



UNITED BULGARIAN BANK AD
CORPORATE GOVERNANCE
CODE

2019

PREAMBLE

The present Corporate Governance Code (the Code) is based on the global demand for corporate transparency. This Code stipulates a framework which guarantees such transparency, as well as continuity, coordination and effectiveness in the functioning of United Bulgarian Bank AD (UBB AD or the Bank) and is a key element of good corporate governance.

This Code is based on the regulatory requirements pertaining to the Bank, stipulated in the Bulgarian and international legal and regulatory framework, while adopting the best international practices, embedded in a series of European codes and European Commission recommendations. By introducing this Code the Bank aims at a thorough harmonization with the philosophy behind these practices and warrant, categorically and explicitly, how this philosophy shall be applied in day-to-day practice.

As a member of KBC Group, UBB AD shall comply with all relevant obligations that KBC may have towards supervisory authorities, under the scope of which the Bank may fall, and shall meet all relevant requirements of Group Policies, duly adopted by the Bank's governing bodies. UBB AD Corporate Governance Code has been drawn up in accordance with KBC Group NV Corporate Governance Charter published on the Group's official website www.kbc.com. UBB AD complies with the principles and requirements of the KBC Group NV Corporate Governance Charter, as well as with the regulation in the Code of Conduct of UBB, member of KBC Group.

In all cases, the regulations of the legislation and the Articles of Association of UBB AD shall have priority over any individual provisions of the Code which may contradict them, and the Code's provisions shall prevail over any provisions of the Bank's internal acts should there be a conflict between them.

The Management Board of UBB AD ensures that the content of the Code is up to date and in line with prevailing legislation.

More factual information relating to Corporate Governance policy, including reasons for any non-compliance with it and with the KBC Group NV Corporate Governance Charter, the remuneration report, a description of the key features of the internal control and risk management systems and a description of the composition of the Supervisory Board and the Management Board and the way they function, is included every year in the Corporate Governance statement, which is a part of UBB AD Annual Activity Report.

The latest version of the Code can be found on the Bank's official website www.ubb.bg. The latest annual activity report of the bank is also published on that website.

I. CODE OBJECTIVES AND PRINCIPLES

Art. 1. (1) The good corporate governance of UBB AD aims at effective protection of the rights and interests of clients, shareholders, investors and employees. This is to be achieved by ensuring:

1. transparency in the Bank's management - shareholders, regulators, clients and counterparties have information about the Bank's management, its hierarchy, the competence and responsibility of each Bank unit with regard to the decisions it has made;

2. objectivity in the Bank's decision-making process:

- through separation of responsibilities. The Bank has an established structure and bodies, which interact without seizing or mixing competence and functions (in particular, with regard to the business lines and their oversight);

- through methods for management of potential or real conflicts of interest;

- through fair rewarding of staff which does not encourage excessive risk-taking.

(2) The present Code defines the main principles and requirements regarding the quality, organisation and methods of managing the Bank for the achievement of the goal outlined in Para 1.

Art. 2. While making management decisions, the internationally acknowledged standards for good corporate governance shall apply, where continuity with the experience of the main shareholder – KBC Bank NV, shall also be sought. UBB's management is based on the following principles:

1. Transparency in structure and in the manner of the Bank's decision making process. The Bank has a clearly regulated corporate structure with rules for holding meetings of its managerial and controlling bodies, of its committees supporting these bodies, work groups and structural units in the Bank, of the internal control bodies and of its branch network.

2. Transparency in management. Shareholders, clients and investors have access to up-to-date information regarding the business results and the risk taken by the Bank.

3. Efficiency. The Bank's management is based on a system of clearly defined functions, rights and responsibilities at all levels: Supervisory Board, Management Board, committees to the Supervisory Board and the Management Board, structural units in the Bank's Head Office and branch network. This guarantees the establishment of adequate lines of interaction between the units in view of clearly defining their objectives, as well as economy of processes upon their achievement. UBB consults and coordinates its actions and decisions with the Main Shareholder when such a process is explicitly provided in the relevant UBB policy. This interaction aims at adding value and incorporating common policies and products developed for KBC Group, without delaying the communication with clients or the decision-making process.

4. Legitimacy. UBB's management maintains a procedure and mechanisms, guaranteeing that when designing a product, the Bank pays such attention to the observance of the legal framework, which does not allow utilization of market advantages based on breach of regulatory requirements. Along with that, the Senior Managerial Staff of the Bank creates conditions for observance of the regulatory framework in all deals not only in form, but also in a manner which protects the interests of the economically weaker party which does not have professional financial experience.

Art. 3. The present Code shall support the implementation of objectives and plans which are in the interest of clients, investors, shareholders and employees of the Bank as a whole, of the interested parties in this country and abroad. It shall also facilitate the efficient supervision, thus contributing to the more effective use of the human, financial and tangible resources of the institution.

II. MECHANISMS FOR GUARANTEEING THE CODE'S IMPLEMENTATION

Art. 4. The Bank has established a procedure for timely information to employees regarding the adoption of the Corporate Governance Code, as well the decisions of the Supervisory Board and Management Board of the Bank. There is an effective procedure at the Bank for coordination and mutual exchange of information between its structural units.

Art. 5. (1) The Bank's Management Board, with the approval of the Supervisory Board, have set uniform criteria and standards for creating structural units and for determining their functional description.

(2) The Bank's organizational structure ensures units of sufficient number, staff and scope of activity, which guarantee the implementation of the Bank's Corporate Governance Code and of the other decisions of the Supervisory Board and the Management Board.

III. MISSION AND VISION OF UBB AD AS PART OF KBC GROUP

UBB AD as part of KBC Group

Art. 6. (1) (amended – Minutes No 41/05.08.2019) KBC Group is a bank-insurance group, which focuses on retail /individuals/, small and medium-sized enterprises (SMEs) and midcap clients in its six core markets of Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. The Group strives to make a positive contribution to the society in all the core markets where it operates.

(2) KBC Group has the following strategic goals:

1. KBC strives to offer its clients a unique bank-insurance experience;
2. KBC develops the Group with a long-term perspective and therefore achieves sustainable and profitable growth;
3. KBC puts its clients' interests at the heart of everything it does and offers them a high-quality service and relevant solutions;
4. KBC takes its responsibility towards society and local economies very seriously and aims to reflect that in its everyday activities.

(3) (amended – Minutes No 41/05.08.2019) As part of the bank-insurance group KBC, UBB AD shares its values, mission and vision. Its integration with the Group's other companies in Bulgaria – DZI – Life Insurance EAD, DZI – Non-life Insurance EAD, UBB Asset Management AD, UBB Insurance Broker EAD, UBB Factoring EOOD and UBB Interlease EAD, allows the application of an innovative approach in the provision of bankassurance products and services which are new for the Bulgarian market.

Mission and vision of UBB AD

Art. 7. (1) UBB AD holds a full banking license. It operates as a licensed investment intermediary performing all kinds of activities specified in the Law on Credit Institutions.

(2) UBB AD strives to be the first bank that comes to mind when people are considering the purchase of financial products or services, when employees are seeking a job position with a potential and it aspires to be the reference among the banks on the Bulgarian market.

IV. STRUCTURE AND ORGANIZATION OF UBB AD

Legal and organizational structure

Art. 8. (1) UBB AD is a joint stock company having its seat in Sofia and registered office at Sofia 1463, administrative region Triaditsa, 89B Vitosha Boulevard, entered in the Commercial Register at the Registry Agency with UIC 000694959. The bank holds a full banking license with the right to perform all banking operations in the country and abroad permitted by the legislation in force in the country. It provides banking products and services to business entities, finances projects related to infrastructure development in urban and rural areas, finances international projects, provides professional consulting services.

(2) The bank is established for indefinite term.

(3) UBB AD may participate in companies, consortia and other forms of association in compliance with the Bulgarian legislation.

Management system

Art. 9. (1) UBB AD has a two-tier management system.

(2) The bank is managed by a Supervisory Board (SB) the members of which are elected by the General Meeting of Shareholders. The SB monitors the Bank's activity and elects a Management Board (MB). The activity of the Supervisory Board of UBB AD is assisted by committees with advisory capacity.

(3) The Management Board is the governing and representative body of the Bank. With the approval of the SB, the MB authorizes at least two of its members to represent the Bank – executive directors. Each executive director exercises his/her powers together with any other executive director or with a procurator/commercial representative authorized by the MB. Permanent consultative bodies are established with the Management Board of the Bank.

(4) The rights and obligations of each one of the management bodies are set out in the Bank's Articles of Association, in their rules of activity and the Bulgarian legislation in force.

Organizational structure of UBB AD

Art. 10. (1) The organizational structure of UBB AD is built on the basis of Head Office and bank branch network.

(2) The Head Office of the Bank consists of directorates with departments and units to them.

(3) In the branch network of UBB AD a three-tier management model is installed, with the following hierarchical subordination:

- Region;

- Central branch (a "self-contained part" pursuant to §1a from the Supplementary Provisions of the Commerce Act;

- Branch (a "self-contained part" pursuant to §1a from the Supplementary Provisions of the Commerce Act) and remote outlets (RO)/offices.

