and has the financial capacity to assume all the related investment risks which are compatible with the client's investment objectives.

In case the Bank has not collected the required information while providing investment advice or portfolio management and/or the client rejected to provide fully or partially the requested information, the Bank has not the right to recommend investment services or financial instruments to the client.

The Bank explicitly notifies its client if the transactions in financial instruments ordered by the latter do not correspond to the latter's risk profile. The Bank fulfills such orders on the prerequisite condition that the client has explicitly stated in writing to be acquainted with the circumstance that the transaction ordered by the latter does not correspond to the latter's risk profile, but despite this, the client is willing to have the transaction concluded.

The bank preserves its right to reject the execution of orders for transactions in derivatives which are not registered for trade in a securities trading venue (OTC Derivative market) in case they do not comply with the specific risk profile of the respective client.

1.2.2.2 CLASSES OF FINANCIAL INSTRUMENTS

The classes of financial instruments (financial instruments having a similar structure) are specified by the regulations in Article 4 of the Law on Markets in Financial Instruments, including but not limited to shares, bonds, rights, certificates, investment funds, derivatives, etc.

Financial instruments included in one and the same class are treated equally in the context of this Policy.

1.2.2.3 VENUE FOR EXECUTION OF CLIENT ORDERS

In conformity with this Policy, the Bank executes client orders on execution venues, incl. regulated markets, multilateral trading facility, non-regulated market (over the counter – OTC market), systematic internaliser or market maker or any other organizations through which such transactions are executed as well as similar public or private juridical institutions operating outside the territory of the Republic of Bulgaria whereby the law of a foreign country or the rules of a foreign institution or of non-regulated market (OTC market) are applicable. Regulated markets which are covered by the Bank and on which the Bank executes the client orders are included in a list maintained by the Bank of the trading venues. The list of trading venues shall be regularly reviewed (once a year) or in case of need.

Clients' orders with regard to financial instruments traded in the exchange market may be executed outside a trading venue only if the clients of the investment intermediary have been informed of this in advance and have provided their explicit consent with this. The consent under the first sentence may be general or may concern only individual transactions.

While choosing the venue for the execution of an individual order, the Bank takes into consideration these venues where the respective financial instruments, constituting the subject of the order, are traded in significant volumes, and it also takes into consideration whether it has direct access to these markets or has to make use of the services of an investment intermediary. The bank uses investment intermediaries in the cases where it has no direct access to a particular market. The Bank acts in cooperation with different investment intermediaries on the basis of contracts concluded with these latter, as, with a view to ensuring terms and conditions for execution in the best interests of the clients, the Bank performs on a regular basis review of the currently selected investment intermediaries.

A list of the trading venues updated as at any moment is available on the internet website of UniCredit Bulbank AD.

This Policy includes information for the venues for execution of client orders with regard to each class of financial instruments, the advantages and disadvantages of each trading venue (according to the volume, price and costs for execution) and for the places on which the intermediary may achieve the best possible execution. The Policy includes at least the venues which allow the investment intermediary to achieve permanently the best possible results for the execution of its clients' orders.

The bank summarizes and publishes annually information for every class of financial instruments about:

1. The first five places for execution of orders with regard to the volume of the transactions on which it has executed clients' orders during the preceding year, and
2. Information on the quality of the execution.

1.3. TRADING HOURS

Orders received beyond the normal trading hours of the Bank, or beyond the normal trading hours of the execution venue are executed immediately after the start of the working hours of the Bank or upon the opening of the workday on the respective execution venue. Orders received beyond the normal trading hours of the Bank for an explicitly mentioned non-regulated market (OTC market) shall be executed immediately after the start of the working hours of the Bank and at the latest before the opening of the workday of the most relevant market with regard to the liquidity.

1.4 ALLOCATION OF THE SHARES

The bank has effective organization requirements which guarantee that the allocation made as a part of the placement services do not place the interests of the intermediary before the interests of the issuer client or the interests of one investment client before those of another investment client.

