*Translation from Bulgarian*

CONFLICT OF INTEREST POLICY APPLIED BY INVESTBANK JSC IN THE PROVISION OF INVESTMENT SERVICES WHEN ACTING AS AN INVESTMENT FIRM

**I. Definitions**

"Conflict of Interest" within the scope of the Markets in Financial Instruments Act (hereinafter referred to as MFIA) and this Policy means a situation that arises in connection with the provision of investment and/or ancillary services under Art. 6(2) and 6(3) of MFIA by the Bank and may be detrimental to the client's interest.

**II. Purpose**

The purpose of this policy is to identify circumstances that represent a conflict of interest or may lead to a conflict of interest, creating a risk of harming the interests of the Bank's client(s) or disadvantages them, as well as the procedures and measures to prevent such conflicts.

**III.** Pursuant to this Policy the Bank considers that the following **circumstances** are conflicts of interest or may lead to conflicts of interest:

1. Any cases that may arise as a result of the provision of investment and/or ancillary services or in any other way in which the Bank, a contract agent, a tied agent, its management and employees, as well as any natural person whose services are made available and under the control of the tied agent of the Bank and who participates in the provision of investment services and activities by the Bank; or is directly engaged in the provision of services by the tied agent of the Bank under an outsourcing arrangement for the purpose of providing investment services and activities by the Bank, falls within any of the following hypotheses:

* may make a financial gain or avoid financial loss for the account of the client;
* has an interest in the outcome of the service provided to the client or in the transaction executed for the account of the client which is different from the client's interest in that result;
* has a financial or other incentive to favour the interest of another client or group of clients to the interests of the client;
* carries out the same economic activity as the client;
* receives or will receive from a person other than the client an incentive in connection with the service provided to the client in the form of cash or non-cash benefits or services;

The above hypotheses are exemplary (non-exhaustive). This Policy also applies when other types of situations occur that may be classify as a conflict of interest.

2. Hypotheses involving a contract agent of the Bank who participates in activities that may give rise to a conflict of interest or because of the activity carried out on behalf of the Bank that person has access to inside information within the meaning of the Measures Against Market Abuse of Financial Instruments Act (MAMAFIA) or other confidential information about clients or transactions with or for clients.

A hypothesis whereby the Bank, considering the professional qualities, requirements and market practices associated with the holding of cash, finds that the client's rights may be infringed.

4. Contracts and/or services with conflict potential:

* When the Bank aggregates a client order with an own-account transaction (pursuant to the Client Order Execution Policy and Ordinance 38) and the resulting aggregated order is partially executed.
* Orders to buy or sell financial instruments (shares) of issuers resulting in the acquisition or loss of shareholding for the client as referred to in Art. 145(1) of the Public Offering of Securities Act (POSA);
* a conflict of interest may arise or has arisen between two clients of the investment firm

**IV. Types of conflicts of interest**

1. The interests of the Bank and the interests of a client or group of clients;

2. The interests of a client or group of clients and the interests of another client or group of clients;

3. The interests of the Bank and the interests of an employee or group of employees;

4. The interests of clients and the interests of an employee or group of employees.

**V. Interactions of different interests**

1. With regard to the investment services and activities carried out by the Bank under Art. 6(1)(1), 6(1)(2) and 6(1)(3) MFIA

1.1. Interests of the Bank

1. as a trader of financial instruments;
2. as an investor in financial instruments;
3. as an executor of transactions in financial instruments for the client's account when executing a client's order with a counter order of another client;
4. as a lender/creditor;
5. to provide new business clients and orders;
6. to maintain a stable relationship with the existing clients.

1.2. Interests of the client

1. as a trader of financial instruments/products;
2. as an investor in financial instruments/products;
3. as a party to a transaction;
4. as a depositor;
5. in respect of held financial instruments on accounts with the Bank;
6. as a borrower;
7. as a user of the services offered by the Bank;

1.3. Interests of the employees

1. in the performance of their official duties;
2. to generate business;
3. to achieve their business goals and implement their assigned tasks;
4. in terms of status, remuneration and bonus;
5. in terms of their own investments;
6. to business activities external for the Bank.