(4) The Central branches are functionally subordinated to a certain Region and the branches and remote outlets/offices are functionally subordinated to a certain central branch, while some of the offices are subordinated to certain branches.

(5) The procedure for establishing, reorganizing or closing certain structural units within the Bank is performed by decision of the MB and following an approval by the SB as per the Bank's Articles of Association.

(6) On the proposal of the Head of Human Resources Management Directorate the MB approves a new/updates the organizational structure of the Bank, the structure of administrative units as well as the staff establishment plan at the Head Office and the branch network.

V. SHARES AND CAPITAL

Shares. Types of shares. Shareholders.

Art. 11. (1) The shares of the Bank shall not be separable. When a share is held by several persons, they exercise their rights on it jointly by appointing a proxy.

(2) The shares are registered and non-materialized and are kept and administrated at the Central Depository.

(3) By decision of the General Meeting, the Bank may issue shares of different classes as well as preferred shares.

(4) The Bank may not issue preferred shares with more than one voting right or shares giving the right to an additional liquidation quota.

(5) Shareholders in the Bank can be domestic and foreign natural and legal entities who, in accordance with the law and the Articles of Association, have acquired shares from its capital.

Rights arising from shares

Art. 12. (1) The rights that the shares of UBB AD give are determined by the Bank's Articles of Association. All shares that give equal rights constitute a separate class of shares.

(2) Each ordinary registered non-materialized share gives entitlement to one vote in the General Meeting of Shareholders, the right to dividend and to a liquidation quota corresponding to the nominal value of the share.

Transfer of shares

Art. 13. (1) The transfer of shares shall be made in compliance with the rules and procedures for transfer of non-materialized shares. Transfer of shares shall be effective towards the Bank as from the moment of entering the transaction into the register kept with the Central Depository.

(2) Any assignment or inheritance shall be registered by the assignee or the inheritor in the Book of shareholders in compliance with the Central Depository Regulations, in order to become binding towards the Bank.

Acquisition of own shares

Art. 14. (1) The Bank may acquire its own shares through reverse buying-out upon written permission provided by the Central Bank, under the following terms and conditions:

1. there is a decision of the General Meeting of Shareholders regarding the reverse buying-out of the shares, which decision should specify the maximum number of shares being subject to the reverse buying-out, the terms and conditions for carrying out the buying-out for a term not longer than 18 months, as well as the minimum and maximum amount of the price for the buying-out;

2. the shares to be paid in full;
3. the total nominal value of the own shares shall not exceed 10 per cent of the Bank's share capital. The Bank shall be obliged to transfer the own shares above such amount within a term not exceeding three years.

(2) The Bank cannot exercise any rights on its own bought-back shares.

Capital. Amount of capital. Increase and decrease of the capital

Art. 15. (1) The Bank's capital amounts to BGN 93 838 321 /ninety-three million, eight hundred thirty-eight thousand, three hundred twenty-one/.

(2) The Bank's capital is divided into 93 838 321 /ninety-three million, eight hundred thirty-eight thousand, three hundred twenty-one/ shares with a nominal value of BGN 1 /one/ each.

Art. 16. (1) The share capital of the Bank may be increased in the following manner:

1. issuance of new shares;
2. conversion of a part of the Bank's profits into capital;
3. conversion of debentures into shares;
4. increasing the nominal value of already issued shares;
5. non-monetary contributions;
6. provided that the shares are purchased by certain persons at a certain price, as well as in return for bonds of the company.

(2) In case of capitalization of profits, the newly issued shares shall be divided between the shareholders, including the Bank when the Bank has own shares, pro rata to their participation in the Bank's share capital prior to the capital increase.

(3) The capital increase shall be admissible only in case the Bank's capital has been paid in full prior to the capital increase.

(4) The share capital can be increased by cash or in-kind contributions. For capital increase by means of in-kind contributions, a written permission from the Central Bank is necessary upon the presence of the conditions provided in the law. Upon increasing the Bank's capital, each shareholder has the right to acquire shares corresponding to his/her share in the capital prior to the increase.

(5) In case of a capital increase, each shareholder has the right to acquire shares which correspond to his shareholder's share in the share capital prior to the capital increase.

Art. 17. (1) The Bank's capital can be reduced only with a written permission from the Central Bank through:

1. Reduction of the nominal value of shares
2. Cancellation of shares after their acquisition by the Bank.

(2) The decision for capital reduction must state the purpose and way of reduction.

Equal treatment and information

Art. 18. (1) The Supervisory Board and the Management Board ensure that all shareholders are treated equally.

(2) UBB AD attaches great importance to giving its shareholders, bondholders and other stakeholders equal access to information. It accordingly seeks to ensure that information it provides

periodically or potential inside information it disseminates via various channels is disclosed simultaneously.

(3) Periodic information, including the annual activity reports of the Banks and the annual separate financial statements, together with an independent auditor's report, the annual activity reports of the Banks and the annual consolidated financial statements, together with an independent auditor's report, as well as disclosures on an annual basis in accordance with the requirements of Regulation (EU) No. 575/2013 (Part Eight) and the Law on Credit Institutions (Art. 70, para 3), is published on the official corporate website of UBB AD (www.ubb.bg) at pre-announced times.

VI. GENERAL MEETING OF SHAREHOLDERS

General information

Art. 19. (1) The General Meeting of Shareholders is the superior management body, which defines the major trends of the Bank's activities and includes all shareholders, who personally or through their authorized representatives participate in its sessions.

(2) The General Meeting of Shareholders shall hold meetings at least once a year, but no later than 6 months after the end of the reporting year.

Procedure for convening meetings

Art. 20. (1) The Meetings of the General Meeting of Shareholders shall be convened by the Management Board, the Supervisory Board or at the initiative of the shareholders, who have been holding shares for at least three months, representing 5 % of the share capital. It has the needed quorum if more than half of the shares are represented.

(2) The General Meeting of Shareholders shall be convened by an invitation announced in the Commercial Register. The period from the announcing in the Commercial Register until the opening of the General Meeting of Shareholders can not be shorter than 30 days.

(3) The Management Board and the Supervisory Board can convene the General Meeting of Shareholders also through sending written invitations to all the shareholders of the Bank, including the agenda with the issues proposed to be discussed. Notwithstanding the content of the invitation, any issues not included in the agenda could be discussed and solved at the meeting, under the condition that all shareholders of the Bank are present at it.

Participants

Art. 21. (1) Each shareholder shall have the right to authorize in writing a person to represent him at the General Meeting of Shareholders. Authorization should be issued for each particular meeting, should be explicitly granted, in written form, certified by notary signatures and with the legally required minimum content. A member of the Management Board or of the Supervisory Board could not be a proxy to a shareholder.

(2) Members of the Management Board and the Supervisory Board may also participate in the meeting of the General Meeting of Shareholders, without the right to vote, if they are invited.

(3) Representatives of the specialized internal audit unit and of the audit companies, appointed to check and certify the annual financial statements, as well as other persons, if invited, may participate without voting right in the General Meeting of Shareholders.

Powers of the General Meeting of Shareholders

Art. 22. (1) The General Meeting of Shareholders has the right to:

1. amend and supplement the Articles of Association of the Bank;
2. increase and reduce the share capital;
3. reorganize and liquidate the Bank after preliminary permission by the Central Bank;
4. appoint and release the members of the Supervisory Board;
5. specify the remunerations and the bonuses of the members of the Supervisory Board as well as the terms for which these remunerations and bonuses are due;
6. appoint and release the members of the Audit Committee and the management of the Specialized unit for internal audit;
7. after preliminary advice by the Central Bank, appoint and release the auditing companies, upon recommendation of the Audit Committee, which are registered auditors in accordance with the Independent Financial Audit Act, having all rights and responsibilities pursuant to the Independent Financial Audit Act, including to check and verify the annual financial statements of the Bank, in compliance with the applicable financial reporting standards;
8. approve the annual financial statements verified by the auditing companies; make a decision for the allocation of profit, for contributions to the Reserve Fund and for payments of dividends;
9. decide on issuance of debentures;
10. upon preliminary permission provided by the Central Bank, decide on liquidation and appointment of liquidators in case of a voluntary liquidation of the Bank;
11. determine the amount of the guarantees, which shall be provided by the members of the Management Board and the Supervisory Board;
12. release from liabilities the members of the Supervisory Board and the Management Board;
13. make decisions on the transfer of the commercial enterprise of the Bank.
14. make a decision on the disposal of assets, which total value during the current year exceeds half of the value of the Bank's assets in accordance with the latest certified annual financial statements;
15. makes a decision for undertaking of commitments or providing of collateral to one person/entity or related parties, which amount during the current year exceeds half of the value of the Bank's assets in accordance with the latest certified annual financial statements;
16. decide on other issues provided by the law or the Articles of Association.

