About MiFID II

What is MiFID II?

European Directive regarding Financial Markets and Instruments ("MIFID II") is the latest European legislation, applicable as of January 7th, 2019 and has a major impact on the way the financial services will be made available to the clients all over EU.

MiFID II Directive was implemented in the Romanian legislation by Law no.126/2018 regarding financial instruments markets and by several norms issued by the Financial Supervisory Authority (ASF). As regards the relation with the clients, one of the most important is CNVM Regulation no. 32/2006 regarding financial investment services.

MiFID II Directive aims at setting up a legal framework assuring a right protection rate to investors, stimulating competition growth in the financial industry and the transparency of financial markets.

MiFID II Directive is applied to financial instruments and financial investment services supplied to investors by investment companies: credit institutions, companies of financial investment services, investment management companies, etc. The directive details the range of financial services and instruments falling within MiFID II.

MiFID II is applied to investment firms, market operators, suppliers of data reporting services as well as companies of third countries providing investment services or exert investment activities in the Union by opening a branch.

What does MiFID mean in the relation with clients?

The main aspects the Bank should consider, according to MiFID II perspective, in its relation to clients are clients' classification and clients' assessment depending on the provided services.

⇨ **Clients classification**

According to MiFID, the clients are classified in three categories: *Retail clients, Professional clients, Eligible counterparties.*

Retail clients are those clients which benefit most of the protection requirements of information, assessment, transparency and communication the bank should meet in its relation to such clients.

Professional clients are the clients having the experience, knowledge and capacity to make the investment decision and to assess the risks it involves. The professional clients benefit of a lower level of protection than the retail clients.

Eligible counterparties are the authorized or regulated entities to operate on financial markets (credit institutions, companies of financial investment services, insurance companies, collective placement bodies and their management companies, etc.). These clients benefit of the lowest level of MiFID protection.

Clients' classification in one of MiFID categories takes place at the initiation moment of the business relations with the Bank based on the documents and information available at the Client's account opening, or at the moment of accessing a product or a service which is under the incidence of MiFID regulations.

Details regarding each MiFID category of clients are found in section D of the attached Client's Informative Package.

⇨ **Clients' assessment depending on the provided services**

Depending on the supplied financial investment services, the Bank has the obligation to request certain information from the clients in view of their assessment and of the opportunity of the performed services of financial investments. To this end, the clients will be assessed based on some questionnaires/tests the Bank will address to the clients depending on the products and services requested by/offered to clients.

Consultancy services for investments and portfolio management: The Bank will request certain information from the client within an ***adequacy test,*** so as to be able to recommend the respective client or potential client the investment services and the financial instrument suited to it. ***At present, BCR does not provide such services.***

Services of financial investments, other than consultancy for investments and portfolio management: The Bank will request certain information from the client within a ***test of opportunity,*** so as to be able to assess if the considered investment services or the financial instruments are suited to the profile of the respective client.
Services type execution orders: in case the Bank exclusively provides execution and/or orders takeover and transmission services, with or without connected services, the Bank will not request information from the clients and will not conduct any test

(i) if the services relate to non-complex financial instruments,

(ii) if such services are supplied at the client's initiative,

(iii) if the client or potential client was clearly informed that at the supply of a financial investment service the Bank is not obliged to assess the investment opportunity in the respective financial instrument or the provided service and therefore, the client cannot benefit of the adequate protection provided by the relevant rules of conduct, and

(iv) the Bank complies with legal requirements regarding the conflict of interests.

Any services of financial investments the Client will buy from the Bank after signing the present Presentation Document will be completed by the provisions of this document. In case of discrepancies between the provisions of this Presentation Document and the contracts/specific forms of the products and services bought by the Client from the Bank, the provisions of the latter shall prevail.

The Bank will regularly update this Presentation Document, and the updated variant will be notified to the Client in the agreed way. In case changes occurred related to the content of the Presentation Document, they are notified to the Client, to the parties which the amended Presentation Document is opposable to.

