

Market Profile Bulgaria



Global Securities Services

August 2020

Banking that matters.



Contents

1. OVERVIEW	4
2. REGULATION AND SUPERVISION	5
3. TRADING	7
4. CLEARING	9
5. SETTLEMENT	10
6. PAYMENT SYSTEM	13
7. SECURITIES LENDING	14
8. CORPORATE ACTIONS	15
9. PROXY VOTING	17
10. INCOME COLLECTION	18
11. TAXATION	20
12. DISCLOSURE REQUIREMENTS	23
13. ACCOUNT MANAGEMENT	24
14. DISCLAIMER	25

1. Overview

1.1. GEOPOLITICAL DATA

Time Zone:	GMT + 2
Daylight Saving Time:	YES
Currency:	Lev (BGN)
Banking Holidays:	Link
EU Membership:	YES
Schengen Zone:	NO



1.2. G30 COMPLIANCE

Trade comparison by T+1 for direct market participants	YES
Trade comparison for indirect participants	YES
Central securities depository	YES
Trade netting system	YES
Delivery vs. payment	YES
Same day funds	YES
Rolling settlement T+2	YES
Securities lending and borrowing	YES
ISIN	YES

1.3. COUNTRY RATINGS

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	BBB	Stable
Moody's	Baa2	Positive
Standard & Poor's	BBB	Stable

2. Regulation and supervision

2.1. REGULATORY/SUPERVISORY BODIES

Supervision of financial markets is carried out by the following institutions:

- Financial Supervision Authority:**
 The Financial Supervision Commission (FSC) is a state body that is independent from the executive authorities and reports directly to the National Assembly. FSC has regulatory and controlling functions over the financial sphere aiming at achieving stability and transparency of the capital, insurance, health insurance and pension insurance markets, and to ensure protection of the consumers of financial services and products. To achieve its mission and objectives, FSC can utilise various instruments: legislative initiative, licensing powers, supervisory authority and administrative sanctions.
- Ministry of Finance:**
 The Ministry of Finance (MoF) promotes Bulgaria's government tax policy, coordinates and supports the activity of the National Tax Policy Council and the National Accounting Council. MoF is also responsible for the government's debt management policy, the publication of government securities issuance calendar, the definition of the eligibility criteria and the selection and supervision of primary dealers allowed to participate in auctions for government securities. Together with the Bulgarian National Bank, MoF organises and regulates the market in government securities.
- National Bank:**
 The Bulgarian National Bank (BNB) plays a key role as a regulator in the financial markets. BNB regulates and controls the banking system in order to protect the interests of consumers by strict and effective banking supervision, functioning as a lender of last resort in cases mentioned by law in addition to supporting the normal functioning and development of efficient payment systems. BNB also performs fiscal agency functions and acts as a depository of the state.

2.2. KEY MARKET REGULATIONS

Below you will find a list of the key market regulations. For a complete list with up to date information on the acts please refer to the GSS Website (<http://gss.unicreditgroup.eu>) or contact your local GSS Relationship Manager.

Regulation	Main focus
Markets in Financial Instruments Act	Transposes MiFID II in local legislation, regulates the activities of investment firms and regulated markets.
Public Offering of Securities Act	Regulates the public offering of dematerialised securities, the requirements to public companies and other issuers and the activities of the Central Securities Depository.
Market Abuse with Financial Instruments Act	Regulates the measures against market abuse with financial instruments.
Collective Investment Schemes and Other Collective Investment Undertakings Activities Act	Transposes Directive 2009/65/EC and Directive 2011/61/EU in the local legislation. Regulates the undertakings for collective investment in transferrable securities and their asset management companies, as well as alternative investment fund managers.
Special Investment Purpose Companies Act	Regulates the activities of special investment purposes companies engaged in the securitisation of real estate or receivables.
Credit Institutions Act	Regulates the licensing, functioning, supervision and suspension of activities of credit institutions.
Measures Against Money Laundering Act	Regulates the measures for preventing the use of the financial system for money laundering.
Government Debt Act	Provides the procedure for undertaking of government debt.
BNB Regulation No. 5 on the Terms and Procedure for Acquisition, Registration, Redemption & Trading in Government Securities	Regulates the terms and procedures for the acquisition, registration, redemption and trading in book-entry government securities on the OTC market.

Regulation	Main focus
BNB Regulation No. 15 on the Control over the Transactions with Government Securities	Regulates the procedures for regulation and control over the trading in book-entry government securities on the OTC market.
BNB Regulation No. 31 on the Government Securities Settlement	Regulates the settlement of transactions in book-entry government securities and the keeping of individual accounts by the sub depositories of government securities.

2.3. SELF-REGULATORY ORGANISATIONS

- Association of Banks in Bulgaria (ABB) - <https://abanksb.bg>
ABB is a non-profit organisation, which contributes to initiatives in the banking industry and acts as an important lobbying forum in reviewing proposals for legislative and regulatory changes. Among the association's main goals are: to coordinate the interests of its members while carrying out their activities, to protect their rights and interests before state authorities, public organisations and other legal entities and to prepare motivated, well-founded opinions on bills regarding the banking system. ABB is a member of the European Banking Federation and the European Payment Council.
- Bulgarian Association of Asset Management Companies (BAAMC) - <http://baud.bg>
A key objective of BAAMC is to reinforce high professional and ethical standards in the asset management business in order to retain high confidence in the funds industry. The association also works towards making its members' products more recognisable and widespread. To achieve its goals, BAAMC works in close cooperation with all capital market institutions such as the Financial Supervision Commission, Bulgarian Stock Exchange, Central Depository, National Assembly, Ministry of Finance, etc.
- Bulgarian Association of Licensed Investment Intermediaries (BALII) - <http://balip.com>
BALII's primary objective is to protect the interests of investment intermediaries. The association holds an active position with respect to the formation of the legal and regulatory framework related to the organisation and regulation of the Bulgarian capital market, the high standards of professional ethics and the protection of the interests of the investors.
- Bulgarian Association of Supplementary Pension Insurance Companies (BASPIC) - <http://assoc.pension.bg>
BASPIC is a non-governmental organisation, acting to unite, support, defend, coordinate and represent the interests of its members-licensed pension insurance companies. BASPIC has been one of the institutions forming the basis of the Bulgarian pension reform, creating, recognising and materialising its main principles, philosophy and legislation.