(2) The decisions under para 1, points 1, 2, 14 and 15 shall be made by a qualified majority of 2/3 of the share capital, under points 3 and 13 by 3/4 of the share capital, while all other decisions shall be made by a simple majority vote of the share capital.

(3) The decisions of the General Meeting of Shareholders shall come into force immediately, except when their effect has been delayed or if as per the law they come into force or have effect after entry into the Commercial Register.

Minutes

Art. 23. (1) For the decisions of the General Meeting of Shareholders, minutes shall be prepared specifying the following circumstances:

1. Place and time of the meeting;
2. The names of the chairman and the secretary as well as the names of the vote-tellers in case of voting.
3. The presence of the Management Board and the Supervisory Board, as well as persons who are not shareholders;
4. The proposals made per se;
5. Votings conducted and their results;
6. Objections made.

(2) The minutes of the General Meeting of Shareholders shall be signed by the chairman and the secretary of the meeting as well as by the vote-tellers.

(3) A list of the persons present and the documents relating to the general meeting shall be attached to the minutes.

(4) Minutes and attachments shall be kept for at least 5 (five) years.

VII. SUPERVISORY BOARD

General information

Art. 24. (1) The Supervisory Board is a corporate body of the Bank and it is empowered to carry out preliminary, current and subsequent control over the compliance of the activities of the Bank with the applicable law, the Articles of Association and the decisions of the General Meeting of Shareholders in the interests of the Bank's clients and its shareholders.

(2) In its activities the Supervisory Board can be supported by outside experts whereas each expert shall be obliged to sign a declaration to keep confidential the bank secrecy.

Composition

Art. 25. (1) The Supervisory Board of the Bank shall consist of 3 (three) to 7 (seven) members elected by the General Meeting of Shareholders. Legal entities appointing their representatives may also be elected as members of the Supervisory Board. A member of the Supervisory Board - an individual or a representative of a legal entity may not be, at the same time, a member of the Management Board, an entity entered with the Commercial Register with powers to act on behalf of the Bank or a member of the specialized internal audit unit.

(2) (new – Minutes No 41/05.08.2019) At least one third of the members of the Supervisory Board should be independent according to Art. 10a, para. 2 of the Credit Institutions Act.

(3) (former para. 2 – Minutes No 41/05.08.2019) The Supervisory Board shall have a balanced composition, ensuring that the board members have sufficient banking expertise, general corporate management experience and broader societal experience. The composition of the Supervisory Board shall also reflect diversity in terms of nationality, education, gender, etc.

(4) (former para. 3 - Minutes No 41/05.08.2019) The Supervisory Board shall be assisted in its activities by a corporate secretary that is not a member of the Board.

Requirements to the members of the Supervisory Board

Art. 26. (1) The members of the Supervisory Board should meet the requirements for this position as per the Law on Credit Institutions and Ordinance No. 20 of the Bulgarian National Bank on the Issuance of Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing Their Duties.

(2) The SB members shall be elected (or authorized) after prior approval from BNB.

(3) All members of the Supervisory Board should have sufficient capacity to make independent judgment. They shall also undertake to make the necessary time available to fulfill their obligations as members of the Supervisory Board.

(4) Newly appointed members of the Supervisory Board receive appropriate training that provides them with adequate information and documentation on the business activity, strategy, management, principal policy guidelines, risk-management and internal control systems, and the various challenges facing UBB AD.

(5) The members of the Supervisory Board should keep their skills and knowledge that are essential to the activity of UBB AD up to date. At the Chairman's initiative, separate training sessions may be organized to examine specific topics in more depth.

(6) The members of the Supervisory Board have equal rights and obligations, regardless of the internal distribution of functions between them and the powers granted to the chairman and the deputy chairman.

Chairmanship

Art. 27. (1) The Supervisory Board elects a Chairman and may elect a Deputy Chairman from among its members. The Supervisory Board adopts rules for its work.

(2) The Chairperson, and the Deputy Chairperson in his/her absence, of the SB has the following powers:

1. manages the preparation and the work of the SB's meetings;
2. convenes regular and extraordinary meetings of the SB;
3. approves the agenda of the SB's meetings and distributes it to the other members of the SB together with the documents under it;
4. represents the SB in its relations with the MB in carrying out the control functions of the Board;
5. supervises and coordinates the performance of decisions of the SB;
6. receives and requests information and reports on any matter essential to the Bank;
7. signs contracts for delegating the management and representation of the executive directors of the Bank, and decides on all other matters relating to the execution of these contracts.

(3) The Chairperson of the SB has the right to convene meetings of the MB.

(4) The Deputy Chairperson of the SB, in case such has been elected, assists the Chairperson and replaces the Chairperson in his/her absence.

Mandate

Art. 28. (1) The members of the SB are elected for a period of 4 (four) years and can be re-elected without limitation. The term of office of each member can be terminated by the General Meeting of Shareholders at any time.

(2) The members of the Supervisory Board should not occupy in other legal entities more than:

1. one position of an executive member or procurator, or manager, or two positions of a member of a management board (board of directors) that is not an executive member, or a member of a supervisory board, or

2. four positions of a member of a management board (board of directors) that is not an executive member, or a member of a supervisory board.

(3) Positions within companies in the same group are considered as one position. This also applies to positions in companies in which the bank has a qualifying share.

(4) Positions occupied in the management bodies of non-profit legal entities shall not be considered.

Remuneration

Art. 29. (1) (new - Minutes No 41/05.08.2019) The remunerations of the SB members shall be determined by the General Meeting of Shareholders of the bank.

(2) (amended - Minutes No 41/05.08.2019) Remuneration of the SB members, representatives of KBC Group, shall be determined in accordance with GWCR No. 9 for Inventory and Non-remuneration of Managing Mandates Executed in Other Companies on Nomination of KBC, based on decision No.230/25.08.2009 of the Executive Committee of KBC Group.

Conflicts of interest

Art. 30. (1) The members of the SB should not be put in a position in which their obligations toward a client of the Bank are in conflict with their obligations toward another client or their own interests are in conflict with their obligations toward a client of the Bank. A SB member who has a business interest in the conclusion of a particular transaction with the bank shall not participate in the negotiations or in the discussion and decision on its conclusion.

(2) Upon taking office, each SB member, in his/her capacity as administrator under the Law on Credit Institutions, shall submit to the management body of the Bank a declaration of the names and addresses of persons associated with him/her or members of his/her family as well as of any major commercial, financial and other business interest that they have with the Bank at the time of submission of the declaration.

(3) Upon change in the circumstances declared, each SB member is obliged to submit a new declaration within 7 days of the change.

(4) Declarations shall be kept in a special book at the Bank.

Meetings of the Supervisory Board

Art. 31. (1) The Supervisory Board meets at least once every quarter.

(2) The Supervisory Board holds regular or extraordinary meetings convened by its Chairperson on his/her initiative. The Supervisory Board holds regular meetings at least once every quarter. Extraordinary meetings are held when necessary.

(3) A meeting of the Supervisory Board can be convened upon written request of the members of the Supervisory Board or the Management Board.

(4) The secretary of the SB draws up an agenda that is approved by the Chairperson of the SB, and in his/her absence - by the deputy chairperson.

(5) A meeting of the Supervisory Board is valid if more than half of its members are present or are represented by another member of the Board by a written power of attorney. A member of the Supervisory Board may not represent more than one absent member.

(6) The Supervisory Board adopts decisions by a majority of votes. Each member of the Board is entitled to one vote.

(7) The Supervisory Board can also adopt decisions without holding meetings, which are also recorded in the minutes book provided that:

1. the proposed decisions are presented to each member in writing, and
2. all members of the Supervisory Board declare their agreement with the decision in writing.

(8) The chief executive officer participates in the meetings of the Supervisory board in an advisory voting capacity. The other executive directors shall be present at the meetings of the Supervisory Board if they are invited.

(9) Third parties invited by the Supervisory Board may take part in the meetings without the right to vote.

(10) The meetings of the Supervisory Board may also be held via tele/videoconference call. Each Board member shall be considered attending the meeting if he/she participates in the meeting via tele/videoconference call which is verified in the Minutes of the meeting by the Secretary and the Chairperson.

Powers of the Supervisory Board

Art. 32. The Supervisory Board has the following powers:

1. appoints and releases the members of the Management Board and concludes contracts regulating the relations with them;
2. approves the Operational Rules of the Management Board;
3. convenes meetings of the General Meeting of Shareholders and suggests the taking of appropriate measures in accordance with the Bank's interests;
4. makes proposals to the General Meeting of Shareholders for release of the members of the Management Board from their liabilities;
5. through a specified member of the Supervisory Board represents the Bank on any disputes with the Management Board or some of its members;
6. approves the business plan of the Bank, the annual budget, the policy of the Bank in the area of crediting and provisioning upon proposal by the Management Board;
7. approves the decisions of the Management Board, when required by the provisions of the Articles of Association of the bank;
8. (new - Minutes No 41/05.08.2019) gives a preliminary approval for granting of internal loans under Art. 45 of the Credit Institutions Act by the Management Board. The Supervisory Board preliminary approves limits within which the Management Board standalone could make decisions for granting of internal loans under Art. 45 of the Credit Institutions Act.
9. (former it.8 - Minutes No 41/05.08.2019) may decide on any other issue submitted to the Supervisory Board by the Management Board.