Banca Comercială Română S.A.
Company managed in dual system
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Registered with the Trade Register: J40/90/1991
Registered with the Banking Register No. RB-PJR-40-008/18.02.1999
Sole Registration Code: RO 361757

Registered with the Register of personal data processing operators under no. 3776 şi 3772
Share Capital: RON 1,625,341,625.4(
SWIFT: RNCB RO BU

MiFID
Client's Informative Package
[presentation document]

Version 14, applicable as of __/01/2019

*The present Presentation Document for financial investment services provides the client information regarding ("**BCR**" or the Bank) and the services offered by it so as the client is capable to understand the nature and associated risks to investment services and the connected services and the specifics of the offered financial instrument and consequently to make investment decisions in full awareness.*

The present Presentation Document will be made available for the client before signing the contract of services with the Bank and of the application for account opening. BCR can periodically updated this Presentation Document and the updated variants will be made available to the client at the address www.bcr.ro.

CONTENT

A. Information about us

General data	Registrations and authorizations	Authorities
Banca Comercială Română S.A. Company managed in dual system **Headquarters:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest **Zip code:** 060013 **SWIFT code:** RNCB ROBU. General contact data: **Tel:** 021 407.42.00 **e-mail:** contact.center@bcr.ro	- Sole registration code: 361757 - Registration no. with the Trade Register: J40/90/1991 - Regi□tration no. with Banking Regi□ter: RB-PJR-40008/18.02.1999 - Regi□tration no. with Regi□ter of per□onal data operator□: 3776/2006 - Credit institution authorized by the National Bank of Romania according to the provisions of Chapter 2 of the emergency Government Ordinance no. 99/2006 - Intermediary registered with the Public Register of the National Securities Commission (C.N.V.M.) under no. PJR01INCR/400007	- **Supervisory authority:** National Bank of Romania (25, Lipscani Street, District 3, Bucharest, zip code 030031) **Telephone:** 021/313.04.10; 021/315.27.50; **Fax:**021/312.38.31; **Web page**: www.bnro.ro - **Supervisory authority for operations on capital market:** Financial Supervisory Authority**,** Section of Financial Instruments and Investments (15, Splaiul Independentei Street, District 3, Bucharest) **Telephone:** 021/659.64.64; **Fax**: 021/659.60.51; 021/659.64.14 **Web page:** www.asfromania.ro

Representations: BCR represents that it is a credit institution, authorized by the National Bank of Romania and it is registered with CNVM/ASF Register. **BCR acts through delegate agents registered in Romania.**

Applicable legal framework: The main applicable regulations are the Emergency Government Ordinance no. 99/2006 regarding capital adequacy and the credit institutions, approved by Law no. 227/2007, as subsequently amended and supplemented, as well as by Law no. 297/2004 regarding capital market, as subsequently amended and supplemented, Law no. 126/2018 regarding financial instruments markets

B. Contact data to effectively communicate with BCR

Investments and transactions with financial instruments	Your assets and reports receipt on your transactions and assets
Financial Markets Division **Address:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest, postal code 060013 **Telephone:** 0373.516.558; 0373.516.560; 0373.516.559 **Fax** 021.227.0079; **E-mail:** DPF.Retail@bcr.ro	**Financial Market Operations Department** **Address:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest, postal code 060013 **Telephone:** 0373.511.706; **Fax:** 021.302.19.86 **e-mail:** doc.pietedecapital@bcr.ro
Custody Services	**Intern control compartment**
Financial Markets Operations Department **Address:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest, postal code 060013 **Telephone:** 0373.511.439 **Fax**: 021.302.19.86 **E-mail:** custodie@bcr.ro; doc.pietedecapital@bcr.ro	**Compliance Division - Compliance Capital Markets** **Address:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest, postal code 060013 **Telephone:** 0373.513.022, **Fax:** 021.302.59.89 **e-mail:** compli.securities@bcr.ro
Client's complaints	**Communication language and means**
Retail Division – Client Support or **Compliance Division – Compliance Capital Markets** **Address:** 159 Calea Plevnei, Business Garden Bucharest, Building A, Floor 6, district 6, Bucharest, postal code 060013 **Fax:** 021.302.59.89 **E-mail:** reclamatiimifid@bcr.ro https://www.bcr.ro/ro/contact/sesizari-si-reclamatii	Clients can communicate and can obtain from the company any documents or information in the Romanian language and/or in English language. The Bank's working hours are 9.30-**18.00.** Communication for the agreement of terms and conditions of each Transaction, sending orders and receipt of confirmation, as well as any other types of communications/correspondence will be performed by phone, fax, e-mail, written correspondence, as well as other means (for instance, by electronic means of communication). Details regarding the effective way of communicating are found in the specific contracts you will sign with BCR, depending on the product and service you benefit of.