The process of placement includes the exercising of a subjective opinion of the Investment intermediary with regard to the issue distribution and is based on the specific facts and circumstances of the agreements. The bank shall receive the consent of the issuer client for the distribution by types of clients for the transaction with regard to the policy related to the distribution.

For initial offerings made on a regulated market, the principles of allocation shall apply according to the rules of the respective market.

1.5. TICK SIZE OF QUOTING

With regard to limited orders accepted by the bank for a specific trading venue and within their term of validity if on the respective trading venue any changes in the steps of quoting (tick size) occur due to a change in the scope of the liquidity or for other reasons, the bank has the right to change the limit of the order with the purpose of retaining the order on the market and considering the new quoting steps in favor of the client depending on the type of the order - in case of a sale order the limit of the order is increased to the nearest possible step of quoting up and in case of a purchase order the limit shall be decreased up to the nearest possible step for quoting down.

2. TYPES OF FINANCIAL INSTRUMENTS. EXECUTION OF CLIENT ORDERS WITH FINANCIAL INSTRUMENTS CONSTITUTING THE SUBJECT THEREOF

The Bank concludes transactions for its own or someone else's account and in the specified manners with the following classes of financial instruments:

2.1. SHARES AND OTHER SECURITIES EQUIVALENT TO SHARES, AS WELL AS DEPOSITORY RECEIPTS FOR SHARES;

Bulgarian shares are traded on the Bulgarian Stock Exchange – Sofia, as a local market presuming a good price and lower costs related to the execution of the order.

All orders for shares and other local securities listed on the Bulgarian Stock Exchange – Sofia are executed in conformity with the official trading hours on the stock exchange.

In the case of securities falling in this class of assets the Bank pays especially great attention to such factors as probability for execution. Details may be provided to the clients upon request.

The Bank does not guarantee that an accepted order will be executed on the chosen trading venue during the same working day. Orders that have not been fulfilled in the same working day will remain at the venue for execution unless the client has specified the prescription term of the order (for example in case of one-day orders), or the type of the order necessitates its annulment thereof.

2.2 FOREIGN SHARES AND OTHER SECURITIES

Considering the fact that the local market offers usually the greater liquidity and the better price, respectively, as well as the circumstance that the price differences are to be felt usually in the cases of orders of big volumes, the related costs usually render more effective the following:

- a) the execution of orders having for a subject foreign securities which can be listed for trading also in Bulgaria, on the Bulgarian Stock Exchange – Sofia when the order involves small volumes, unless there are explicit instructions of the client with regard to a specific market.

In all other cases of transactions with foreign securities in addition to those specified in item 2.2., letter „a”, namely orders for great volumes, or for foreign securities which are not listed on the Bulgarian market, the orders will be executed on the leading market, in case it is accessible for the bank in application of the respective rules of the execution venue, unless there are explicit instructions of the client with regard to a specific market.

Additional information can be provided to the clients upon request.

2.3. TRADING STOCKS ON AN OTC MARKET:

Stocks with registration on a trading venue: Upon submission of an order with explicit instructions for OTC trading, the client agrees that the order be executed against the first ranking received order with UniCredit Bulbank meeting the criteria set by the client and in this way the client accepts that the Bank applied the principles stipulated in the Policy for Execution of client orders with a view to the specific instructions and aspects of the order communicated by the client. UCB shall check for availability of price on a regulated market where the stocks are traded and shall notify the client that there is an available market on which another price of execution may be achieved before accepting an order from the client with specific instructions for executing OTC trading.

Stocks without registration on a trading venue: In these cases by submitting instructions for execution of OTC trading, the client agrees the principle stipulated in item 2.3. a) to apply and agrees an order to be executed against the first ranking received order with UniCredit Bulbank meeting the criteria set by the client and in this way the client accepts that the Bank applied the principles stipulated in the Policy for Execution of client orders with a view to the specific instructions and aspects of the order communicated by the client.

2.4. REGISTERED RIGHTS

This class of assets includes both tradable registered rights and redemption rights.

Taking into account the limited term of registration, the aspects connected with the probability for execution and speed for execution are more important.