Minutes

Art. 33. (1) Minutes of the meetings of the Supervisory Board shall be kept in a special book and shall be signed by all present or represented members of the Board and by the corporate secretary.

(2) The minutes shall reflect the decisions under the agenda.

(3) The documents of the meeting shall also be attached to the minutes.

(4) The minutes shall be kept by the corporate secretary who shall file them in chronological order together with the attachments thereto in a book of minutes. The book shall be kept for at least five years as of the end of the year in which the respective meeting has been held.

(5) If necessary, copies and/or extracts from the minutes shall be prepared and signed by the corporate secretary.

VIII. ADVISORY COMMITTEES OF THE SUPERVISORY BOARD

Introduction

Art. 34. (1) (amended - Minutes No 41/05.08.2019) The following advisory committees are established with the Supervisory Board of UBB AD: Risk and Compliance Committee, Remuneration Committee and Nomination Committee.

(2) The Supervisory Board may also establish other committees as it should determine their obligations, composition and functions.

(3) All committees have an advisory role. Only the Supervisory Board is authorized to adopt decisions, unless a specific decision authority has been delegated.

(4) All committees are authorized to use, within reasonable limits, methods that ensure their smooth operation. They may consult with external specialists. The committees are accountable to the Supervisory Board for the proper performance of their duties.

(5) (amended - Minutes No 41/05.08.2019) A detailed regulation regarding the committees with the Supervisory Board is contained in the separate operational rules of each of the committees, executed as part of the internal regulations of the Bank.

Art. 35. (repealed - Minutes No 41/05.08.2019)

Risk and Compliance Committee

Art. 36. (1) (amended - Minutes No 41/05.08.2019) The Risk and Compliance Committee includes members of the Supervisory Board, in compliance with the requirements of Art. 6 of Ordinance No. 7 of the Bulgarian National Bank on Organization and Risk Management of Banks.

(2) (new - Minutes No 41/05.08.2019) The Risk and Compliance Committee consist of at least three members, majority of which are independent within the meaning of Art. 10a, para. 2 of the Credit Institutions Act.

(3) (new - Minutes No 41/05.08.2019) The Chairperson of the Risk and Compliance Committee could not be at the same time a Chairperson of the Nomination Committee, the Remuneration Committee and the Audit Committee, as well as a Chairperson of the Supervisory Board.

(4) (former para. 2 - Minutes No 41/05.08.2019) The Risk and Compliance Committee meets at least four times a year. The Committee has a permanent secretary appointed by the Chairperson, who drafts Minutes including all decision made at the meetings. The minutes and the decisions of the Risk and Compliance Committee shall be approved by the Supervisory Board.

(5) (former para. 3 - Minutes No 41/05.08.2019) The Risk and Compliance Committee has the following main responsibilities:

1. Provides guidance with regards to the current and future risk appetite, the risk management strategy and the risk profile of UBB AD;

2. Monitors whether the value of liabilities and assets and categories of off-balance sheet products offered to clients are in accordance with the business model and the risk management strategy;

3. Monitors the quality of the risk management systems, compliance and conformity with the law by overseeing the independence, professionalism and expertise of the units engaged in these spheres;

4. Monitors whether the incentives provided for by the Remuneration Committee take into consideration the impact of risk, capital, liquidity and the time of receiving the remunerations.

(6) (former para. 4 - Minutes No 41/05.08.2019) The RCC is involved, without prejudice to the tasks of the Remuneration Committee, in the identification process of the members of staff whose professional activities have a material impact on the institution's risk profile. The Chairperson of the Risk and Compliance Committee participates in the meetings of the remuneration committee.

(7) (former para. 5 - Minutes No 41/05.08.2019) The Chairperson of the Risk and Compliance Committee reports to the Supervisory Board on the activities, conclusions and recommendations for improvement after each meeting of the Committee.

Remuneration Committee

Art. 37. (1) The Remuneration Committee allows the Supervisory Board to make informed and independent decisions with regards to remuneration policies and practices as well as the incentives for risk management, capital and liquidity created through them.

(2) The Committee prepares and proposes to the Supervisory Board solutions on remunerations by taking into account the impact of risk and its management in the bank, the long-term interests of shareholders, investors and other stakeholders.

(3) A chairperson and members of the Remuneration Committee can only be members of the Supervisory Board.

(4) (new - Minutes No 41/05.08.2019) The Remuneration Committee consist of at least three members, majority of which are independent within the meaning of Art. 10a, para. 2 of the Credit Institutions Act.

(5) (former para. 4 - Minutes No 41/05.08.2019) The Remuneration Committee meets at least once a year to discuss the rules for determining remunerations of the "key" employees of the bank specified in the Remuneration Policy of UBB AD. A valid meeting requires the presence of at least half of the members.

(6) (former para. 5 - Minutes No 41/05.08.2019) The Remuneration Committee has the following powers:

1. Puts forward proposals to the SB in relation to the rules for determining the remunerations of the Bank's "key" employees. In this regard, the Committee introduces individual terms for determining the remunerations of the MB members, procurators, commercial representatives;

2. Performs an annual review of the remunerations of the Bank's "key" employees.

(7) (former para. 6 - Minutes No 41/05.08.2019) The Remuneration Committee reports to the Supervisory Board on the activities, conclusions and recommendations for improvement after each meeting.

(8) (former para. 7 - Minutes No 41/05.08.2019) Minutes of the meetings held by the Remuneration Committee are kept by a permanently appointed secretary, an employee at the Human Resources Management Directorate, which minutes should be presented to the Committee members and ratified by the Supervisory Board.

Nomination Committee

Art. 38. (1) (amended - Minutes No 41/05.08.2019) The Nomination Committee is a sub-committee of the SB which provides recommendations for the selection and appointment of members of the MB and of the SB. The Nomination Committee consists of at least three persons who are members of the SB.

(2) (new - Minutes No 41/05.08.2019) Majority of the members of the Nomination Committee are independent within the meaning of Art. 10a, para. 2 of the Credit Institutions Act.

(3) (former para. 2 - Minutes No 41/05.08.2019) In performing its obligations, the Nomination Committee takes into account periodically the need to ensure that the decision making process of the Management Board is not influenced by a separate individual or a small group of persons in a way which harms the interests of the Bank.

(4) (former para. 3 - Minutes No 41/05.08.2019) The Committee meets at least once a year to assess the size, composition, structure and work of the MB as well as to provide recommendations regarding necessary changes in the MB composition.

(5) (former para. 4, amended - Minutes No 41/05.08.2019) The Nomination Committee has the following competences:

1. Identifies and recommends for selection by the General Meeting of Shareholders candidate members of the Supervisory Board, or by the Supervisory Board – candidate members of the Management Board by taking into account the balance of professional knowledge and skills, the various qualifications and experience of the members of the Board necessary for the management of the bank;

2. Prepares description of the functions and the requirements for candidates and determines the time that the selected members are expected to spend in the work of the Management Board and of the Supervisory Board;

3. Determines a target level in relation to the participation of the under-represented gender in the composition of the Management Board and of the Supervisory Board, and develops a policy to increase the number of representatives of the under-represented gender in the composition of the boards to achieve this level;

4. Performs analysis periodically but not less than once a year of the structure, composition, number of members and the results of the work of the Management Board and of the Supervisory Board, and provides recommendations for possible changes;

5. Performs analysis periodically but not less than once a year of the knowledge, skills and experience of the members of the Management Board and of the Supervisory Board, as a whole and individually of each member, and reports to each of them;

6. Reviews periodically the Management Board policy for selection and appointment of members of the senior management staff and provides recommendation to it.

(6) (new - Minutes No 41/05.08.2019) While performing its functions the Nomination Committee analyses periodically the necessity to guarantee that the process of decision making by the Management Board and by the Supervisory Board is not controlled by a separate person or a small group of people in a way which could harm the interests of the bank.

(7) (former para. 5 - Minutes No 41/05.08.2019) The Nomination Committee reports to the Supervisory Board on the activities, conclusions and recommendations for improvement after each meeting. Minutes of the meetings held by the Nomination Committee are kept by a permanently appointed secretary, an employee at the Human Resources Management Directorate, which Minutes should be presented to the Committee members and the Supervisory Board for approval.

IX. MANAGEMENT BOARD

General information

Art. 39. (1) The bank is managed and represented by a Management Board.

(2) The Management Board manages the Bank's activity by performing its rights and obligations stipulated by law, specified in the Articles of Association, its Operational Rules and in the other internal rules of the Bank.

(3) The Management Board decides on all matters that are not within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board in compliance with the provisions of the law and the Articles of Association, in accordance with the decisions of the General Meeting of Shareholders and under the supervision of the Supervisory Board.

Composition and mandate

Art. 40. (1) The Management Board consists of 3 /three/ to 9 /nine/ persons elected by the Supervisory Board.