2. With respect to other investment services and activities under Art. 6(2) and 6(3) MFIA which the Bank will carry out in the future, in addition to para 1

2.1. Interests of the Bank

1. as a consultant in the issuance and placement of financial instruments;
2. as a transferee of issues of financial instruments;
3. as a consultant in the field of corporate finance;
4. as the author of investment research and study;
5. to ensure a satisfactory result from transactions in which the Bank is a consultant

2.2. Interests of the client

1. when receiving advice and advisory services from the Bank (Bank's employees);
2. when the Bank (Bank's employees) provides a service;
3. as the subject of research and study carried out by the Bank

**VI. Examples of situations where conflicts of interest may arise**

**1. In respect of investment services and activities offered by the Bank**

1.1. Where the Bank trades with its clients in financial instruments that it holds as part of its own portfolio;

1.2. Where the Bank (Bank's employee) trades its own position in a financial instrument, holding at the same time information about potential future client orders in respect of the same financial instrument;

1.3. Where two or more of its clients have submitted consecutive orders to execute transactions to buy or sell or to otherwise dispose of financial instruments of the same issue at the same or competitive price;

1.4. Where two or more of its clients have simultaneously submitted orders to execute transactions in financial instruments of the same issue but in the opposite direction;

1.5. Where a Bank's employee executes personal transactions in financial instruments and the Bank has clients whose interests are potentially in conflict with those transactions;

1.6. Where the Bank or its employees receive gifts and other non-monetary benefits that may affect the Bank's position and the behaviour of its employees, which could harm the interest of its clients;

1.7. Where there are personal relationships of Bank's employees, including Bank's managers, with the issuers of financial instruments;

1.8. Where there are relationships between issuers of financial instruments and the Bank (e.g. as a client of the Bank), as well as the relationship of the Bank with issuers of financial instruments if the respective issuer of financial instruments is a subsidiary of the Bank or if the Bank has a direct or indirect interest in the respective issuer.

**2. In respect of investment services and activities that the Bank will offer in the future**

2.1. Where the Bank makes decisions to invest in managing client portfolios and, at the same time, trades the same financial instruments for its own account;

2.2. Where the Bank/financial consultant provides advice and recommendations to a client to either invest or hold a position in a financial instrument or product, and at the same time provides the same services to a client with conflicting interests in respect of the same financial instrument or product;

2.3. Where the Bank provides advice on corporate finance to clients who are direct competitors;

2.4. Where the Bank provides a client with an investment research with respect to a corporation to which the Bank also provides advisory services;

2.5. Where the Bank has provided advice and consultation on corporate finance for a corporate client and subsequently, when the same clients becomes the subject of investor's interest with the intent to buy, the Bank engages in providing advice to that other potential buyer.

**VII. Measures and procedures** to address conflicts of interest

1. In order to largely prevent such conflicts of interest, a strict organization with clearly defined responsibilities and differentiated functions of the individual units is established in the Bank. The principle of **separation of functions** between the employees of Liquidity and Investment Services Division is respected when submitting orders and executing transactions in financial instrument markets for the account of the Bank and for the account of clients.

2. All the Bank's employees strictly observe the „Internal Organization Rules of the Bank as an Investment Firm“ and all the rules and procedures regulating this activity, whereby each person working under a contract for the Bank is required to become familiar with the rules concerning their activity as a Bank employee when signing the employment contract and to submit a declaration in this respect. The obligation under the preceding sentence also applies to employees employed by the Bank prior to the effective date of this Policy;

3. The rules governing the Bank's activity as an investment firm ensure the compliance of the employees with the statutory requirements to provide investment and ancillary services in an honest, fair and professional manner in the interest of the Bank's clients and to avoid conflicts of interest as far as possible, whereby the Rules regulate:

3.1. Strict compliance with the confidentiality obligation with respect to transactions with conflicting potential in order to avoid the actual occurrence of conflicts and the risk of insider dealing;

3.2. Strict compliance with the measures and requirements of Ordinance 38;

3.3. When executing client orders, strict compliance with the Bank's “Client Order Execution Policy” or the individual instructions of the clients;

3.4. All the employees with potential to engage in conflicts of interest as part of their business are required to disclose all their transactions in financial instruments to the Bank’s management (Management Board);

3.5. The persons who work under a contract for the Bank and carry out activities involving a conflict of interest should carry out their business in a degree of independence of performance ensuring protection against the risk of harm to the client's interest, whereby the following measures must be observed in order to ensure the necessary degree of independence:

1. full confidentiality and prevention of the exchange of information between them and other employees of the Bank when the exchange of such information may harm the interests of one or more clients and not exchanging information about the particular transaction / client, financial instrument etc. in respect of which a conflict situation has arisen or may arise, unless it is absolutely necessary for the execution of the investment service to the client;
2. separate supervision shall be exercised on persons whose principal functions include the provision of services on behalf of and/or for the account of clients or the provision of services to clients where conflicts of interest may arise between the interests of clients or which otherwise represent conflicting interests between which a conflict may arise, including the interest of the Bank;
3. absence of any direct link between the remuneration of persons principally engaged in one activity and the remuneration of persons principally engaged in other activities of the Bank or the earnings of the latter if a conflict of interest may arise in connection with those activities;
4. it is forbidden for the employees, including the members of the MB, to inappropriately influence the manner in which another person working under a contract for the Bank provides the services and activities under Art. 6(2) and 6(3) MFIA;
5. The members of the Management and Supervisory Bodies of the Bank and the persons acting under contracts for it shall not disclose, unless having been authorized to do so, and use to their own benefit or to the benefit of others any facts and circumstances concerning the stocks and transactions in the accounts of financial instruments and money of the clients of the Bank, as well as all other facts and circumstances constituting trade secret, which they have become to know in the course of the implementation of their official and professional duties.
6. it is forbidden for the employees to participate simultaneously or in succession (by one person) in the performance of separate investment or ancillary services or activities where such involvement is likely to harm the proper management of conflicts of interest and if it is impossible, control should be exercised on this involvement;

3.7. Equal and fair treatment of clients by acting in the best interests of the client under the best conditions. The Bank shall avoid any situations where a client's interest would conflict with its obligation to another client;

3.8. Priority of the client's interest to the Bank's own interest, including when a client order is aggregated with an own-account transaction and the resulting order is partially executed. The Bank shall allocate the transactions for the account of the client with priority and in the interest of the client;

3.9. Strict compliance with the rules for separating its own portfolio of financial instruments from that of the investors.

3.10. The Bank shall keep and update information about the types of investment or ancillary services or investment activities carried out by it or for its own account, in which a conflict of interest arises or may arise in the course of the service or activity, which may substantially harm the interest of a client(s) of the investment firm. The Bank shall assess and periodically review at least annually its conflict of interest policy and shall take the necessary measures to remedy any possible shortcomings.

3.11. The Policy shall apply in connection with the provision of services to all Bank's clients, regardless of their categorization as professional clients, retail clients or eligible counterparties. However, the assessment and management of conflicts of interest arising in connection with the provision of services under Art. 6(2)(1) and 6(2)(2) MFIA shall be carried out depending on the category of the respective client, and in the cases under Art. 6(2)(4) MFIA – on the instructions given with respect to investment objectives, horizon, specific restrictions and requirements, the applied investment strategy on the one hand and the results achieved on the other.

**VIII. Actions to be taken when the conflict of interest is not possible to be prevented**

If, despite the application of these rules, there is still a risk to the client's interests, the Bank may not act for the account of a client unless it has informed the client of the general nature and/or sources of the potential conflict of interest. In the cases referred to in the preceding sentence before acting for the account of a client in relation to which there is a conflict of interest, the Bank shall provide to the client (on a durable medium) information which should be sufficient in accordance with the characteristics and capabilities of the client to take an informed decision regarding the investment and/or related service in relation to which the conflict arises. The disclosure shall explicitly state that the organizational and administrative mechanisms established by the Bank to prevent or manage this conflict are not sufficient to ensure with reasonable confidence that the risks of damaging the interests of the client will be prevented.

The Bank may refuse to carry out investment activity and service to a client if it is unable to manage the conflict of interest to a reasonable extent and if it is prevented from doing so due to legal or regulatory constraints.

**IX. Final Provisions**

This Policy was prepared in compliance with the provisions of Art. 65(1)(7) MFIA and Art. 34 of Delegated Regulation (EU) 2017/565. This Conflict of Interest Policy is an integral part of the General Terms and Conditions applicable to the Framework Agreement with Bank Clients for Transactions in Financial Instruments.

This Policy was approved by a decision of the Asset and Liability Management Committee (ALMC) No. 257 of 4 July 2018 and adopted by Decision of the Management Board of INVESTBANK JSC Sofia with Minutes No. 35 of 11 July 2018, amending the Policy approved by a decision of ALMC with Minutes No. 37 of 6 June 2014, adopted by Decision of the Management Board of INVESTBANK JSC Sofia with Minutes No. 49 of 10 June 2014 and approved by the Supervisory Board of INVESTBANK JSC with Minutes No. 27 of 16 June 2014.

###### *I, the undersigned Svetlana Velikova Milenkova certify the true translation from Bulgarian into English of the document attached. The translation consists of 6 pages.*

###### *Translator: ……………………..… Svetlana Velikova Milenkova*