3. Trading

3.1. COMMONLY TRADED INSTRUMENTS

Equities		Money Market instruments	
<input checked="" type="checkbox"/>	Ordinary shares	<input type="checkbox"/>	Certificate of deposits
<input checked="" type="checkbox"/>	Preferred shares	<input type="checkbox"/>	Commercial papers
<input type="checkbox"/>	Employee shares	<input checked="" type="checkbox"/>	REPO transactions
<input type="checkbox"/>	Interest bearing shares		
Government debt		Corporate debt	
<input checked="" type="checkbox"/>	Government bonds	<input checked="" type="checkbox"/>	Corporate bonds
<input checked="" type="checkbox"/>	Treasury bonds	<input checked="" type="checkbox"/>	Mortgage bonds
<input checked="" type="checkbox"/>	Treasury bills	<input checked="" type="checkbox"/>	Convertible bonds
<input checked="" type="checkbox"/>	Treasury notes	<input type="checkbox"/>	Exchangeable bonds
<input checked="" type="checkbox"/>	Municipal bonds		
Derivatives		Other instruments	
<input type="checkbox"/>	Options	<input checked="" type="checkbox"/>	Exchange traded funds
<input type="checkbox"/>	Futures	<input checked="" type="checkbox"/>	Investment funds
<input checked="" type="checkbox"/>	Warrants	<input type="checkbox"/>	Eurobonds funds
		<input type="checkbox"/>	Depository receipts
		<input type="checkbox"/>	Commodities

3.2 BULGARIAN STOCK EXCHANGE, SOFIA – BSE SOFIA

Legal name	Bulgarian Stock Exchange AD (BSE Sofia or BSE)
Website	http://www.bse-sofia.bg , http://www.basemarket.bg
Ownership structure	50.05% Ministry of Finance 16.76% Investment Intermediaries and Commercial Banks 19.40% Legal Entities 13.79% Physical Persons
Trading members	Investment intermediaries (31) and commercial banks (18). All members of the Exchange are placed on a completely equal footing and have identical rights and obligations.
Traded instruments	Equities, bonds (corporate, municipal, mortgage and government), special investment purpose companies shares, compensatory instruments, collective investment schemes units, rights and structured products.
Trading method	BSE-Sofia has implemented Deutsche Börse AG's electronic trading platform T7, the market model which includes the trading forms auction and continuous trading. T7 also provides IPO functionality.

Settlement agent	Central Depository AD (CDAD) for all dematerialized securities except government securities; Bulgarian National Bank (BNB) for all government securities. As of 12 February 2018, CDAD can also facilitate the settlement of government securities through its membership in ESROT (the Bulgarian National Bank's electronic system for registration and settlement of government securities).	
Clearing agent	Central Depository AD (CDAD) also performs the clearing function on the market, insomuch as participants communicate directly with the depository regarding services provided.	
Trading hours	Pre-trading	from 09:30 to 10:00
	Opening auction	from 10:00 to 10:10
	Continuous trading	from 10:10 to 16:55
	Closing auction	from 16:55 to 17:00
	Post-trading	from 17:00 to 17:30
Settlement cycle	T+2	All securities

3.3 OTC TRADING

Public companies may be traded both on-exchange and over the counter (OTC). However, OTC trading imposes reporting obligations on the brokers, which must disclose information on the trade to the public.

Trades in dematerialised securities of non-public companies settle either against payment or free of payment with CDAD. Settlement against payment is usually executed with a T+2 settlement cycle or less, if agreed so between the counterparties, while settlement free of payment usually settles on T+0 or maximum on T+2.

4. Clearing

The regulatory framework does not require the establishment of a separate institution providing clearing on the market. Central Depository AD provides settlement services and operates a Settlement Guarantee Fund, whose function is to ensure settlement of trades executed on the regulated market only.

4.1 CENTRAL DEPOSITORY AD - CDAD

Legal name	Central Depository AD
Website	http://www.csd-bg.bg
Ownership structure	43.70% Ministry of Finance 37.01% Banks 6.61% BSE Sofia 12.68% Other entities
Clearing members	Following types of membership at CDAD are available: <ul style="list-style-type: none">• direct – members acting on their own behalf and on behalf of their clients• clearing – members acting on their own behalf, on behalf of their clients, and on behalf of non-clearing members and their clients• non-clearing – members accessing the services of CDAD through a clearing member they have an agreement with
Scope of services	Since settlement and settlement guaranteeing are performed by CDAD, there is no division between the services defined with regards to Central Depository in the relevant articles of the Public Offering of Securities Act: <ul style="list-style-type: none">• Opening and keeping securities accounts;• Registration and administration of dematerialised securities, including keeping the books of shareholders and bondholders, distribution of dividends, interest and other payments;• Settlement of transactions in dematerialised securities, including payments in relation to transactions in such securities;• Registration of special pledges, blocking and unblocking pledged securities.
Risk model	In order to ensure the fulfilment of all transactions, CDAD applies risk management methods which focus on: <ul style="list-style-type: none">• legal risk• financial risk• operational risk <p>The risk management policy of CDAD fully complies with the requirements in Regulation (EU) №909/2014 and the related legal framework.</p>