Orders for rights registered in the country (with the Central Depository AD or another local depository institution) are executed on the respective local regulated market (the Bulgarian Stock Exchange – Sofia AD) in compliance with its regulations. The orders for rights registered abroad are executed directly through a transaction on OTC or on the place in the respective country where these rights have been registered for trading in application of the respective foreign law and the rules of the venue for execution. Detailed information is to be provided to the client upon request.

2.5. BONDS AND SIMILAR SECURITIES

This class includes fixed rate securities and securities on the money market, as well as other securities which are similar to bonds.

For this class of instruments the bank concludes the transaction under commission conditions on the regulated or over the counter market. If possible, the bank offers prices upon request on the part of the client. The purchase is performed at a fixed price. These transactions are concluded based on a request for quote by the client, therefore the best execution principle is inapplicable. In the event that the bank does not offer a quote a client may submit an order for execution on a trading venue, incl. a regulated market.

2.5.1. GOVERNMENT BONDS ISSUED ON A LOCAL MARKET

The Bank executes orders for bonds issued by the Bulgarian Ministry of Finance through the Bulgarian National Bank by the means of trading on the over the counter market in case of initial offering or upon request on the part of the client – on the Bulgarian Stock Exchange – Sofia AD or another market for trading in case of secondary trade. In case of non-existence of alternative market, this type of securities are executed as fixed price transactions. These transactions are concluded based on a request for quotes on behalf of a client in which the potential transaction is between the client and the bank in its capacity not as an agent/intermediary, but as a party under the transaction. In these cases, respectively, the requirement for the best possible execution shall not apply. In case of transactions as commission transactions on the OTC market, the client agrees that the order be executed against the first ranking received order with UniCredit Bulbank meeting the criteria set by the client and in this way the client accepts that the Bank applied the principles stipulated in the Policy for Execution of client orders with a view to the specific instructions and aspects of the order communicated by the client.

For all types of securities of this asset class which are other than the above mentioned the Bank usually offers a possibility for their purchase from or sale to the Bank directly at current prices. The purchase or sale afterwards is performed at fixed price negotiated with the Bank (known as fixed price transaction). The Bank has no obligation to conclude such transactions. Upon conclusion of a fixed price transaction the Bank assumes price engagement for the respective securities, taking into account the market situation and the knowledge about all costs related to the execution of the transaction.

If no fixed price transaction is concluded, the Bank may accept and execute orders for the purchase or sale of the securities listed on the Bulgarian Stock Exchange. For orders for securities that are not listed on the Bulgarian Stock Exchange the Bank requires instructions from the client as regards the execution venue. In case of orders with explicit instructions, the Bank applies only the specified instructions.

2.5.2. BONDS IN FOREIGN CURRENCIES ISSUED ABROAD

Trade in bonds in foreign currencies is usually carried out on the over the counter market. For this reason the Bank usually offers a possibility for purchase and sale of these securities from or to the Bank directly at current prices. The transaction is performed at fixed prices agreed with the Bank (known as fixed price transactions). The Bank has no obligation to conclude such transactions. Upon conclusion of a fixed price transaction the Bank takes into account the market situation and the knowledge about all costs related to the execution of the transaction.

If no fixed price transaction is performed, the Bank has to receive instructions from the client as regards the execution venue. This same is applicable also when the client requires that the order is fulfilled as a commission transaction on the OTC market. In this case the client agrees that the order be executed against the first ranking received order with UniCredit Bulbank meeting the criteria set by the client and in this way the client accepts that the Bank applied the principles stipulated in the Policy for Execution of client orders with a view to the specific instructions and aspects of the order communicated by the client.

2.6. INVESTMENT SECURITIES (INCLUDING ETPs)

Shares/participating interests in funds of local public investment companies and foreign investment funds licensed for local trading may be traded by the means of a transaction on the OTC market or on a trading venue, if these are registered for trading on this venue. The Bank shall not accept a request for quotes for OTC transactions from clients categorized as retail clients.

Funds that are traded on the Stock Exchange have to meet the conditions for common shares and similar securities (to be equally treated and freely traded).

2.7. CERTIFICATES OF PARTICIPATION

The Bank executes all orders for certificates on shares and bonds registered on an organized market on the respective local market.

