

Client Order Execution Policy of NLB d.d.

1. Purpose

1.1 The Financial Instruments Market Act (hereinafter: the **ZTFI-1**) Nova Ljubljanska banka d.d., Ljubljana (hereinafter: the **Bank**) to establish an order execution policy and all procedures required to execute orders on terms most favourable to the client with regard to order execution, order reception and transmission and/or portfolio management (hereinafter: **Best Execution**).

1.2 The purpose of this document is to define the system, procedures and reasonable measures that enable the Bank to provide Best Execution. The Bank shall strive to achieve the most favourable result for the client, however, there is a risk that the most favourable terms will not be achieved, despite efforts and the fact that the Bank acts in line with this policy.

1.3 The terms and expressions in this policy shall be used in accordance with the ZTFI-1 and other relevant regulations.

2. Scope of application and effect

2.1 The Client order execution policy shall apply to professional and non-professional clients, as set out in the Client Classification Policy NLB d.d., according to which the Bank shall not verify knowledge and experience of a professional client prior to the execution or transmission of a professional client's order. The same applies when the Bank executes or transmits a non-professional client's order, at the client's request, to the executing partner referred to in item 8 of this Policy and the client's order refers to one of the following financial instruments:

- equity securities (shares) listed for trading on a regulated market or on an equivalent market in another country (MTF);
- debt instruments - bonds, money market instruments and other forms of debt financial instruments excluding those that embed a derivative;
- units in collective investments undertakings (UCITS); or
- other non-complex financial instruments.

Whenever a non-professional client issues an order relating to a financial instrument not set out in this item, the Bank shall verify the client's knowledge and experience in order to assess the appropriateness/suitability of such a financial instrument for the non-professional client.

2.2 This Policy shall not apply to investment transactions and services, when the Bank concludes investment transactions with or provides investment services

to clients that it had classified as eligible counterparties in accordance with Client Classification Policy of NLB d.d.

2.3 This policy shall apply to transactions that entail:

- the receiving and transmitting of a client order and/or
- the execution of a client order

on behalf of a client, and involve brokerage transactions and treasury or custody transactions, unless otherwise defined by this Policy.

2.4 An order is deemed to be executed on client's behalf when the client can justifiably rely on the Bank's procedures to result in Best Execution, and in assignment of all the benefits from the transaction to the client.

2.5 The Bank shall protect the interest of the client with regard to the pricing and/or other factors associated with a transaction that may be affected by the manner in which the Bank executes an order.

2.6 The Bank is deemed to have executed or transmitted an order on behalf of the client when it:

- executes an order in its own name and on behalf of a client or transfers the order to the executing partner;
- otherwise executes an order to the benefit of a client;

- executes clients' aggregated orders.

2.7 Whenever the Bank deals on its own account and publishes the prices of financial instruments (price quotation), or sets prices based on a client's request (request for a quotation), it shall not receive, transmit or execute orders under Best Execution terms in accordance with this Policy. This provision shall not apply if: (i) the client is a natural person; (ii) the Bank provides brokerage services for a specific transaction on its own account for a client; or (iii) the Bank and client agree otherwise in writing for a specific transaction, and there is no evidence to the contrary in any of the aforementioned cases.

3. Order execution on the basis of specific instructions

3.1 If a client submits an order with specific instructions with regard to the individual execution factors set out in item 4 and the execution venue set out in item 6 of this Policy, the Bank shall execute the order in accordance with the respective client's instructions, and shall continue to apply Best Execution under this Policy to those aspects of the order not covered by the client's specific instructions.

3.2 Considering the experience of the professional clients in the investment field, they are expected to always give specific instructions on execution factors listed in item 4 and execution venues listed in item 6 of this Policy.

4. Execution factors

4.1 The execution factors that will be taken into account when complying with Best Execution are as follows:

- liquidity,
- price,
- costs,
- the speed of execution,
- the probability of execution and settlement,
- quantity and
- other factor the Bank deems material for the execution of an order.

4.2 Liquidity, which the Bank assesses based on the daily value of transactions in financial instruments executed on a specific market, is generally the most important factor in the execution of order under the terms of Best Execution. The relative importance of other factors diminishes in the same order as the execution factors were listed in the previous item, except if the Bank, in specific circumstances, assesses that it can more likely achieve Best Execution for the execution of a client's order by taking into account other execution factors or a different order of relative importance for an individual factor.

4.3 The Bank shall determine the most important factor for Best Execution in accordance with the principle of comprehensive assessment of each individual execution factor and all execution factors together.