5. Settlement

5.1 CENTRAL DEPOSITORY AD, CDAD

Legal name	Central Depository AD
17f-7 eligibility	YES
Website	http://www.csd-bg.bg
Ownership structure	43.70% Ministry of Finance 37.01% Banks 6.61% BSE Sofia 12.68% Other entities
Scope of services	<p>The activities of CDAD defined by the Public Offering of Securities Act are:</p> <ul style="list-style-type: none">• Opening and keeping securities accounts;• Registration and administration of dematerialised securities, including keeping the books of shareholders and bondholders, distribution of dividends, interest and other payments;• Settlement of transactions in dematerialised securities, including payments in relation to transactions in such securities;• Registration of special pledges, blocking and unblocking pledged securities. <p>As of 17 September 2018 CDAD, has been licensed under Regulation (EU) No 909/2014 (CSDR).</p>
Accounts held	<p>The Markets in Financial Instruments Act recognises the nominee concept, but explicit regulations on omnibus accounts are not in place. Client financial instruments can be held for safekeeping on personal or client accounts in the name of:</p> <ul style="list-style-type: none">• the persons owning the financial instruments (segregated account);• the persons holding financial instruments on an omnibus account on their behalf but for the account of two or more other persons (omnibus account). <p>Omnibus accounts are designated by CDAD and visible in shareholder books.</p>
Eligible instruments	All Bulgarian dematerialised securities, except for government securities.
Level of dematerialisation	CDAD maintains the national registration system for dematerialised securities (with the exception of government securities). The issue and disposal of dematerialised securities becomes effective only after they have been registered at CDAD.
Stock Exchange Settlement	<p>T+2. The settlement is done on a versus payment basis via the computerised book-entry system of CDAD. Securities are settled on a gross basis while cash is settled on a net basis.</p> <p>After the closure of the trading session, BSE sends to each of its members an encrypted report with its trades. It also sends a report to CDAD with all trades executed during the trading session. The information sent to the members and to CDAD is identical.</p> <p>The local custodians are obliged to send additional data concerning the trades to CDAD, as specified in its Rules and Regulations.</p>

OTC Settlement	<p>Settlement cycle:</p> <ul style="list-style-type: none"> • From T+0 up to T+2 for settlement against payment, • T+0 or as agreed between the counterparties for free of payment settlement. <p>The involvement of a broker in OTC trading is mandatory: for negotiating and effecting the trade between two final beneficiaries and for reporting purposes. In the cases where the trade is with shares of a public company, it is the broker's obligation to meet the disclosure requirements for the specific trade.</p> <p>Free of payment transactions are settled in batches throughout the day while for settlement against payment there are three batches per day.</p>
Settlement Protection	<p>Stock Exchange trades in financial instruments are covered by the CDAD Settlement Guarantee Fund, which can be activated if a trade settlement is delayed for more than four business days. The fund covers both the cash and the securities side of a failing trade.</p> <p>In case of a delay in settlement of a transaction, BSE imposes monetary and disciplinary penalties on its members. The monetary penalty for late settlement, when the delay is greater than 1 business day, is 0.12% of the value of the transaction, minimum BGN 6 and maximum BGN 600, for each day of delay, including 20% VAT. The disciplinary sanctions can be a warning, a temporary suspension or a permanent removal from trading.</p> <p>CDAD also imposes monetary and disciplinary sanctions for late settlement of securities transactions. The monetary sanctions, charged automatically after the conclusion of settlement are as follows:</p> <ul style="list-style-type: none"> • For delays due to lack of securities or insufficient funds, calculations are based on the market value of the transaction: <ul style="list-style-type: none"> 1 day - 0.05% 2 days - 0.2% 3 days - 0.4% 4 days - 0.6% Every subsequent day after the fourth day - 0.1% <p>The disciplinary sanctions include suspension or restriction of the executed operations in the clearing and settlement system, temporary membership suspension or a termination of the membership.</p>
Investor Protection	<p>The Investor Compensation Fund provides compensation to investors in case an investment intermediary is not able to pay out its obligations to clients due to reasons directly related to its financial situation, up to a limit of 90% of the amount receivable but not more than BGN 40,000. Certain types of professional and institutional investors are excluded from the scope of protection.</p>
Identified Risk	None

5.2 BULGARIAN NATIONAL BANK, BNB

Legal name	Bulgarian National Bank
17f-7 eligibility	YES
Website	http://www.bnb.bg
Ownership structure	100% State ownership
Scope of services	<p>In its capacity as an agent of Bulgarian government debt, BNB has the following activities:</p> <ul style="list-style-type: none"> • Opening and keeping securities accounts for government securities; • Organising the terms and procedure for acquisition, registration, redemption and trade in government securities.

Accounts held	<ul style="list-style-type: none"> • BNB maintains three types of accounts for each CSD participant: • an account for proprietary securities, • an omnibus account for client securities, • an account for encumbered/pledged securities. • It is the respective BNB participant's obligation to maintain separate client securities accounts in its own books.
Eligible instruments	Bulgarian government securities.
Level of dematerialisation	All Bulgarian government securities are issued in a dematerialised form.
Stock Exchange Settlement	T+2. As of 1 November 2017, settlement is done on a versus payment basis via the ESROT system of the BNB (the system for registration and settlement of government securities). Both securities and cash are settled on a gross basis. BNB has established a direct link with BSE-Sofia to facilitate the settlement of government securities concluded on-exchange. As of 12 February 2018, CDAD can also facilitate the settlement of government securities through its membership in ESROT (the Bulgarian National Bank's electronic system for registration and settlement of government securities).
OTC Settlement	T+0 or as agreed between the counterparties. As of 2 October 2017, client trades in government securities, concluded on the OTC market, can settle either against or free of payment.
Settlement Protection	In case an instruction does not settle until the end of the day, it is automatically cancelled and has to be re-instructed on the next business day. BNB additionally applies a penalty charge of BGN 10 to the defaulting party of the transaction.
Investor Protection	The Investor Compensation Fund provides compensation to investors in case an investment intermediary is not able to pay out its obligations to clients due to reasons directly related to its financial situation, up to a limit of 90% of the amount receivable but not more than BGN 40,000. Certain types of professional and institutional investors are excluded from the scope of protection.
Identified Risk	None

6. Payment System

6.1 GENERAL INFORMATION

- RINGS (Real-time Interbank Gross-settlement System) is the real-time gross settlement system in Bulgaria, which performs irrevocable and unconditional settlement of all payments in the national currency within the country. The following operations must be executed in RINGS: all client transfers equal to or above BGN 100,000; all payments for which the original initiator and the ultimate recipient have settlement accounts with BNB; payments initiated by payment systems or securities settlement systems whose settlement agent is BNB. CDAD sends direct debit and credit payments to RINGS three times a day: before 10.30, before 12.30 and before 15.10 for settlement of eligible securities transactions. BNB settles payments for settlement of transactions in government securities through RINGS as well.
- BISERA is a payment system for non-priority money transfers and payments between bank accounts in Bulgaria for amounts below BGN 100,000. The system accepts payment instructions 24 hours a day, 7 days a week. BISERA7-EUR processes SEPA customer payments in EUR.
- BORICA is a system handling payments initiated by bank cards within the territory of Bulgaria.
- SEBRA, the Electronic Budget Payments System, is an information system for surveillance and management of payments made by the participating public sector enterprises within predefined limits.