If there is no market with relatively high liquidity, the Bank may carry out an over the counter transaction at a fixed price or, respectively on a commission principle, observing the principle stipulated in 2.3.

2.8. WARRANTS

The orders for warrants are executed as commission transactions if traded on an appropriate stock exchange, respectively if the warrants are not traded on a regulated market or are traded on the over the counter market, the Bank can offer fixed price transactions. The bank will execute orders for purchase or sale of warrants, traded on the Bulgarian market on the respective local market. The orders for the purchase and sale of warrants which are not listed at national level are executed on the respective local stock exchange where these latter are registered/deposited.

2.9. CERTIFICATES

The purchase and sale of own issues of certificates (structured investment products) to third parties is carried out at fixed price agreed with the Bank. The Bank has no obligation to conclude transactions in such instruments. During the normal trading hours the Bank constantly offers binding prices taking into account the market situation, and has information on all costs related to the execution of the transaction.

For the purchase and sale of structured investment products by third parties issuers, the Bank usually offers to the client a possibility to buy from or sell directly to the Bank at current prices. The purchase or sale is performed as fixed price transaction concluded with the Bank. The Bank has no obligation to perform such transactions.

If no fixed price transaction is performed, the Bank will execute orders for structured investment products listed on a Bulgarian regulated market on this market, respectively. The orders for the purchase of structured investment products which are not listed at national level are executed on an appropriate local (foreign) stock exchange. Orders for the sale of similar securities are executed on a trading venue in the country where they are deposited, which can be other than the local stock exchange. Detailed information is to be provided to the client upon request.

If no respective regulated market (stock exchange) is determined, the Bank will accept the order for execution on the over the counter market.

Orders for subscription of structured investment products are executed outside the stock exchange with the issuer as a counterparty. Detailed information is to be provided to the client upon request.

2.10. DERIVATIVES

This asset class includes options, futures, swaps, and other derivative contracts on securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial indicators, the obligations under which can be settled through delivery or cash payment. In addition, it includes the above mentioned instruments, related to a commodity that has to be settled in cash, or for which one of the negotiating parties can enact cash settlement, derivative instruments for credit risk transferring and financial margins business. This class includes, as well, all above mentioned instruments related to climate variables, transportation expenses, issuing rights, inflation rates, and other official economic statistics which has to be settled in cash, or for which one of the negotiating parties can enact cash settlement, as well as all other derivative contracts related to assets, rights, obligations, indices and indicators, which have similar attributes to other derivative financial instruments taking into account, for example, whether these are traded on regulated market or on (multilateral trading facility), irrespective whether clearing or settlement is performed through acknowledged clearing centers or whether these are subject to a margin requirement.

2.10.1. DERIVATIVES TRADED BY THE BANK ON A TRADING VENUE

The existence of many and diverse forms of derivative instruments regulated in a different manner necessitates that the Bank require from the client explicit instructions as regards the execution venue of the particular derivative contract.

The markets which the Bank covers are specified in Appendix 1 of the present Policy constituting an integral part thereof.

2.10.2. OTC DERIVATIVES - DERIVATIVES THAT ARE NOT TRADED BY THE BANK ON A TRADING VENUE

For this type of instruments the bank provides quotes upon a client request, as the transactions in this case are treated as fixed price transactions and the best execution principle is not applicable. The bank is not obliged to conclude such type of transactions.

The bank can, but is not obliged to, accept an order for execution of OTC derivative by a client.

For OTC derivatives, for which the Bank has accepted a client order for execution, the predefined price shall be deemed achieved in case the bank manages to close the market risk arising from the respective OTC derivative, where the costs of the transaction, which the client was informed of in advance, were added beforehand. The Bank closes the market risk originating from the respective OTC derivative with a counterparty from UniCredit Group which on its turn has undertaken the obligation for best execution and is regulated by the respective national regulator.

