

## CLIENT CATEGORISATION POLICY

### I. GENERAL PROVISIONS

United Bulgarian Bank - member of the NBG Group of Companies (hereinafter "The Bank")- provides its clients with investment and ancillary services, in a professional, fair and honest manner.

This policy sets the client categorisation principles of the Bank, that apply prior to the provision of investment and/or ancillary services, in line with the Markets in Financial Instruments Act.

Client categorisation shall be effected according to this policy either prior to signing the contract for the provision of investment and/or ancillary services or prior to the provision of such services, depending on which comes first. This policy shall be applied by all the Bank's personnel, providing investment and/ or ancillary services to existing or new clients.

This policy can be amended in line with the changes in the legal and regulatory framework, applicable to the Bank upon provision of investment and / or ancillary services.

### II. DEFINITIONS

For the purposes hereof, the following definitions shall apply:

Investment and Ancillary Services:

(See *Appendix A1 & A2*)

Client:

Any natural person or legal entity to whom/which the Bank provides main or / and ancillary investment services and / or investment and/or ancillary services stated in *Appendix A1 & A2*.

Professional Client:

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that they incur.

Professional clients receive, according to the law, a lower level of protection than Retail Clients (see *Chapter V – Client Categorisation Criteria*).

Professional Clients (credit institutions, investment firms, other financial institutions, subject to licensing or regulation, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, entities, trading for their own account and by way of business with commodity or commodity derivatives, local undertakings and other institutional investors) are considered to have the financial ability to bear the investment risks, inherent in their investment objectives, when the provided investment service concerns the provision of investment advice.

In cases of provisioning portfolio management services, Professional Clients as defined above, are not considered to have the financial ability to bear the investment risks, inherent in their investment objectives.

Eligible Counterparty:

Eligible Counterparty is a Professional Client, who is provided with investment services consisting of execution, receipt or delivery of orders, as well as any ancillary service, directly related to these transactions or when the client acts for its own account. Eligible Counterparty is considered to have financial ability to bear the investment risks, inherent in its investment objectives. In the cases mentioned above, Eligible Counterparties do not benefit from a higher level of protection, except for the cases defined otherwise (see *Chapter V below – Client Categorisation Criteria*).

Retail Client:

Retail Client is defined as a client who is neither a "Professional Client" nor an "Eligible Counterparty". Retail Clients benefit from the highest level of protection according to the Markets in Financial Instruments Act.

### III. SCOPE

The main objective of client categorisation is to define the level of experience, knowledge and expertise of existing and new clients in order to perform investment activities and transactions in financial instruments.

This policy shall be used as guidance to the Banks' Personnel and shall define the following:

- how to determine a client's categorisation,

- when and how a client may receive a lower level of protection, by having his/her/its category changed from Retail to Professional,
- when and how a client may receive a higher level of protection, by having his/her/its category changed from Professional to Retail,
- when and how a client may receive a higher level of protection, by having his/her/its category changed from Eligible Counterparty to either Professional or Retail Client, and
- the records and information that needs to be kept in relation to the client's categorisation.

#### **IV. AUTHORITIES & GOVERNANCE**

The Bank's Senior Management shall be responsible for setting the principles for the client categorisation policy and for monitoring its implementation. This Policy has been approved by UBB AD Board of Directors, following the prior approval of NBG Group Compliance Division.

The Bank's Personnel shall comply with this policy prior to the provision of investment and/or ancillary services and shall categorize existing and new clients according to the principles defined herein.

#### **V. CLIENT CATEGORISATION CRITERIA**

In order to categorize the Bank's existing and new clients, the following minimum data shall have to be recorded:

- A legal entity or a natural person.
- In case of a legal entity - the scope of its activity.

Any natural person shall automatically be categorised as a "Retail Client".

Legal entities, which are considered "Eligible Counterparties" for the transactions, defined in the Markets in Financial Instruments' Act, are included in the following table(**Table 1**):

**Table 1**

##### **Eligible Counterparties**

Investment intermediaries

Credit Institutions

Insurance Companies

Undertakings for collective investment and their management companies

Pension funds and their management companies

Private Equities

Other financial institutions, which activity is regulated by the local legislation of a member state or by Community legislation

Persons/entities whose main business consists of proprietary dealing in commodities and/or commodity derivatives, which are not part of a group with main activity provisioning of other investment services.

Legal entities, which provide investment services and/or perform investment activities consisting exclusively in proprietary dealing on markets in financial futures or options or other derivatives and on the money market for the sole purpose of hedging positions on derivatives' markets or which deal for the accounts of other members on those markets or determine prices for the latter and which are guaranteed by clearing members of those same markets, where responsibility for ensuring the performance of contracts, entered into by such entities, is assumed by clearing members of those same markets

National governments and their corresponding offices, including government bodies, dealing in sovereign debt management

Central banks

Supranational institutions

Legal entities that are considered Professional clients as per the Markets in Financial Instruments Act with regard to all investment services, are defined below:

**Table 2**

**Professional Clients**

Local undertakings<sup>[1]</sup>

Entities, trading for their own account and by way of business with commodity or commodity derivatives

Other institutional investors whose main activity is to invest in financial instruments, including entities, performing securitisation of assets or other financial transactions

Investment intermediaries

Credit Institutions

Insurance Companies

Undertakings for collective investment and their management companies

Pension funds and their management companies

Private Equity funds and other institutional investors

Other financial institutions, subject to licensing or regulation

National and regional government bodies, including such involved in sovereign debt management

Central banks

International and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank)

Professional Client category also includes large corporates that meet at least two of the following criteria on a solo basis:

<b>Minimum Size Requirements</b>	
Balance Sheet Total	€20 000 000
Net Turnover	€40 000 000
Own Funds	€2 000 000

Legal entities that are not categorized as “Professional Clients” or “Eligible Counterparties”, according to the abovementioned criteria, shall be categorized as Retail Clients.