IBAN is the only valid customer account number for payment transfers in Bulgaria.

6.2 LIMITATIONS, DEADLINES, CUT-OFF TIMES

- Market cut-off times
RINGS: Real-time processing between 08:00 and 16:00 (for client payments)/17:30 (for interbank payments).
BISERA: Processing three times during every business day: at 10:00, 13:30 and 16:00.
BISERA7-EUR: Processing of payments in TARGET2 every business day by 15:00.
- Limitations
Payments within the territory of Bulgaria must be paid only via a bank transfer or a deposit in a payment account when they are:
 - Equal to or exceeding BGN 10,000 (EUR 5,113) or the equivalent in another foreign currency.
 - Below BGN 10,000 (EUR 5,113) or the equivalent in another foreign currency, when such a payment is part of a total contractual consideration that equals or exceeds BGN 10,000 (EUR 5,113).

Clients can freely repatriate funds after payment of all taxes due in Bulgaria.

7. Securities Lending

7.1 SECURITIES LENDING

At present there is no stock borrowing/lending activity in the Bulgarian market, although the legal framework is in place. Repo transactions, however, are possible and quite common. Repo transactions can be done with government securities as well as with bonds and shares traded on BSE.

7.2 SHORT SELLING

According to FSC Regulation no. 16 on the Conditions and Procedure for Execution of Margin Purchases, Short Sales and Lending of Financial Instruments and in line with EU legislation, short sales with all exchange-traded shares can be carried out within the territory of Bulgaria. The financial instruments that may serve as collateral when executing margin purchases and short sales shall be as follows:

- (1) Shares admitted for trading on the regulated market in Bulgaria the issuer of which has not been declared bankrupt and has not been subject to any bankruptcy proceedings; and meeting all the following requirements with reference to the last 20 trading sessions on that market.
 - There has been trading with the shares during at least 15 of those sessions.
 - The average daily trading volume has been at least 5,000 lots.
 - The average daily number of trades has been at least 15.
 - The market capitalisation of the issue on the last day of trading is at least BGN 20 million and its free float is at least 15%.
- (2) Shares admitted to trading on a regulated market in another EU member state and meeting the liquidity requirements of Regulation (EC) No. 1287/2006 of 10 August 2006.
- (3) Government bonds issued by EU member states and with an investment credit rating assigned by a rating agency, registered in accordance with Regulation (EC) No. 1060/2009 of 16 September 2009.

BSE is obliged to announce officially in its daily bulletin the list of securities that comply with the criteria under point (1) above.

8. Corporate actions

8.1. COMMON CORPORATE ACTION EVENTS

Mandatory events		Voluntary events	
<input checked="" type="checkbox"/>	dividend, cash	<input checked="" type="checkbox"/>	exercise of rights
<input type="checkbox"/>	dividend, option	<input type="checkbox"/>	issue, priority
<input type="checkbox"/>	dividend, stock	<input type="checkbox"/>	exchange offer
<input checked="" type="checkbox"/>	interest payment	<input checked="" type="checkbox"/>	tender offer
<input checked="" type="checkbox"/>	issue, bonus	<input checked="" type="checkbox"/>	repurchase offer
<input checked="" type="checkbox"/>	issue, rights	<input checked="" type="checkbox"/>	shareholders meeting
<input checked="" type="checkbox"/>	maturity		
<input type="checkbox"/>	maturity final		
<input type="checkbox"/>	merger		
<input type="checkbox"/>	pari-passu		
<input checked="" type="checkbox"/>	redemption, early		
<input checked="" type="checkbox"/>	redemption, partial		
<input type="checkbox"/>	spin-off		
<input checked="" type="checkbox"/>	split		
<input checked="" type="checkbox"/>	split, reverse		

8.2 DATING CONVENTIONS

Entitlements for financial instruments registered at CDAD are based on the actual settled positions as of the record date. As the customary settlement cycle is T+2, the ex-date is one day prior to the record date.

The record date for shareholder meetings is 14 days prior to the meeting date.

The record date for cash dividends and bonus issues is 14 days after a decision has been made during the shareholders meeting.

The record date for rights issues is not later than 14 days after the shareholders meeting's decision to increase the capital; when this decision is made by the management body – not later than seven days after the rights issue notice has been published in two national daily newspapers and the issuer's website.

8.3 SOURCES OF C/A INFORMATION

There is no centralised source of information on corporate actions. The official sources are the Companies Register, the announcements made by the public companies on their internet sites and through the information providers they have selected, the Daily Bulletin of BSE and the public register of the FSC.

8.4 LOCAL C/A SPECIFICS

- Participation in voluntary events is usually subject to the submission of subscription forms and supporting documents, which must be duly legalised and translated into Bulgarian and submitted via a local investment intermediary.
- Annual general shareholders' meetings are to be held within six months after the end of the reporting year.
- As entitlements are based on actual settled positions, any loss of entitlement due to late settlement is to be resolved with the assistance of Central Depository AD or directly between the counterparties when they have instructed the CSD not to initiate any market claim procedures.

- Public companies and debt issuers shall make dividend, interest and principal payments through Central Depository AD, i.e. CDAD is the central paying agent for these securities registered at the depository.
- For government securities it is the BNB acting as paying agent.