3. AGGREGATION OF CLIENT ORDERS

The investment intermediary UniCredit Bulbank AD executes a client's order or a transaction for its own account by aggregating them with other client orders only when the aggregation of the orders and transactions is technically possible, the issue is one and the same, the price, type of the order, direction, etc. are one and the same and the transactions would not be to the detriment of any of the clients and if the investment intermediary has clarified to each and every client whose order is being aggregated, that the aggregation can be unfavourable for the client in connection with the specific order.

In the cases where the investment intermediary aggregates a client order with one or more other client orders and the orders aggregated in this way are executed partially, the distribution is performed as the Bank satisfies entirely or partially the client orders observing as a priority the time of the receipt of the order subject to execution. Other than the mentioned distribution is admissible only upon the explicit consent of each and every one of the customers whose orders have been aggregated.

In case of aggregation of a client's order with a transaction for own account the distribution is performed in a manner which is not to the detriment of the customer. In the cases where the investment intermediary aggregates a client order with a transaction for own account and thus aggregated order is executed partially, the investment intermediary distributes the transactions at the expense of the customer who has priority. The proportional distribution between oneself and the client is admissible only if the investment intermediary can substantiate that the latter could not have executed the client order under such lucrative for the customer conditions without the aggregation, or that could not have executed the client order at all.

Repeated distribution of the transactions is not admissible when it is to the detriment of the client.

4. CONCLUSIVE CLAUSES

For individual financial instruments which cannot be included in a definite class of assets, the Bank needs to obtain instructions from the customer as regards their execution venue.

If, due to an official holiday, trading events or technical limitations as at the moment of the order's placement the Bank is not able to execute the order on the trading venue meeting the criteria of the execution policy, the order can be executed on another venue under the condition that the interests of

the client are protected. If the execution venues chosen by the Bank as alternative ones cannot be used, the Bank needs to receive additional instructions from the client as regards the execution venue.

If an order is received after the trading hours of the scheduled execution venue, the order will be re-directed only to the envisaged execution venue on the following trading day. If the customer is willing to have the order re-directed on the same day, the Bank needs to receive instructions from the customer as regards the particular execution venue. The bank will not change the execution venue of the order, even if the order has not been fulfilled or cannot be fulfilled on the chosen execution venue for a continuous period of time.

The present Policy is subject to review on a regular basis at least once per year. The last effective applicable version of the present Policy is accessible for the clients of the bank on the latter's web site (www.unicreditbulbank.bg).

5. GLOSSARY OF THE USED TERMS

For the purposes of the present Policy the used therein terms and concepts have the meaning given below:

5.1 CENTRAL COUNTERPARTY

Central counterparty is a juridical person performing the function of intermediary between the seller and the buyer on the stock exchange. In this quality the central counterparty acts as a seller for any buyer and as a buyer for any seller.

5.2. CERTIFICATE

The certificate gives right to the investor to participate directly in the respective instrument. In order to acquire the right to participation in the respective investment instrument by the means of a certificate, the investor pays the whole value of the instrument through this certificate. Usually this value is calculated on the basis of a subscription coefficient, multiplied by the price of the certificate.

In case the price of the instrument rises up, the investor will receive back only the amount of the respective instrument. In case the price of the instrument decreases, the Investor will receive back only his/her deposit.

5.3. CLEARING SETTLEMENT

Clearing means the mutual set off of counter receivables of the counterparts under the transactions in securities.

Settlement means the fulfillment of the obligations under a transaction in securities for these latter's registration on security account of the acquirer with a depository institution, and for these latter's payment.

5.4 DERIVATIVE CONTRACTS

A large scope term for financial instruments the price of which is formed on the basis of the price of other securities or financial products (the so called underlying instruments, or underlyings). Examples for derivative contracts are options, futures, and swaps.

5.5 EXCHANGE TRADED FUNDS

Exchange traded funds (known as indices shares, indices funds traded on a stock exchange) are investment funds traded on a stock exchange and usually operating as indices funds.

5.6 MARKET MAKERS

Entities being continuously present on the financial markets with the purpose of trading for their own account through purchasing and selling of financial instruments against own funds at prices determined by themselves.

5.7. EXECUTION VENUES

The execution venues include trading venues, market makers, systematic internalisers, other liquidity providing institutions, or other entities performing similar functions in third countries.