(2) The Management Board shall have a balanced composition, ensuring that the board members have adequate banking expertise, general corporate management experience and broader societal experience. The composition of the Management Board shall also reflect diversity in terms of nationality, education, gender, etc.

(3) The Management Board members have equal rights and obligations, regardless of the internal distribution of functions among them and the regulations by virtue of which executive directors are entitled to manage.

(4) The Management Board is assisted in its activity by a corporate secretary who is not a Board member. The corporate secretary prepares minutes of the meetings held and certifies their copies. The corporate secretary monitors the implementation of decisions adopted by the MB on the part of the respective structural units of the bank.

Executive directors and chief executive officer

Art. 41. (1) The Management Board, with the approval of the Supervisory Board, authorizes at least two of its members - executive directors, to represent the Bank and to perform its operational management, as well as elects a Chairperson of the MB and a Chief Executive Officer.

(2) The executive directors perform the ongoing management of the Bank as their competence is determined by law, by the Articles of Association and the Operational Rules of the Management Board.

(3) Each executive director exercises his/her powers together with any other executive director, procurator or commercial representative of the Bank.

(4) Executive directors cannot delegate the overall management and representation of the Bank to one of them, but they can authorize employees of the Bank or third persons to perform certain actions in accordance with the rules adopted by the Management Board, stipulated in the Articles of Association and the applicable law.

(5) The executive directors have the following powers:

1. They manage and represent the bank in its relations with third parties;
2. They organize the Bank's activity, perform its operational management, provide management and safeguarding of assets;
3. They sign and terminate employment contracts and contracts equated to them with Bank's employees and determine their remunerations;
4. They perform other functions as well, assigned to them by the General Meeting of Shareholders, the Supervisory Board and the Management Board.

Art. 42. With the approval of the Supervisory Board, the Management Board elects a Chief Executive Officer among its members. The Chief Executive Officer performs the overall management, organization and ongoing management control over the Bank's activity, as follows:

1. Represents the MB in its relations with the SB, establishes contact with the SB in connection with the performance of its functions, and provides the necessary information for its work;
2. Notifies the Chairperson of the SB, or in his/her absence - the Deputy Chairperson of the SB, for any proposal for decision that requires the approval or the consent of the SB;
3. Takes part in the Supervisory Board meetings with advisory voting capacity;
4. Presents reports on the status and activities of the Bank at each regular meeting of the Supervisory Board;
5. Performs other functions as well, in accordance with the Articles of Association and the Operational Rules of the Management Board of UBB AD.

Requirements

Art. 43. (1) The candidate members of the Management Board should meet the requirements set forth in Art. 11 of the Law on Credit Institutions, Ordinance No. 20 of the Bulgarian National Bank on the Issuance of Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing Their Duties, as well as in the Bank's Articles of Association, and they are subject to prior approval by the Bulgarian National Bank.

(2) The Management Board members should have the necessary financial expertise, professional integrity, managerial skills and rich experience to be able to take effective control of the bank. Furthermore, they should possess the specific competences for the respective profile and adequate capacity to have an independent opinion.

(3) Newly appointed members of the Management Board receive appropriate training based on their individual needs. The members of the Management Board are expected to maintain regularly

and thoroughly their competences and knowledge with regards to the bank and markets in which it operates, through independent surveys, specific internal sessions and specialized external seminars and conferences in the country and abroad.

Chairmanship

Art. 44. (1) With the approval of the Supervisory Board, the Management Board elects a Chairperson among its members. The Chairperson manages the preparation and the work of the Board meetings.

(2) The Chairperson, and in his/her absence - the Chief Executive Officer or a member of the MB authorized in writing by the Chairperson, has the following powers:

1. Manages the preparation and the work of the MB meetings;
2. Convenes regular and extraordinary meetings of the MB;
3. Approves the agenda of the MB meetings.

Mandate

Art. 45. (1) The members of the Management Board are elected by the Supervisory Board for a period of up to 4 (four) years and can be re-elected without limitations. Each member of the Board can be dismissed early by decision of the Supervisory Board before the expiration of the mandate.

(2) The members of the Management Board should not occupy in other legal entities more than:

1. One position of an executive member or procurator, or manager, or two positions of a member of a management board (board of directors) that is not an executive member, or a member of a supervisory board, or
2. Four positions of a member of a management board (board of directors) that is not an executive member, or a member of a supervisory board.

(3) Positions within companies in the same group are considered as one position. This also applies to positions in companies in which the bank has a qualifying share.

(4) Positions occupied in the management bodies of non-profit legal entities shall not be counted.

Remuneration

Art. 46. (1) The members of the MB are entitled to receive remuneration for their participation in the meetings of the MB, determined by the General Meeting of Shareholders.

(2) The Remuneration Committee with the Supervisory Board introduces individual terms for determining the remunerations of the Management Board members.

Conflicts of interest

Art. 47. (1) The members of the MB should not be put in a position in which their obligations toward a client of the Bank are in conflict with their obligations toward another client or their own interests are in conflict with their obligations toward a client of the Bank. A MB member who has a business interest in the conclusion of a particular transaction with the bank shall not participate in the negotiations or in the discussion and decision on its conclusion.

(2) Upon taking office, each MB member, in his/her capacity as administrator under the Law on Credit Institutions, shall submit to the management body of the Bank a declaration of the names and addresses of persons associated with him/her or members of his/her family as well as of any major commercial, financial and other business interest that they have with the Bank at the time of submission of the declaration.

(3) Upon change in the circumstances declared, each MB member is obliged to submit a new declaration within 7 days of the change.

(4) Declarations shall be kept in a special book at the Bank.

Meetings

Art. 48. (1) The Management Board holds regular meetings at least once a month and it usually meets once a week. Meetings are convened by the Chairperson of the Management Board on his/her initiative, at the request of a Board member or at the request of the Chairperson of the Supervisory Board.

(2) The Management Board can adopt decisions if more than half of the Board members are present at the meeting - in person or represented by another Board member authorized with a written power of attorney. A member of the Board may not represent more than 1 (one) absent member of the Board.

(3) Resolutions of the Management Board are adopted by a majority of the present members of the Board, unless the law or the Article of Association require another type of majority.

(4) The Management Board can adopt written resolutions without holding a meeting if:

1. the proposed resolutions are presented to each member in writing, and
2. all members of the Management Board declare their agreement with the decision in writing.

(5) Decisions adopted in absentia are recorded in the Book of Minutes from the meetings of the Management Board.

(6) The meetings of the Management Board may also be held via tele/videoconference call. Each Board member shall be considered attending the meeting if he/she participates in the meeting via tele/videoconference call which is verified in the Minutes of the meeting by the Secretary and the Chairperson.

(7) All members of the Board shall be invited to the MB meetings with announcement of the meeting agenda at least one day before the scheduled date. Agenda suggestions shall be made in the form of memos by members of the MB, procurators or commercial representatives of the Bank as well as by the Head of the internal audit unit.

(8) The corporate secretary summarizes the proposals received and prepares a draft agenda to be approved by the Chairperson of the MB or in his/her absence - by a member of the MB authorized by him/her.

Powers

Art. 49. (1) The Management Board has the following powers:

1. Defines the general guidelines for the Bank's activity, the credit, interest rate and accounting policy;

2. Organizes and manages implementation of the decisions of the General Meeting of Shareholders of the Bank;

3. With the approval of the Supervisory Board, decides on:

(a) closure or transfer of the Bank's enterprise or substantial parts of it;

(b) (amended - Minutes No 41/05.08.2019) opening or closure of branches (of a merchant within the meaning of Art. 17 of the Commerce Act);

(c) substantial change in the Bank's activity;

(d) (amended - Minutes No 41/05.08.2019) substantial internal organizational changes; establishment and closure of directorates and independent departments as well as appointment of heads of such structural units;

(e) long-term cooperation that is essential for the Bank or termination of such cooperation;

(f) acquisition of 25% or more of the voting rights or the registered capital of a legal entity, and in any other case when the cost of such acquisition exceeds 10% of the Bank's own capital. This provision applies to any type of acquisitions regardless of whether they are carried out as a result of the purchase of existing assets, participation in the capital increase of an existing company or upon establishment of a new company;

(g) authorization at least two of its members - executive directors, to represent the Bank and to perform its operational management as well as election of a chairperson of the MB and a chief executive officer;

(h) (amended - Minutes No 41/05.08.2019) distribution of functions between the persons managing and representing the Bank for the respective management of basic structural units of the bank – directorates and independent departments;

(i) authorization of commercial representatives and procurator(s) of the Bank and signing a contract for procurator;

(j) disposal with a substantial part of the Bank's property, including rights to intellectual property the value of which exceeds 5% of the Bank's own capital according to the latest monthly accounts;

4. Adopts the Internal Rules of Procedure of the Bank and Operational Rules for its activity to be approved by the Supervisory Board;

5. Decides on the provision of large exposure under Art. 44 of the Law on Credit Institutions and internal credits under Art. 45 of said law, in the limits approved preliminary by the Supervisory Board, restructuring, announcement of early collection as well as on enforcement for risk exposures exceeding the amount defined in the bank's internal regulations, following a reasoned proposal by the respective specialized body of the bank;

6. Prepares and puts forward for approval by the Supervisory Board the annual financial statement, the activity report of the company and the proposal for allocation of profit.