9. Proxy voting

9.1 GENERAL CHARACTERISTICS

Proxy voting is executed upon presenting a power of attorney that meets local legal requirements. A separate power of attorney must be provided for each meeting and for each account. Partial and split voting for omnibus accounts is possible and instructions must be contained in one and the same power of attorney. To vote on behalf of a shareholder, the authorised representatives should physically attend the meeting and present the Power of Attorney and documents proving the commercial registration and representative power of the shareholder. The legislation provides for the possibility of electronic voting and voting by correspondence, whereby the shareholder directly contacts and instructs the company; however, most issuers do not provide for such options.

The record date for shareholders' meetings is 14 days prior to the meeting date. Voting entitlements are based on actual settled positions at CDAD as of the record date. Shares are not blocked before, during or after the record date, or on the meeting date.

9.2 ANNOUNCEMENT

General shareholders meetings announcements must be made at least 30 days before the meeting date via the Commercial Register, providing all legally required details such as date, venue, agenda, proposed resolutions, required documents, etc. FSC, the Stock Exchange and the general public must also be notified of the meeting announcements within the same deadline.

9.3 VOTING PROCESS

The standard documents required for proxy voting are:

- A Power of Attorney that meets the minimum local legal requirements, issued by the securities account holder, in original, notarised and apostilled (or consularised, as applicable);
- List of authorised signatures, notarised and apostilled (or consularised, as applicable);
- Establishment document, notarised and apostilled (or consularised, as applicable) – Court decision for registration, certificate of registration, certificate of current legal status, extraction from the relevant register, etc. – a document that provides evidence for at least the following data: full name of the account holder, country of registration/domicile, registered address, name of the persons authorised to represent, date of issuance.

The required documents need to be provided with certified translation into Bulgarian.

Upon receipt of all proxy voting documentation required, the meeting is usually physically attended, and the results are sent out after its closure.

10. Income collection

10.1 DIVIDEND PAYMENTS

A decision to distribute dividends may only be made at the general meeting of shareholders. Public companies are allowed to pay annual and semi-annual dividends, if that option is stipulated in their by-laws. As a separate type of issuers, special investment purpose companies are obliged to distribute dividends no less than 90% of their financial year's adjusted profit (with adjustments including subsequent revaluation of real estate, transactions involving conveyance of title to real property, etc.).

Announcements The public company must immediately notify the FSC, CDAD and BSE about the decisions made at the shareholders meeting, specifying the type and amount of dividend and the dividend payment terms and procedures, including at least one financial institution through which the payments will be made.

Dating Conventions Investors registered in CDAD's records on the fourteenth day after the general meeting that approved the annual financial statements of the company and took a decision for profit distribution are entitled to receive dividends. Securities are always tradable.

The local legislation does not stipulate an exact payment date, it only determines the payment period. The company management determines the payment date subsequently and usually announces that through BSE and the information provider the public company has selected. Public issuers must ensure that the dividend is paid to the shareholders within 60 days after the annual general meeting. Special investment purpose companies are required to pay out their dividends within twelve months following the end of the respective financial year.

Payment Execution CDAD is responsible for payment of dividends distributed by public companies based on a legal agreement between CDAD and the issuer. CDAD provides a list of eligible investors to the issuer along with their entitled position. Then, the company applies the relevant withholding tax rate, defines the start date and pays out the funds to CDAD. In turn, CDAD distributes the amounts on a lump-sum basis to its participants and notifies them. Upon receipt of the funds and notifications, the participants distribute the dividend amounts to their clients. If a participant is unable to execute a payment in favour of any of its clients, it is obliged to return the funds to CDAD and subsequently the unpaid amounts are returned to the issuer.

10.2 INTEREST & MATURITY PAYMENTS

Interest payment periods vary by issue, usually being quarterly, semi-annual or annual. Day count conventions also vary. Trades with government securities are permitted until 12:00 on the business day before the coupon or maturity payment date for government securities. Public issues are delisted from the BSE five business days before maturity unless a different term is provided in the prospectus or in the offering documents.

Announcements Interest and maturity payment dates for public issues are defined in the prospectus for their public offering and BSE announces the payment dates.
For non-public issues, payment dates are to be found in the proposal for their subscription according to the provisions of the Commerce Act.
Payment dates for government securities are announced via SWIFT notifications and can also be obtained through the website of BNB.

Dating Conventions The Record dates for interest and maturity payments vary by issue, the most common case being three business days before the payment date.

Payment Execution For dematerialised corporate securities CDAD is usually responsible for payment of interest and maturity proceeds, based on a legal agreement between CDAD and the respective issuer. CDAD

provides a list of eligible investors to the company. Then the company applies the relevant withholding tax rates, defines the start date for payments and pays out the funds to CDAD. In turn, CDAD pays out and notifies its participants. Upon receipt of the funds and the notifications, the participants distribute the amounts to their clients. If a participant is unable to execute a payment in favour of any of its clients, it is obliged to return the funds to the CDAD, and subsequently the unpaid amounts are returned to the issuer.

There are also instances, where issuers may choose to execute payments directly to the eligible bondholders, usually applicable to non-public issuers.

For government securities, BNB acts as the paying agent.

11. Taxation

11.1 WITHHOLDING TAX

Withholding of local taxes is, in most cases, applied at source, i.e. issuers act as withholding agents and pay the tax to the budget. However, there are instances where the tax obligation lies with the beneficiary of the income - e.g., where the payer of the income is not a taxable person and with respect to income from transactions with financial instruments.

The tax authority of Bulgaria, the National Revenue Agency (NRA), administers a number of different taxes, among which are the personal income and corporate income taxes, the withholding taxes and the value added tax.

The standard tax rates applicable to foreign investors with respect to their investments in Bulgaria are as follows:

Tax Rates	Type of income	Tax rate
	Dividend	5%
	Interest	10%

Relief at Source

The Bulgarian Tax Insurance Procedure Code sets out the rules for application of Double Tax Treaties (DTT). According to the procedures, residents of DTT countries must obtain clearance from NRA to apply DTT rates, which can be achieved after filing a set of documents including a tax reclaim form, certificate of tax residence, declaration of beneficiary ownership of the income and other supporting documents. There are no unified requirements regarding the supporting documentation for tax relief applications.