5.8. FINANCIAL FUTURES

Financial futures are contracts for future delivery of shares, fixed rate securities, foreign exchange, indices, and precious metals.

They differentiate from the traditional futures by the circumstance that in principle the financial futures are not purposed for execution of the contract. In most of the cases the annulment of the contract is performed before the latter's maturity.

5.9. INVESTMENT INTERMEDIARY:

Investment intermediary is a local or foreign person having right, under its national legislation, to carry out transactions and activities under Art. 5, Para (2) and (3) of the Law on Markets in Financial Instruments

5.10. FIXED RATE SECURITIES

Fixed rate securities are medium-term or long-term bonds, issued by shareholding companies, public institutions, definite banks, states, and large scale industrial organizations.

The fixed rate securities entitle investors with the right to receive a certain income and/or a probable compensation.

Fixed rate securities can be denominated in different kinds of currencies and can be subject to different payment and compensation conditions, as well as different maturing.

5.11. FORWARDS AND FUTURES

Forwards and Futures are derivative financial instruments, predominantly traded on stock exchanges for which the execution of the contract, for example – purchase and delivery of commodities, foreign exchange, securities, etc., is performed in installments on a specified date under conditions which were specified in advance on the date of the purchase of the instrument.

5.12. FUNDS

Funds are capital assets, administered by investment trusts or investment companies and funds invested in shares, real estate, etc. The investors in such funds receive certificates for the assets of the fund. If the investment fund earns income on the basis of price rises on the stock exchange, dividends, interest rates and others, the usual practice is the income to be distributed among the owners of the above mentioned certificates. In case of increasing funds, these financial resources are re-invested which results in increasing the value of the fund's shares.

5.13. PUBLIC OFFERING/ INITIAL PUBLIC OFFERING (IPO)

Public offering of securities means the provision of information about the offering of securities, addressed to 150 and more persons, or to an indefinite circle of persons, in any whatsoever form and through any whatsoever means, containing sufficient data on the terms and conditions of the offering and the offered securities, so that the investors are able to make a decision for subscription or purchase of these securities. The offering of securities through an investment intermediary is also considered public offering, provided it meets the conditions stipulated in the first sentence above. Public offering becomes a fact also when in the public offering of securities takes part an entity/person which is not an investment intermediary or the owner of the securities.

Public offering is not a fact when the securities are offered in the cases of liquidation, forced execution or procedures or insolvency procedures as per the law.

Initial public offering is offering upon the conditions of the initial offering of:

1. securities on subscription offered by their issuer thereof or by an authorized by the latter investment intermediary (subscription) or
2. securities for initial sale by an investment intermediary in conformity with a concluded with the issuer thereof agreement for undertaking.

5.14. SPECIAL PURPOSE VEHICLES

Investment companies are companies which raise capital from investors with the view of investing the capital, usually in very diverse forms and operating like funds on certain markets.

5.15. OPTIONS

Derivative financial instrument which expresses the right to the purchase or sale of a specified number of securities or other financial instruments at preliminarily fixed price until the expiry of a specified time term or on a specified date.

The option provides to the buyer the possibility to accept or reject a given negotiated offer during the period of maturing (American options) or on the very maturity date (European options).

5.16. SHARES

Share means a security certifying that its owner (shareholder) participates with the shown on the share nominal value in the capital of the shareholding company. Shares can be materialized (on a material bearer) - registered or bearer shares; and de-materialized (registered with a respective depository institution); - common or privileged (bearing additional rights as compared to the ones incorporated in the common shares). Shares materialize defined property and non-property rights of their owners in these latter's quality of shareholders, for example the right to dividend, to liquidation share, voting right at the general meeting of the company, as well as other rights defined by a law or in the Articles of Constitution of the shareholding company.

5.17. SHARE MARKET INDICES

Share market indices reflect the price fluctuation of the capital market covered by the index. Indices are calculated in conformity with a defined in advance mechanism (as weight of the individual shares included in the index, market capitalization, etc.)