7. Decides on the organizational structures of the specialized internal audit division, its numerical strength, the requirements for professional qualification, experience and other requirements for the internal audit inspectors in view of the reasonable needs of control and within the budget determined by the General Meeting of Shareholders.

8. Performs other functions as well assigned to it by the General Meeting of Shareholders, the Supervisory Board, the Articles of Association and by law.

(2) The MB's decisions shall enter into force on the day of their approval by the MB unless the decision itself specifies another term for the entry into force.

Minutes

Art. 50. (1) Minutes reflecting the decisions under the agenda shall be kept for each meeting of the Management Board. The minutes shall be signed by all present MB members, procurators and commercial representatives, and by the corporate secretary.

(2) The documents of the meeting shall also be attached to the minutes.

(3) The minutes shall be kept by the corporate secretary who shall file them together with the attachments thereto in the respective book of minutes. The book shall be kept for at least five years as of the end of the year in which the respective meeting has been held.

(4) Copies and/or extracts from the minutes shall be prepared and signed by the corporate secretary who presents them to the respective structural units of the Bank for information and execution.

X. SPECIALIZED UNITS AND BODIES WITH THE MANAGEMENT BOARD

Introduction

Art. 51. (1) Given the specific activities of the Bank, the Management Board may establish special units and bodies whereas in its decision, the Management Board shall specify their tasks and purposes, the way of their establishment and closing as well as their basic powers. For the execution of specific tasks, the Management Board may delegate to these units and bodies some of its powers which are not within its exclusive competence.

(2) The following permanent consultative bodies assisting the Board's activity in the respective areas are established with the Management Board of the UBB AD: Credit Committees, Local Provisioning Committee, Local Risk Management Committee (LRMC), New and Active Products and Processes Committee (NAPPC), Local Investment Committee, Investment Committee of UBB AD.

(3) A detailed regulation regarding the consultative bodies with the Management Board is contained in their separate operational rules executed as part of the internal regulations of the Bank.

Credit Committees

Art. 52. (1) UBB AD credit committees are standing bodies for effecting the management and monitoring on the Bank's lending activity with regard to corporate and SME clients, as well as specifically defined cases of clients – natural persons, within the framework of their delegation levels and competence limits. Within their competences the credit committees comply with the Bank's risk appetite in the field of corporate lending and in the specifically defined cases of retail lending, as determined by the Management Board and the Local Risk Management Committee and strictly apply the Bank's approved policy on corporate and retail lending, as well as all other instructions, procedures and methodologies, applicable to this activity.

(2) The credit committees have the following functions:

1. They review and analyse proposals for concluding new credit deals with separate clients and with economically related parties, make decisions on those in compliance with their delegated limits of competence.

2. They assess the creditworthiness and the credit risk, related to requests for conclusion of credit deals beyond their competence limits, while observing the subordination hierarchy and provide opinions to the authorized bodies with a higher level of competence - MB or the KBC Headquarters (GCRD), for consideration and final decision-making.

3. They analyze the submitted proposals by the business units or by the Problem Loans Collection Directorate (Recovery) concerning the Bank's problematic exposures, in the cases when this is within their delegated limits of competence, as well as make decisions on their renegotiation, restructuring, action plan for their monitoring, which should either continue in the business units or be taken up by Recovery Directorate, announcement of early callability; other proposals (presented as reports or memos) of lending nature.

4. They review and approve the annual/planned reviews of all credit exposures within their approved competence limits and powers.

5. They review proposals for appeal of decisions on credit deals, which have been considered at lower approval levels and are within their delegated limits of competence and authorities.

6. They also review retail credit deals above certain parameters in terms of consumer loans and for mortgage loans, proposed as an exception to the approved characteristic features of the respective products.

(3) Types of credit committees at UBB AD:

1. Regular Loans Credit Committee – as regards all proposals, pertaining to existing clients with regular exposures, as well as loans of new clients.

2. Bad Loans Credit Committee.

3. Credit Committees levels I – III – for approval of credit deals and for problem loans, of various levels of competence.

(4) Retail credit decisions are taken based on certain delegations given to specific people, by power of individual delegations provided by the Delegation Committee. As such these are not specific bodies that are installed but act on the grounds of the granted delegations.

Local Provisioning Committee

Art. 53. (1) The Local Provisioning Committee is established by and has received its authority by the Management Board. It is a collective body of the Bank that makes decisions and recommendations on all topics related to impairments of financial assets of the Bank.

(2) The mission of the Local Provisioning Committee is to assist the Management Board in:

1. Approval (changes to) the Bank's Impairment Policy for financial assets under IFRS 9.

2. Challenging and approval of the monthly impairment results/loss allowances on financial assets not at Fair value through profit or loss (FVPL) on a Bank level under IFRS 9.

3. Challenging of Expected Credit Loss (ECL) model - in case of unusual/ unexpected model output, inform the Local Risk Management Committee and potentially trigger a model review.

(3) The Local Provisioning Committee holds meetings on a monthly basis or ad hoc if needed.

(4) The Local Provisioning Committee takes decisions provided more than half of its permanent members are present in person. Each member is entitled to one vote.

(5) Decisions of the Local Provisioning Committee shall be made with total majority (unanimously) of the attending members. If no consensus is reached a final decision will be taken by the Management Board.

(6) The Local Provisioning Committee Minutes are submitted for final endorsement by the Management Board not later than 5 days after the Committee meeting.

Local Risk Management Committee

Art. 54. (1) The Local Risk Management Committee is a collective body of the Bank, supporting the Management Board in making decisions on:

1. The strategy for management of risk, risk appetite and the overall risk framework;
2. Determining the present and target Risk profile and capital adequacy as compared to the risk appetite and the allocation of capital;
3. The capital allocation to individual business units in line with their business plans and within the limits set by the group;
4. Review of the results from the activity, relating to an accepted risk, observance of the compliance with the limitations of the risk framework;
5. Specific roles and responsibilities, related to assets and liabilities management;
6. All issues, related to changes in the Bank's risk profile.

(2) The Local Risk Management Committee Chairperson is the Chief Executive Officer. An employee of Risk Management Directorate, with the assistance of the Head of the directorate, performs the functions of a Local Risk Management Committee Secretary, who prepares Minutes with the Committee's decisions for every meeting, which is subject to subsequent approval by the MB.

(3) The Local Risk Management Committee convenes meetings at least once per month.

(4) The Committee may adopt decisions in case at least five of its members are present in person, as at least four of those should be MB members, commercial representatives or procurators. Local Risk Management Committee decisions are being made with full majority (unanimously) by the members who are present at the meeting, with an open vote. Each member is entitled to one vote. The other attendees have advisory vote.

New and Active Products and Processes Committee (NAPPC)

Art. 55. (1) The New and Active Products and Processes Committee is established by the MB of UBB AD and performs responsibilities, explicitly assigned by the latter. It aims at ensuring correspondence of the products and processes at the Bank to the approved strategy and its risk appetite, as well as providing the prerequisites for their successful implementation and distribution through all available channels (digital, mobile, traditional ones).

(2) In its capacity as a committee, approving the products and at the same time a channel for connection with the Bank's branch network New and Active Products and Processes Committee area of responsibility encompasses deposit, payment, credit, investment, bank-insurance as well as all other products for corporate clients, Small and Medium-sized Enterprises, individual clients, international clients.

(3) NAPPC holds at least one regular meeting each month. Prior to creating/buying/changing/reviewing/selling a product, a NAPPC decision should be made, while observing the appropriate format for the particular case. NAPPC may convene the following types of meetings:

1. Regular meeting – upon the creation, purchase or sale of a new product; material change in an existing product, as compared to the most recent version of this product; change in the market or business environment, having significant impact or upon review of a particular product;

2. Fast Track NAPP - upon the creation, purchase or sale of a new product or a material change in an existing product, as compared to the most recent version of this product, in the cases when the decision needs to be made fast, under the influence of market factors and when the issue is about a one-off transaction (not more than one transaction per client).

3. Immaterial changes – this process is applied only in the cases when an existing product is being amended, as compared to its most recent version, which change is not material, i.e. the product's risk profile is not being significantly amended.

(4) Minutes are prepared of the NAPP meetings by the NAPP Coordinator, containing the made decisions by the Committee and these are subject to subsequent approval by the MB.

(5) The Committee comprises members of the following functions – Chief Risk Officer, Chairperson, Product Owner, Sponsor and Coordinator. The sponsors of the respective processes have been explicitly listed in the NAPP Operational Rules, while product owners are being determined in accordance with the nature of the business proposal.

(6) When proposals for immaterial changes are being discussed the decision is to be made by the Chairperson and the Chief Risk Officer.