For income based on long-term agreements or income paid to the same foreign investor (e.g., interest income from bonds), the tax reclaim form only needs to be submitted once. However, this provision does not apply to dividend payments. Eligible investors must submit a separate tax reclaim form for each dividend payment in order to obtain clearance.

NRA is to provide clearance for the DTT application within 60 days from receipt of the tax reclaim form and all the required supporting documents. If NRA does not reply within that period, it is considered to have provided tacit approval. A decision from the NRA for lack of eligibility to benefit from DTT rates is subject to appeal.

If the investor's amount of annual income received is less than BGN 500,000 (EUR 255,646), the documents proving the eligibility to apply DTT rates are not to be filed with NRA but with the income payer; in such cases, no tax reclaim form is submitted.

Tax reliefs

A withholding tax is not applied to dividends and shares in a liquidation surplus distributed to non-resident legal entities residents for tax purposes in a Member State of the European Union or in another state which is a contracting party to the Agreement on the European Economic Area, with the exception of the cases of hidden profit distribution. To prove the above circumstances, issuers would usually require the beneficial owners to present a certificate of tax residence, issued by its domicile tax authorities. There are no unified documentation requirements in support of tax relief applications.

The withholding tax rate on income from interest payments is 0% for foreign investors meeting both of the following eligibility criteria:

- The beneficial owner of the income is a legal entity with residence or with a permanent establishment in the EU;
- The local payer of the income is a related party to the beneficiary, i.e. one of the entities holds at least 25% of the capital of the other entity for at least two consecutive years, or a third entity, which is a EU resident, holds at least 25% of the capital of both entities for at least two consecutive years.

Tax exemption can be applied even if the related party requirement has been valid for less than two consecutive years as of the income payment date. However, if it ceases to be satisfied before the expiration of two years, a recalculation of the withholding tax will be due and the standard withholding tax on income on interest will be applied.

The following tax exemptions are available to non-resident legal entities:

- No tax is withheld on interest income from debt securities issued by resident legal entities, municipalities or the State and admitted to trading on a regulated market in Bulgaria or in a member state of the European Union or in another state which is a contracting party to the Agreement on the European Economic Area (EU/EEA country).
- No tax is withheld on interest income from debt securities issued by a non-resident issuer when all of the below criteria are met:
 - The issuer is a resident for tax purposes in a EU/EEA country;
 - The issuer has issued the debt securities with the purpose of granting a loan to a resident LE;
 - The debt securities have been admitted trading on a regulated market in Bulgaria or in an EU/EEA country.

11.2 CAPITAL GAINS TAX

Income from transactions with financial instruments issued by resident legal persons, the Bulgarian State and the municipalities is taxable. The taxable amount on income from the disposition of financial instruments by non-resident legal entity is defined as the positive difference between the selling price and the documented cost of acquisition, with the latter being the cost of acquisition, which the person has documented according to the procedure established by the relevant statutory instruments.

Tax Rates	10%
Relief at Source	The procedure for application of DTT rates is the same as the procedure for withholding tax described above.
Tax Reliefs	No tax is withheld on income from transactions: <ul style="list-style-type: none">• in units and shares of collective investment schemes and national investment funds concluded on a regulated market;• in shares and rights that can be exercised to participate in capital increase concluded on a regulated market;• in government securities concluded on a regulated market;• executed under the terms and according to the procedures for repurchase or redemption by collective investment schemes and national investment funds, which have been admitted to trading on a regulated market in Bulgaria or in another EU/EEA country;• executed under the terms and in accordance with the procedures for tender offers as outlined in the Public Offering of Securities Act or similar provisions in other EU/EEA countries.

11.1. STAMP DUTY

No Stamp Duty is applicable.

- Tax Rates N/A
- Tax Reliefs N/A

11.2. OTHER TAXES

N/A

11.3. TAX RECLAIM PROCESS

The same clearance procedure is applied with respect to DTT tax relief at source and tax reclaims. If clearance is obtained before the income is paid and before the tax is withheld at source, the foreign investor can benefit from relief at source. If clearance is

obtained after the income is paid and the tax is withheld at source, the foreign investor will benefit from tax reclaim. There are no unified documentation requirements in support of tax relief/reclaim applications.

Eligible EU/EEA residents may apply on an annual basis for recalculation of withheld taxes. The recalculation is based on the corporate income tax on all realised income during the year. If the tax withheld at source is more than the recalculated amount of the tax, the difference can be reclaimed from the tax authorities provided that the claimant cannot deduct this amount from the payable tax in their home country.

11.4. DOUBLE TAXATION TREATIES

Due to the amount of data, for the most up to date DTTs please refer to our website: <http://qss.unicreditgroup.eu>
DTTs are listed in the /DOCUMENTS section.

12. Disclosure requirements

12.1. OBLIGATIONS FOR ISSUERS

According to the Public Offering of Securities Act, Bulgarian resident issuers, who have issued securities that have been admitted for trading on a regulated market or offered via a public offering in Bulgaria, are obliged to disclose to the FSC and to the public, regulated and unregulated information including annual and quarterly financial statements, annual and quarterly consolidated financial statements, information on changes in shareholdings and information on acquisition or sale of own shares, etc. In addition, issuers with shares listed on BSE's Premium Segment are obliged to abide by the National Code for Corporate Governance, while all other issuers are encouraged to comply with the document and follow corporate governance best practices.

12.2. OBLIGATIONS FOR INVESTORS

The Public Offering of Securities Act requires shareholders to notify FSC and the public company each time when their voting rights (directly or indirectly) reach, exceed or fall below 5% or a multiple of 5% of the total number of votes. The shareholders must meet this obligation within four business days of the acquisition or disposal of the shares. CDAD is also obliged to report to FSC the 5% threshold changes in holdings of public companies. FSC may require foreign investment firms that hold shares in their own names but for the account of their clients to identify their clients within three business days of receiving a written request by FSC.