5.18 SUBSCRIPTION RIGHTS

Subscription rights are negotiable securities which are issued by the issuer in case of increase of the capital of the public company to its shareholders as to prior defined date, determined pursuant to the applicable legislation. The subscription rights in the meaning of the preceding sentence provide grounds to the shareholders to participate in the capital increase by subscribing for shares at a specified in advance issuing value based on a decision for increasing the capital of a public company.

5.19. SWAPS

Interest Rate Swap - a contract between two parties for exchange of interest payments in a specific currency for a specific term. Usually the interest payments due by one of the parties under the transaction are defined by a floating interest rate and the ones due by the other – by a fixed interest rate, for the entire term of the transaction. The amount of the interest payments is calculated based on the agreed principal for every interest period while the principal itself is not a subject to exchange.

The interest rate swaps are used with the purpose of eliminating interest rate risk arising out of receivables or liabilities of the client which accrue interest based on a floating interest index.

FX swap - a contract between two parties for exchange of a specific amount in one currency to another currency at a fixed exchange rate on a specific near date and for the reverse exchange of this amount at a pre-agreed fixed forward exchange rate on a specific future date.

The two foreign exchange transactions are incorporated in a single contract referred to as FX swap.

5.20. WARRANTS

Warrant means a security which materializes the right to purchase a defined number of securities at a fixed price during a defined period of time. The warrant may be issued together with a bond, as a bond warrant, but it is traded independently and apart from the bond on the stock exchange.

5.21. INVESTMENT CONSULTATION

Providing personal recommendation to a client at the latter's request or on the initiative of the investment intermediary in connection with one or more transactions related to financial instruments. The recommendation is personal if it is provided to a person in the latter's quality of an investor or a potential investor, an agent of an investor or a potential investor, respectively. The recommendation is not personal if it is provided exclusively through distributor channels in the meaning of the Law on Measures against Market Abuse with Financial Instruments, or it is provided to the public.

The personal recommendation must be appropriate for the person it is provided to, or be prepared taking into consideration the circumstances related to the knowledge, skills, and experience of the person in the area of investments in financial instruments. The personal recommendation represents a recommendation for undertaking one of the following actions:

- a) purchase, sale, subscription, exchange, redemption, holding, or undertaking defined financial instruments;
- b) to exert or not exert a right under certain financial instruments for the purchase, sale, subscription,

exchange, or redemption thereof.

5.22 PORTFOLIO MANAGEMENT

Investment portfolio management, assigned by clients, which is performed at the discretion of the investment intermediary, for every individual client and for the investment portfolios which include one or more financial instruments.

5.23 CONTRACTS FOR DIFFERENCES

A derivative financial instrument which expresses the right to receiving, respectively the obligation for paying of the difference between the market value of a defined number of securities or other financial instruments and their preliminarily fixed price in the contract.

5.24. SYSTEMATIC INTERNALISER

Systematic internaliser is an investment intermediary which without organizing a multilateral system in an organized, regular and systematic way in compliance with the criteria stipulated in art. 12 – 17 of Delegated Regulation (EU) 2017/565 performs significant in terms of size trade at its own expense in financial instruments by execution of client orders outside the regulated market, multilateral trading facilities (MTFs) and organised trading facilities (OTFs), in case the aforesaid criteria are simultaneously observed or in case the investment intermediary decides to apply the regime governing the activity of the systematic internalisers.

5.25. MULTILATERAL TRADING FACILITY

Multilateral trading facility is a facility or a mechanism in which many interests of third parties for purchase and sale of financial instruments may match through the system.

5.26. TRADING VENUE

Trading venue is a regulated market, MTF or OTF where:

- a) Multilateral trading facility or MTF is a multilateral system organized by an investment intermediary or a market operator which consolidates various interests of third parties for purchase and sale of financial instruments - within the system itself and in accordance with its non-discretionary rules - in a way that leads to the conclusion of an agreement in accordance to chapters two - nine;
- b) Organised trading facility or OTF is a multilateral trading facility which is not a regulated market or MTF and in which multiple interests of third parties for purchase and sale of bonds, structured financial products, emissions allowances or derivatives may interact in the system in a way that leads to a conclusion of an agreement in compliance with part two.