Local Investment Committee

Art. 56. (1) The Local Investment Committee (LIC) was established with a MB decision, confirmed with a decision of the Supervisory Board. This Committee is empowered to approve acquisitions of and investments in real estates, in line with Legacy loans, of value either lower or equal to EUR 1 000 000.

(2) Decisions, relating to investments are being made on the basis of separate proposals for each particular investment. As an interim level, cases of assets of value exceeding EUR 500 000 and below EUR 1 000 000 are being submitted to KBC's Head Office in view of their being monitored over a period of 6 months or until the number of those cases reaches 5 (five). Upon expiry of the indicated period the monitoring is being discontinued unless a decision of the Bank's Supervisory Board has been made for its continuation by proposal of the Senior General Manager Group Communities.

(4) The proposals to the Local Investment Committee are being provided for approval in principle and review of impairments by the Bad Loans Credit Committee, while the final decisions on acquisitions of and investments in real estates, in line with Legacy loans, are being made by the Bank's Management Board.

(5) Minutes, containing the decisions of the Local Investment Committee, made at the respective meeting, are prepared by the appointed secretary within 10 business days after the meeting's date.

Investment Committee of UBB AD

Art. 57. (1) UBB AD Investment Committee was established with a MB decision, confirmed with a decision of the Supervisory Board. This Committee is empowered to approve acquisitions of and investments in real estates, in line with Legacy loans, of value exceeding EUR 1 000 000.

(2) The proposals to UBB AD Investment Committee are being provided for approval in principle and review of impairments by the Bad Loans Credit Committee, while the final decisions on acquisitions of and investments in real estates, in line with Legacy loans, are being made by the Bank's Management Board.

(3) Minutes, containing the decisions of UBB AD Investment Committee, made at the respective meeting, are prepared by the appointed secretary within 10 business days after the meeting's date.

XI. PROCURATOR(S)

Art. 58. (1) By decision of the Management Board and with the approval of the Supervisory Board, a natural person may be appointed and authorized to perform actions and transactions as a Commercial Manager – Procurator of the Bank. More than one person meeting the requirements for members of the MB can be authorized as procurators.

(2) The procurator exercises his/her powers to represent the Bank before third parties together with any of the Executive Directors.

XII. INTERNAL CONTROL

Art. 59. (1) The internal control of the Bank shall be organized as independent verification of the compliance with the laws of the effected banking transactions and these activities shall be carried out through monitoring and checking of the financial, accounting and other operations carried out by the Bank as well as the way in which the powers of the officials have been exercised when taking management decisions.

(2) The system for internal control in the bank shall follow the requirement for cost saving, efficiency and reasonable sufficiency.

(3) The internal control shall be carried out simultaneously as preliminary, current and subsequent control over the positions of the Bank and its separate activities and transactions.

(4) (amended - Minutes No 41/05.08.2019) The overall internal control over the whole Bank's activity is carried out by the Supervisory Board and the Audit Committee.

Audit Committee

Art. 60. (new art. - Minutes No 41/05.08.2019) (1) The Audit Committee is a separate committee, independent from the Supervisory Board and the Management Board of the bank, which reports its activity directly to the General Meeting of Shareholders.

(2) The members of the Audit Committee of UBB AD are elected by the General Meeting of Shareholders at the proposal of the Chairperson of the Management Board or of the Supervisory Board. The General Meeting of Shareholders shall determine the term of office and the number of members of the Audit Committee. Members of the Supervisory Board can be elected as members of the Audit Committee. The Majority of the Audit Committee members should be external for or independent of the Bank, pursuant to Art. 107, para. 4 of the Independent Financial Audit Act.

(3) The Audit Committee meets at least four times a year. Regular meetings require the presence of at least half of the Committee members. The Audit Committee has a permanent secretary appointed by the Chairperson and keeps minutes of the meetings held.

(4) The Audit Committee has the following responsibilities regarding:

1. Internal control system - it ensures that the Management Board establishes and maintains an adequate and effective internal control system and processes.

2. Financial reporting - monitors the integrity of the financial statements and reporting process by discussing the annual report and the quarterly financial statements prior to approval by the Supervisory Board, reviewing the financial statements by the external auditors and management's response, etc.

3. Internal Audit Function - it monitors and reviews the effectiveness of the Internal Audit function within UBB AD, overseeing its independence, professionalism and expertise.

4. Statutory (external) audit function - it supervises the functioning of the external auditor, in particular its independence and effectiveness.

(5) The Audit Committee reports its activity to the General Meeting of Shareholders of UBB AD at least once a year, together with the adoption of the annual financial statement. The Audit Committee shall draw up and submit to the Commission for Public Oversight over Registered Auditors an annual report on its activity by the 30th of June, each year.

Internal Audit Directorate

Art. 61. (former art. 60 - Minutes No 41/05.08.2019) **(1)** As the third line of defence, Internal Audit Directorate independently assesses the adequacy and effectiveness of the processes created both by the first line and by the second line of defence and provides assurance on the quality of those processes. The activity of Internal Audit Directorate shall be organized and maintained in complete compliance with the current legal framework in Republic of Bulgaria.

(2) Internal Audit function is adding value to the organization while protecting the legal interest of the shareholders and depositors of the bank. Internal Audit has to perform independent critical assessment of the residual operational risks in the banking processes, as well as in the banking deals and operations regarding their lawfulness and compliance with the internal acts.

(3) In the course of the inspections Internal Audit Directorate shall give opinion on:

1. The quality and effectiveness of the control environment in the branch network of the Bank;
2. The level of the residual (non-covered) operational risks in the bank units;
3. The compliance with the internal rules and procedures related to branch network activities.

(4) Internal Audit Directorate have the rights to perform also Special investigations in order to detect and/or prevent fraudulent (external and internal) activities as well as all kind of activities that could affect and harm the bank interests.

(5) With respect to the results of its activity Internal Audit Directorate executes Audit Reports, Inspection Reports, Management letters and Memorandums, which have to be submitted to the management of the structural unit audited/inspected. They have to review the findings and provide their feedback on them with proposal for corrective measures.

Risk Management Directorate

Art. 62. (former art. 61 - Minutes No 41/05.08.2019) **(1)** Risk Management Directorate assists the Chief Risk Officer and the business units of the bank, being responsible for the establishment, implementation and the regular update of the framework for risk governance of UBB AD, with priority of the areas where the latter has impact on the business processes and business management.

(2) Risk Management Directorate ensures and complies with the clear separation of first, second and third line of defence.

(3) The main functions of Risk Management Directorate are, as follows:

1. Strategy and management – coordinates and ensures the necessary information by the business for defining the risk appetite of UBB AD; assists the Management Board of the Bank in the transformation of the risk appetite in rules and limits; participates in the preparation of the Bank's business plan in terms of all issues connected with probable risks, etc.

2. Responsibilities – executes analysis and opinion for the management bodies and the Local Risk Management Committee; organizes and maintains the activity of the Local Risk Management Committee; gives opinion on the implementation of new products and processes, etc.

3. Monitoring – monitors independently from the business the level of the Bank's inherent risk exposures; assists and reviews the annual assessment for the Internal Control Statement (ICS); executes the Internal Evaluation on the Capital Adequacy and the Internal Evaluation on the Liquidity Adequacy.

4. Reporting – prepares reports to the management bodies and the Local Risk Management Committee for the levels of the inherent banking risks and their compliance with the approved limits and risk tolerance; executes regular reports under Regulation 575/2013 for the local regulatory body; provides the necessary data or reports for KBC related to the preparation of the consolidated regularity or internal reports on Group level.

Compliance Directorate

Art. 63. (former art. 62 - Minutes No 41/05.08.2019) **(1)** The principles of legality and transparency in the Bank's management is being also supported by the Compliance Directorate (compliance function), which monitors the observance of the regulatory requirements and the alignment of the Bank's main internal rules with the best international banking practices, the policy of the Main Shareholder and the requirements of the local legislation.

(2) The Compliance Directorate performs a preventative function by providing compulsory legal opinions during the development of new internal rules and products of the Bank before they are implemented. All Bank units should align their acts, products or decisions with the Directorate's opinions. The Directorate organizes and applies measures on prevention of money laundering and financing of terrorism.

(3) The Compliance Directorate presents to the attention of the Management Board and to the Risk and Compliance Committee an annual report on its activity and a report on the compliance.

Key functions holders in UBB AD

Art. 64. (new art. - Minutes No 41/05.08.2019) **(1)** The Director of Internal Audit Directorate, the Director of Risk Management Directorate and the Director of Compliance Directorate are key functions holders in the bank within the meaning of Art. 11a of the Credit Institutions Act.

(2) The key functions holders in the bank should comply with the requirements of Art. 11, para. 1, it. 1 and it. 3 - 8 of the Credit Institutions Act and possess sufficient knowledge, skills and experience in order to perform their functions in compliance with criteria, regulated in Ordinance № 20 of Bulgarian National Bank on the Issuance of Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing their Duties.