The Bank shall be entitled to change a client’s categorisation, at its own discretion in cases where the client no longer fulfills the initial conditions, which have justified his/her/its current categorisation. In such cases, the Bank shall provide a written notification to the client regarding the change.

Detailed description of clients’ categorisation is included in *Appendix B – Client Categorisation*.

**VI. INFORMATION, PROVIDED TO CLIENTS**

Professional Clients

Prior to the provision of any service, the Bank shall inform a Professional Client of the following:

- its categorisation as a Professional Client, based on the information, available to the Bank,

- the possibility for it to request re-categorisation in order to benefit from a higher protection with regard to all investment services or activities and with regard to all types of products or transactions.

#### Eligible Counterparties

Prior to the provision of any service, the Bank shall inform an Eligible Counterparty of the following:

- its categorisation as an Eligible Counterparty, based on the information, available to the Bank,
- the possibility for the client to request re-categorisation in order to benefit from a higher level of protection with regard to all investment services or activities, and with regard to all types of products or transactions.

#### Retail Clients

Prior to the provision of any service, the Bank shall inform a Retail Client of the following:

- his/her/its categorisation as a Retail Client, based on the information, available to the Bank,
- the level of protection that categorisation entails,
- the possibility for the client to request re-categorisation with the aim to obtain a lower level of protection as regards all investment services or activities, and as regards all types of products or transactions.

### **VII. RE – CATEGORISATION OF CLIENTS**

#### Re – categorisation of Professional Clients into Retail Clients

A Professional Client shall be entitled to request a higher level of protection by being re-categorized into a Retail Client with regard to all investment services or transactions and with regard to all types of products or transactions.

In order to be treated as a Retail Client, a Professional Client shall:

- submit a written request for re–categorisation,
- sign a written arrangement with the Bank, confirming the client’s consent not to be treated as a Professional Client.

The arrangement shall specify that the provision of a higher level of protection applies to all investment services or activities and to all types of products or transactions.

Professional clients shall be obliged to inform the Bank regarding any change that may affect their current categorisation.

#### Re–categorisation of Eligible Counterparties into Professional Clients or Retail Clients

In order to obtain a higher level of protection, an Eligible Counterparty shall be entitled to request a different categorisation and be classified as a:

- Retail Client, with regard to all investment services or activities, and with regard to all types of products or transactions,
- Professional Client, with regard to all investment services, as well as with regard to all types of products or transactions.

In order to be treated as a Professional Client or as a Retail Client an Eligible Counterparty shall:

- submit a written request for re–categorisation,
- sign a written arrangement with the Bank, confirming the client’s consent not to be treated as an Eligible Counterparty.

The arrangement shall explicitly state that the higher level of protection relates to all investment transactions.

#### Re – categorisation of Retail Clients into Professional Clients

A Retail Client shall be entitled to waive the protection, provided by the Bank, by requesting to be re-categorized into a “Professional Client”.

- The Bank may re-categorize a client only if an assessment of his/her/its expertise, experience and knowledge, gives reasonable assurance that, in light of the nature of the transactions or services, envisaged for use or conclusion by the client, the latter is capable of making his/her/its own investment decisions and understands the risks involved.
- In case the client is a legal entity, subject to assessment shall be the person, authorised to independently execute transactions on the legal entity’s behalf.

In order to identify whether a Retail Client meets the criteria to be re-categorized into a “Professional Client”, the Bank shall have to ensure compliance with at least two of the following quantitative criteria:

- over the previous four quarters the client has concluded significant-volume transactions, on the relevant market at an average frequency of 10 deals per quarter;

- the value of the client's investment portfolio, comprising cash deposits and financial instruments, exceeds EUR 500,000;
- the client works or has worked in the financial sector for not less than one year in a position, requiring knowledge of the respective transactions or services.

The Bank shall reserve itself the right to change the categorisation of its clients, in the cases where based on appropriate documentation it is obvious that the particular client no longer fulfills the abovementioned quantitative criteria.

Procedure for Re-classification of a Retail Client into a Professional Client

The client shall notify in writing the Bank of his/her/its willingness to be treated as a Professional Client with regard to all investment services and activities.

The Bank shall be obliged to warn the client in writing that by changing his/her/its categorization to a Professional Client the latter may forfeit the respective protection and rights to investor compensation.

The client shall declare in writing, in a document other than the contract, that he/she/it has been informed of the consequences, resulting from his/her re-categorisation into a Professional Client.

The clients' request shall be forwarded to the responsible structural unit for assessment purposes.

The Bank shall inform the client of either the approval or rejection of his/her request within a reasonable period of time.

All required supporting documentation and certificates, pertaining to the procedure, shall be kept in the client's record, in line with the Bank's rules and the regulatory requirements regarding record-keeping activities.

A detailed description of clients re-categorisation is presented in Appendix C – Client Re-Categorisation.

**This Policy was approved by UBB Board of Directors on 27.09.2010 and entered into force 3 days thereafter.**

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[1] Legal entities, effecting only proprietary trading on markets of financial futures or options, or trading for the accounts of other participants on those markets, or which determine prices for the latter and which are guaranteed by clearing members of that same markets