The disclosure limit for shareholders in insurance companies is 1% and every multiple of 1% of the shares. A holder of 10% or more of the voting shares of an insurance company must meet certain qualification criteria set out by the Insurance Code. Special permission is required before acquiring 20%, 30%, 50%, or more than 50% of the voting shares of an insurance company. If the acquisition is accomplished before obtaining the approval of FSC, the shareholder will not be allowed to vote with the shares until such approval is received.

An investor is to obtain approval from the FSC prior to acquiring, directly or indirectly, holdings which exceed, reach, or fall below 10, 20, 30, 50 or higher per cent of the capital or voting rights in an investment intermediary, alternative investment fund management company or market operator. Failure to obtain approval from the FSC will result in loss of voting rights.

CDAD is obliged to disclose to BNB all shareholders, the participation of which in a locally licensed credit institution reaches or exceeds 3% of the shares or voting rights of the issuer. Special permission must be obtained from BNB before acquiring 10%, 20%, 33% and 50% or more than 50% of the voting shares of a credit institution. Such preliminary approval is required also when the acquisition is made on a stock exchange or another regulated market. If the investor does not meet this obligation, BNB may oblige the shareholder to sell a part or all of its shares. Before receiving the approval, shareholders may not exercise their voting rights.

In accordance with the provisions of the Markets in Financial Instruments Act, foreign entities entitled under their national law to perform investment services and activities, and which have acquired financial instruments in their name but on the account of other foreign persons, or have done so as clients of an investment firm for which the Republic of Bulgaria is the home country, shall identify before the Financial Supervision Commission their clients and the transactions effected on their account within three business days in case there is a written request for that from the Commission.

12.3. VIOLATION CONSEQUENCES

Failure to comply with disclosure requirements will lead to penalties and/or other sanctions as set out in the Public Offering of Securities Act and other relevant legislation.

13. Account management

13.1. COMMON ACCOUNT STRUCTURES

Securities accounts can be opened either in the name of the beneficial owner or in the name of a foreign custodian. The following possibilities for account structures are available:

- An omnibus account for client assets in the name of the foreign custodian, or;
- Segregated securities accounts in the name of underlying clients or in the name of the foreign custodian for proprietary assets, or;
- A mixture of the above.

One cash account can be linked to multiple securities accounts.

Segregated Accounts

Segregated accounts are opened in the client's name in CDAD and in the books of the CDAD member.

With respect to government securities, participants maintain in BNB three types of accounts: an account for proprietary securities, an omnibus account for client securities and an account for encumbered/blocked securities. It is the obligation of the BNB participants to maintain segregated client securities accounts in their own books.

Nominee/Omnibus Accounts

The Markets in Financial Instruments Act recognises the nominee concept, but explicit regulations on taxation, corporate actions and disclosure on omnibus accounts are not in place. Following the implementation of CDAD's new IT system at the end of February 2016, omnibus accounts are recognised by the CSD and visible in shareholders'/bondholders' books.

13.2. KYC/AML REQUIREMENTS

Bulgarian regulations related to anti-money laundering include the following:

- Measures Against Money Laundering Act - Defines the measures to prevent the use of the country's financial system for the purposes of money laundering and the supervision and control over these measures; the supervising authority is the Financial Intelligence Directorate of the State Agency for National Security.
- Measures Against Financing of Terrorism Act - Defines the measures for detecting and preventing any acts that may lead to financing of terrorist activities; supervising bodies are the Minister of Interior, the Minister of Finance and the Chairman of the State Agency for National Security.
- Council of Ministers Rules for Application of the Measures against Money Laundering Act - Provides further details on the application of the Measures against Money Laundering Act.

14. Disclaimer

This publication is presented to you by:
Corporate & Investment Banking
UniCredit Bulbank AD
7 Sv. Nedelia Square
1000 Sofia
Bulgaria ("UniCredit")

The information in this publication is based on carefully selected sources believed to be reliable, however the information contained in this document has not been independently verified. Except in the case of fraudulent misrepresentation, no representation or warranty (express or implied) is made by UniCredit or by any of its officers, employees, affiliates or agents as to the accuracy, completeness or sufficiency of this document and no responsibility or liability is accepted by such persons for any loss whatsoever arising from or in connection with use of or reliance on this document and such liability is expressly disclaimed. Any opinions herein reflect our judgement at the date hereof and are subject to change without notice. UniCredit is under no obligation to keep current the information contained in this publication. Any reports provided herein are provided for general information purposes only and cannot substitute the obtaining of independent financial, legal and tax advice. Recipients of this publication should obtain the advice of their banker/broker/advisors about any investments/product/activity concerned prior to evaluating them. Recipients of this document are solely responsible for making their own independent appraisal of and investigations into the products, investments and transactions herein referred to. UniCredit is not responsible for providing legal, tax, accounting, or other specialist advice and recipients of this document should make its own arrangements accordingly. Nothing in this publication is intended to create contractual obligations, nor can it be construed as an offer, solicitation or recommendation for the purchase or sale of any security or investment whatsoever.

Distribution of this document or information contained in this document to any person other than an original recipient (or to such recipient's advisors) is prohibited. Reproduction of this document, in whole or in part, or disclosure of any of its contents, without prior written consent of UniCredit, is prohibited. This document should be read in its entirety, it remains the property of UniCredit and on request must be returned and any copies destroyed.

This document shall not create any form of fiduciary or adviser/client relationship and UniCredit may only be regarded by you as acting on your behalf as following the execution of an engagement letter on mutually satisfactory terms.

UniCredit is a member of the UniCredit Group of companies ("UniCredit Group"). Any member of the UniCredit Group, together with their directors, officers and employees may have traded for their own account as principal, underwritten an issue or have a long or short position in any instrument mentioned in this material or related instrument.