4.4 The Bank shall assess the relative importance of execution factors at the moment an individual order is executed based on the execution criteria set out in item 5 of this Policy, on market information available to the Bank and based on its own assessment and experience.

5. Execution criteria

The execution criteria that will be taken into account in the Best execution are as follows:

- the characteristics of a client, including its classification in accordance with the Client Classification Policy of NLB d.d.;
- the characteristics of the client's order;
- the characteristics of the financial instrument that is the subject of the client's order; and
- the characteristics of the execution venue to which an order may be transmitted.

6. Execution venue

6.1 The following shall be considered execution venues for the purpose of this Policy:

- regulated markets;
- multilateral trading facilities (MTF/OTF);
- systematic internalisers;
- market makers and other liquidity providers;
- over-the-counter markets;
- The Bank.

6.2 A list of specific execution venues, at which the Bank trades various financial instruments, and at which it achieves the best overall results for clients on a consistent basis, is available on the Bank's website at www.nlb.si and/or at bank branches, where the Bank executes client orders, and is regularly updated. The list of execution venues does not necessarily include all possible venues, but includes only those which, according to the Bank's assessment, offer the highest quality execution of orders. It is also possible that the Bank cannot temporarily or permanently ensure the execution of orders at all of the listed execution venues.

6.3 The Bank may amend the list of execution venues without the prior notification of clients.

6.4 The Bank shall regularly assess whether the trading of individual financial instrument at the execution venues set out in the aforementioned list enables the Bank to achieve the best overall result for the clients.

6.5 The Bank shall monitor and publish on its website five most important execution venues, in accordance with the applicable regulations.

7. Selection of an execution venue

7.1 Whenever the Bank, taking into account all execution factors and criteria (set out in items 4 and 5 of this Policy), justifiably assumes that the Bank itself is the most appropriate execution venue, it may enter into a transaction with the client directly and this is deemed to be the Best Execution of an order. The Bank shall also act as such whenever it executes a client order under the same conditions that would apply at any other execution venue.

7.2 In an order for a financial instrument that is traded simultaneously on several regulated markets or at MTFs/OTFs, the Bank shall select a specific market as the execution venue that it assesses as the most appropriate, taking into account the execution factors and criteria (from items 4 and 5 hereof).

7.3 For the execution of client orders outside a regulated market the client must give its express consent prior to their execution. The Bank is deemed to have complied with Best Execution requirements on the OTC market, if it requests price quotations from at least three investment firms.

7.4 The Bank shall execute an order on the market specified by a client in the client's specific instructions regarding the execution venue.

7.5 When selecting the Bank as the most appropriate execution venue and when executing client orders at other venues, the Bank shall ensure the execution under Best Execution terms taking into account all available sources of information, including the local stock exchange, MTFs/OTFs, brokers and data providers, as well as item 2.7 of this Policy.

7.6 In accordance with the Best Execution terms of this Policy, the Bank reserves the right to use the execution venue which, according to the Bank's assessment, is most appropriate for a client with regard to this Policy. The Bank also reserves the right to execute an order at an execution venue not included on the list set out in item 6.2 of this Policy, if it assesses that it can achieve the Best Execution of a client order at that venue.

7.7 When executing orders, particularly those of higher value, the market where the financial instruments were initially listed for trading typically ensures the highest level of liquidity, and thus more likely the Best Execution.

8. Reception and transmission

8.1 The Bank may transmit client orders to an executing partner for execution. The list of executing partners with which the Bank transacts and for which it assesses to execute orders in terms most favourable to the clients on a consistent basis may be found on the Bank's website at www.nlb.si where it is regularly updated. The list of executing partners does not include all existing executing partners, but includes only those which, according to the Bank's assessment, offer the highest quality execution of orders. It is also possible that the Bank will not be able to transmit a client's order to a specific executing partner, because that partner is temporarily or permanently unable to ensure the execution of orders at specific execution venues.

8.2 The Bank may amend the list of executing partners without the prior notification of clients.

8.3 In accordance with the Best Execution requirements, the Bank reserves the right to select the executing partner which, according to the Bank's assessment, is the most appropriate for a client with regard to this Policy. The Bank also reserves the right to transmit an order to an executing partner not included on the list set out in item 8.1 of this Policy, if it assesses that it can achieve the Best Execution of a client order via that partner.

8.4 For financial instruments listed on the primary market, the Bank shall transmit client orders directly to the issuer or its agent in accordance with the content of the order, whereby the Best Execution requirements shall not apply.