(3) A subsequent assessment for the suitability of the key functions holders in the bank according to para. 2, is performed by the Bulgarian National Bank, which should be informed of each newly hired key function holder in the bank within 10 days from the date of the hiring. In case BNB has objections to the hiring of a certain person, the bank should, within one month term from their hiring, undertake measures with regard to the objections raised or release the person from the respective position, informing BNB for the measures undertaken.

(4) Key functions holders in the bank, within the meaning of Art. 11a of the Credit Institutions Act, could be also other persons, not listed in para. 1, who pursuant to the bank have significant impact on its management.

XIII. CONFIDENTIALITY. BANK SECRECY

Art. 65. (former art. 63 - Minutes No 41/05.08.2019) (1) The Bank's employees, the members of the management and supervisory bodies of the Bank as well as all other persons working for the Bank, may not disclose, unless authorized to do so, and use for personal or for their family members' benefit facts and circumstances regarding balances and transactions on accounts and deposits of Bank's clients, which they have learned in the performance of their professional duties.

(2) Upon taking office, all employees of the Bank shall sign a declaration to keep bank secrecy.

XIV. ACCOUNTING, PROFIT DISTRIBUTION AND FUNDS

Art. 66. (former art. 64 - Minutes No 41/05.08.2019) (1) The financial year of the Bank matches the calendar year.

(2) In the legal term, each year, Finance Directorate prepare an annual financial statement for the past operating year and activity report and submit them to the audit companies selected by the General Meeting of Shareholders, which are registered auditors under the Independent Financial Audit Act.

(3) The annual financial statements shall be completed in the form set in the effective legislation. The report on the activities shall describe the course of the activities and the status of the Bank and it shall explain the annual financial statements.

(4) After verifying the Bank's statement and activity report, the auditors shall prepare a report and submit it to the Management Board and the management of the specialized internal audit unit of the Bank, as well as to the Central bank.

(5) The Management Board approves the annual financial statement prepared by Finance Directorate and submits it to the Supervisory Board. The Management Board shall also provide a proposal for profit distribution to be made to the General Meeting of Shareholders.

(6) The Supervisory Board shall verify the annual financial statement, the activity report and the proposal for profit distribution and after their approval, shall adopt a decision to convene a meeting of the General Meeting of Shareholders.

(7) After the General Meeting of Shareholders accepts the annual financial report, the latter shall be submitted to the Commercial Register and is announced in compliance with the legal term and procedure.

Art. 67. (former art. 65 - Minutes No 41/05.08.2019) (1) The Bank is obliged to establish a Reserve Fund for which it allocates funds in accordance with the requirements of the law.

(2) To cover the risk of losses, the Bank shall also form specific reserves (provisions) in accordance with the legislation in force.

(3) The Bank shall pay dividends after allocating the necessary funds for the Reserve Fund and for the specific reserves, and upon fulfillment of all other conditions stipulated in a particular law or in a regulation of the Central Bank.

XV. CORPORATE BOOKS AND INTERNAL ACTS OF THE BANK

Corporate books

Art. 68. (former art. 66 - Minutes No 41/05.08.2019) The Bank shall prepare and keep the following corporate books:

1. Book with the Minutes of the General Meetings of Shareholders – all minutes of the meetings of the General Meeting of Shareholders shall be put in this book in chronological order;
2. Book with the Minutes of the meetings of the Management Board and Book with the Minutes of the meetings of the Supervisory Board – in this book all minutes for the meetings of the respective Board shall be put in chronological order;
3. Book for the paid dividends – in this book the payment shall be reflected for all dividends paid to the shareholders in accordance with the decisions of the General Meeting of Shareholders.

Internal Acts of the Bank

Art. 69. (former art. 67 - Minutes No 41/05.08.2019) (1) The internal regulation of the bank consists of the acts, which include the general rules for the functioning of the bank and exercising of its main and specific activities, which are applied by the employees and adopted by the relevant competent bodies/persons.

(2) In the internal regulation are stipulated, including, but not limited to, the management of the bank and the control over its activity, the functions and obligations of its structural units, as well as over the products and services, which are provided to the clients and their price calculation.

(3) The Management Board has adopted Rules for the Internal Regulation of UBB AD, aiming to establish unified procedure for execution, adoption, following amendments and supplements, revocation and maintenance of the internal banking acts at the internal website of the Bank. Subject to these rules are:

1. types of internal acts;
2. the main rules and the procedure for their execution and coordination of the acts;
3. the competences of the responsible employees in connection with the process of execution, adoption, amendment, supplement and revocation or termination of the acts;
4. the unified standard for the internal banking acts;
5. the procedure for informing the employees of the bank for the newly executed rules and the amendments made afterwards;
6. the process of maintenance of a reliable internal banking regulation.

(4) Following the provisions of these rules also internal documents of material nature for the activity of the bank are approved and adopted, because they regulate in a general manner the relations with the clients, create rules and models for the work with them or regulate products and services of the Bank, including:

1. methodologies, tariffs, individual chart of accounts, general rules, parameters and conditions on bank products, etc.
2. template documents – templates of requests, contracts, declarations, applications, etc.

XVI. RELATIONS WITH SHAREHOLDERS

Art. 70. (former art. 68 - Minutes No 41/05.08.2019) **(1)** UBB AD treats its shareholders equally, including minority and foreign ones.

(2) The Management Board and the Supervisory Board facilitate the involvement of the shareholders and guarantee the making of informed decisions by the General Meeting of Shareholders.

(3) Upon convening a session of the General Meeting of Shareholders, the Bank employs all efforts so that its shareholders obtain the entire documentation and information, needed in line with the items on the agenda at the moment of publishing the invitation.

(4) The Bank's shareholders participate in its management by electing members of Bank's Supervisory Board.

(5) The Main shareholder may not exercise any influence or control over the decision making process in other ways than those provided by Bulgarian legislation for decision making. It shall not participate in and impact the Bank's day-to-day decision making activity concerning the deposit raising, lending or management activities of the Bank.

(6) UBB's management protects the rights of the Bank's shareholders and customers through rules and procedures, including:

1. secure methods for registration of share ownership and lawful transfer of shares;
2. participation and right to vote at the General Meeting of Shareholders;
3. participation of shareholders in the allocation of the company's profit;
4. regular and timely disclosure of information, related to the Bank, including financial information, for both shareholders, as well as for its customers;
5. procedure for developing and offering the Bank's products;
6. personal data protection;
7. procedure for consideration of client complaints.

XVII. DIVERSITY POLICY

Art. 71. (former art. 69, amended - Minutes No 41/05.08.2019) **(1)** UBB AD applies a diversity policy with regard to the composition of the boards, determined in the KBC Group NV Corporate Governance Charter, UBB AD Corporate Governance Code, the Operational Rules of the Nomination Committee and the Suitability Policy of United Bulgarian bank AD for selection and assessment of the members of the Supervisory Board and of the Management Board, the key functions holders and the administrators of the bank, as well as for their introduction to the relevant activity and training.

(2) Pursuant to the requirements of the diversity policy, UBB AD should provide a balanced composition of the boards ensuring that the board members have the necessary banking expertise, general management skills and broader societal experience. The composition of the boards shall also ensure diversity in terms of nationality and gender. The Nomination Committee shall

determine a target level in relation to the participation of the under-represented gender in the composition of the Management Board, and shall develop a policy to increase the number of representatives of that gender in the composition of the board for the purpose of achieving this level.

XVIII. FINAL PROVISIONS

§1. This Corporate Governance Code is adopted by decision of the Management Board of UBB AD under Minutes № 12/06.03.2018 and ratified with a decision of the Supervisory Board under Minutes № 2/07.03.2018. With the adoption of this Code the Corporate Governance Code of United Bulgarian Bank AD, adopted with a decision of the Board of Directors of 30.03.2016 is revoked.

This Corporate Governance Code is amended and supplemented by decision of the Management Board of UBB AD under Minutes № 41/05.08.2019 and ratified with a decision of the Supervisory Board under Minutes № 19/13.08.2019.

§2. This Code is based on the effective legislation in Bulgaria and on the existing rules and practices at UBB AD, while aiming at abidance, improvement and harmonization with the internationally acknowledged standards in the area of good corporate governance. This Code has also been complied with the Commerce Act (CA), the Credit Institutions' Act (CIA), the Markets in Financial Instruments' Act (MFIA) and the subordinate legislation on their implementation, and also with the Accountancy Act, the Independent Financial Audit Act, BNB Guidelines on the Internal Management of Banks, as well as with KBC Group N.V. Corporate Governance Charter, Articles of Association of UBB AD, Code of Ethics and the approved internal banking rules and procedures, supporting this Code's implementation.

§3. Exceptions, related to any rights or obligations whatsoever in accordance with the present rules, shall have to be approved by the Management Board. The Board may decide on non-applying certain provisions herein for a particular reason. When required by the law, the decision for adopting exceptions shall have to be disclosed in the annual Corporate Governance Declaration with the Annual Financial Report of the Bank. This Code is subject to annual review by UBB's Management Board and Supervisory Board. Each change in the present Code shall have to be duly announced.