Any projection, forecast, estimate or other "forward-looking" statement in this document is for illustrative purposes only and is not a reliable indicator of future performance. Actual events or conditions may differ materially from assumptions and some risks and uncertainties may not have been taken into account. The document may include information related to past performance or simulated past performance. Past performance or simulated past performance is not a reliable indicator of future performance. No representation or warranty is made, and no liability is accepted, by UniCredit or by any of its officers, employees, affiliates or agents in respect of the achievability or reasonableness of any forward-looking statements contained in this document.

This publication is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

UniCredit may be solicited in the course of its involvement in the transaction contemplated herein, by other investment clients to provide other services. Furthermore, UniCredit may allocate securities to its own proprietary book or to any member of UniCredit Group. This represents a potential conflict of interest. UniCredit has internal arrangements designed to ensure that it will give unbiased and full advice to its clients including valuation and pricing of a securities issue and has internal systems, controls and procedures to identify and to manage potential conflicts of interest.

If this presentation has been sent to you in electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither UniCredit nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, respective directors, officers, partners, employees, advisors, agents and/or representatives accept any liability or responsibility whatsoever in respect of any difference between the document sent to you in electronic format and the original version prepared by UniCredit. This publication is a financial promotion within the scope of the rules of Consob.

Corporate & Investment Banking of UniCredit consists of UniCredit Bank AG, Munich, UniCredit Bank Austria AG, Vienna, UniCredit S.p.A., Milan and other members of the UniCredit. UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank. In addition UniCredit Bank AG is regulated by the Federal Financial Supervisory Authority (BaFin), UniCredit Bank Austria AG is regulated by the Austrian Financial Market Authority (FMA) and UniCredit S.p.A. is regulated by both the Banca d'Italia and the Commissione Nazionale per le Società e la Borsa (CONSOB).

UniCredit S.p.A. - joint stock company – with the Head Office in Milan: Piazza Gae Aulenti 3 - Tower A - 20154 Milano. Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: : 00348170101 - Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with. cod. 02008.1; Cod. ABI 02008.1 - Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund.

Note to UK Residents:

In the United Kingdom, this publication is being communicated on a confidential basis only to clients of Corporate & Investment Banking of UniCredit (acting through UniCredit Bank AG, London Branch) who (i) have professional experience in matters relating to investments being investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"); and/or (ii) are falling within Article 49(2) (a) – (d) ("high net worth companies, unincorporated associations etc.") of the FPO (or, to the extent that this publication relates to an unregulated collective scheme, to professional investors as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 and/or (iii) to whom it may be lawful to communicate it, other than private investors (all such persons being referred to as "Relevant Persons"). This publication is only directed at Relevant Persons and any investment or investment activity to which this publication relates is only available to Relevant Persons or will be engaged in only with Relevant Persons. Solicitations resulting from this publication will only be responded to if the person concerned is a Relevant Person. Other persons should not rely or act upon this publication or any of its contents.

The information provided herein (including any report set out herein) does not constitute a solicitation to buy or an offer to sell any securities. The information in this publication is based on carefully selected sources believed to be reliable but we do not make any representation as to its accuracy or completeness. Any opinions herein reflect our judgement at the date hereof and are subject to change without notice.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time with respect to securities mentioned in this publication (i) take a long or short position and buy or sell such securities; (ii) act as investment bankers and/or commercial bankers for issuers of such securities; (iii) be represented on the board of any issuers of such securities; (iv) engage in "market making" of such securities; (v) have a consulting relationship with any issuer. Any investments discussed or recommended in any report provided herein may be unsuitable for investors depending on their specific investment objectives and financial position. Any information provided herein is provided for general information purposes only and cannot substitute the obtaining of independent financial advice.

UniCredit Bank AG London Branch, Moor House, 120 London Wall, London, EC2Y 5ET, is subject to regulation by the European Central Bank (ECB) and is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

Notwithstanding the above, if this publication relates to securities subject to the Prospectus Directive (2005) it is sent to you on the basis that you are a Qualified Investor for the purposes of the directive or any relevant implementing legislation of a European Economic Area ("EEA") Member State which has implemented the Prospectus Directive and it must not be given to any person who is not a Qualified Investor. By being in receipt of this publication you undertake that you will only offer or sell the securities described in this publication in circumstances which do not require the production of a prospectus under Article 3 of the Prospectus Directive or any relevant implementing legislation of an EEA Member State which has implemented the Prospectus Directive.

Note to US Residents:

The information provided herein or contained in any report provided herein is intended solely for institutional clients of Corporate & Investment Banking of UniCredit acting through UniCredit Bank AG, New York Branch and UniCredit Capital Markets LLC (together "UniCredit") in the United States, and may not be used or relied upon by any other person for any purpose. It does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other US federal or state securities laws, rules or regulations. Investments in securities discussed herein may be unsuitable for investors, depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where UniCredit is not registered or licensed to trade in securities, commodities or other financial products, any transaction may be effected only in accordance with applicable laws and legislation, which may vary from jurisdiction to jurisdiction and may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

All information contained herein is based on carefully selected sources believed to be reliable, but UniCredit makes no representations as to its accuracy or completeness. Any opinions contained herein reflect UniCredit's judgement as of the original date of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

UniCredit may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in any report provided herein. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of further performance, and no representation or warranty, express or implied, is made regarding future performance.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time, with respect to any securities discussed herein: (i) take a long or short position and buy or sell such securities; (ii) act as investment and/or commercial bankers for issuers of such securities; (iii) be represented on the board of such issuers; (iv) engage in "market-making" of such securities; and (v) act as a paid consultant or adviser to any issuer.

The information contained in any report provided herein may include forward-looking statements within the meaning of US federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from its expectations include, without limitation: Political uncertainty, changes in economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets, competitive environments and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

UEFA and its affiliates, member associations and sponsors (excluding UniCredit and UniCredit Bank AG) do not endorse, approve or recommend the Product and accept no liability or responsibility whatsoever in relation thereto.

Corporate & Investment Banking

UniCredit Bulbank AD

as of 31 August 2020



UNICREDIT BULBANK AD
Corporate & Investment Banking



Address
7 Sv. Nedelia Square
1000 Sofia - Bulgaria