9. Execution of aggregated orders for a joint client account

9.1 If the Bank receives several orders under the same conditions, it may aggregate such orders and execute them for a joint client account. To that end, the Bank shall take into account the interest of all clients who have submitted such orders, as well as the execution factors and criteria (from items 4 and 5 hereof). Funds received as such will be allocated to clients on a pro rata basis with respect to the value of the aggregated order.

9.2 If the Bank executes orders for a joint client account and simultaneously trades on its own account, the clients' orders have advantage over the Bank's transactions. If there are more benefits to the aggregated execution of clients' orders and the Bank's own trades or client's orders simply cannot be executed unless aggregated with the Bank's own trades, the Bank shall allocate funds received as such to the clients and the Bank on a pro rata basis with respect to the value of the aggregated order.

9.3 Allocation of transactions in the following cases:

- The aggregated order is completely executed – all financial instrument prices are the same. Executions are allocated to all clients in the aggregated order at the same execution price.

- The aggregated order is completely executed – all financial instrument prices are not the same. Executions are allocated to all clients in the aggregated order at the average execution price. Average price is calculated as a weighted average of prices if individual transactions. Weights are the quantities of lots in an individual transaction.

- The aggregated order is not completely executed – all financial instrument prices are the same. Executions are allocated proportionally at the execution price based on the quantity of orders by individual client. If it is not possible to allocate pro rata the entire quantity, because two or more clients have the same shares, the remaining part is allocated randomly among all clients in the aggregated order.

- The aggregated order is not completely executed – all financial instrument prices are not the same. Executions are allocated proportionally at the average execution price based on the quantity of orders by individual client. If it is not possible to allocate pro rata the entire quantity, because two or more clients have the same shares, the remaining part is allocated randomly among all clients in the aggregated order.

The client agrees that the Bank can execute its order in the framework of joint account order, under the terms and conditions referred to in previous paragraphs.

10. Execution of foreign exchange transactions related to investment services

10.1 In foreign exchange transactions and currency conversions for the account of the clients in the framework of investment services, the NLB's list of corporate buy and sell exchange rates and the Bank of Slovenia's exchange rate (ECB exchange rate) – ECB reference exchange rates shall apply. For the transactions that exceed EUR 10,000 the Bank can quote individual exchange rate to the client.

10.2 If the subject of the exchange service or transaction is a foreign currency, that is not included in the exchange rate list mentioned in the previous paragraph, or in the case the Bank implements settlement with the sub-depositary for a client in a currency that does not equal the transaction currency, the exchange rate is applied in accordance with the Policy and the Bank's or sub-depositary's rules of operations.

In the execution of the exchange services and transactions, the Bank or its executing partner/sub-depositary may be subject to the laws and rules of the market on which the transactions are actually performed.

11. Monitoring and review of operations

11.1 The Bank shall regularly monitor the compliance of this Policy with the ZTFI-1.

11.2 To ensure the Best Execution, the Bank shall audit this Policy at least once a year, review the lists of executing partners and execution venues and update them as required, as well as review all order execution procedures and measures.

12 Entry into force and amendments to this Policy

12.1 This policy shall enter into force on 15 June 2019.

12.2 The currently valid policy and the lists set out in items 6.2 and 8.1 of this Policy shall be available on the Bank's website at www.nlb.si and at bank branches that accept client orders. The Bank shall notify the client in writing of material amendments to this Policy that affect the rights of the client hereunder and shall provide an amended copy of the Policy at the client's request.

12.3 If the client does not agree with the amendments, it may terminate the investment services agreement within 15 days from the receipt of the Bank's written notification thereof or within 15 days from the date this Policy enters into force. Otherwise it shall be assumed that the client accepts the amendments. The same assumption shall apply if the client – following the receipt of written notification regarding material amendments to this Policy or after the date this Policy enters into force – issues a new order for the purchase or sale of financial instruments or any other new order for the transfer of financial instruments or any new instruction or request, excluding the termination of the agreement.

Management Board of NLB d.d.

Warnings

The Bank hereby warns the client that the expected result of an individual transaction may not be the best possible result for the client owing to specific unforeseeable circumstances, despite the execution procedures and measures set out in this Policy.

Special or unfavourable market conditions may also arise, whereby the Bank shall request from the client's specific instructions regarding execution factors in order to ensure the most favourable result or Best Execution. If the Bank does not receive such instructions, it shall bypass the measures and procedures set out in this Policy, and act in a manner that, according to the Bank's assessment, will ensure the best possible result for the client.