C. Safeguarding the client's assets

1. Financial instruments traded on the markets of Romania

The financial instruments traded on the Romanian capital market are kept in individual or global accounts opened by BCR with central depositories and the clearing houses authorized by CNVM/ASF for the supply of compensation-settlement and register services.
The financial instruments and the money funds held by the clients are registered with BCR in individual accounts opened in the name of each client.
When the financial instruments are kept in custody in Romania, the Romanian law is applicable.

The financial instruments traded both on external market of Romania, and on other external markets can be transferred upon the client's instruction in custody accounts opened on the respective capital markets by Erste Group Bank AG as custodian bank for the capital markets covered by it, or by a third party custodian bank, mandated by BCR, according to the regulations in force, for the other capital markets.

2. Financial instruments traded on external markets

The financial instruments traded on external markets are kept in custody accounts opened on the respective capital markets, either by Erste Group Bank AG as custodian bank for the capital markets covered by it, or by a third party custodian bank, mandated by BCR, according to the regulations in force, for the other external capital markets.
When the financial instruments are kept in custody on foreign capital markets, the laws and customs of the respective state are applicable.

3. Responsibilities and insolvency

3.1. BCR responsibilities and insolvency

For the whole period of the custody activity, BCR will comply with the prudentially rules set up by CNVM/ASF and NBR.
BCR cannot be held liable for any loss or damage suffered by the client as a result of BCR meeting its obligations, unless they resulted from some facts of serious guilt, fraud or deliberate default of such obligations, in which case BCR liability related to any financial instrument will not exceed the market value of the financial instrument related to the loss or damage at the moment of the serious guild, fraud or deliberate obligation default.

BCR creditors cannot use, under any circumstance, the client's assets, even in case of insolvency procedure initiation. BCR cannot use the assets of a client to secure the transactions concluded in its own account or in the account of another client, unless the client gives its express accord and in writing.

In case BCR insolvency procedure is opened, the financial instruments and/or the money funds related to the respective financial instruments kept in the name and on the account of the client cannot make the object of the claim or payment of BCR creditors.

Without being limited to the above, as regards the collection of funds or other paid or distributed rights related to any assets, the risk of obligations default by the issuer and/or debtor will be borne by the client.

3.2. Responsibility of third parties and insolvency of a third party

BCR takes responsibility only for the careful selection of any third party custodian bank and for the instructions sent by it, without being held liable for any loss, damage, expense, claim and other similar resulted due to the negligence, deliberately wrong management, omissions, insolvency and any mistake of the respective third party custodian bank, according to the provisions of the custody contracts concluded with the clients.

When the financial instruments are kept in custody on external capital markets, the claims in case of insolvency procedures related to the third party custodian bank in general, will be submitted to the laws of the respective state.

3.2 Measures taken to protect the client's assets to whom BCR supplies services of financial investment such as taking over and executing sale and buy orders of financial instruments and keeping in custody and managing financial instruments

For the whole period of its activity of trading, compensation and settlement of financial instruments on capital markets, BCR will comply with the prudentially rules set up by CNVM/ASF and NBR.

BCR is a Member of the Investors Compensation Fund, which will equally and undiscriminatingly compensate any retail client with whom BCR signed a contract of financial investment services, within the limit of a gradual ceiling set up starting 01.01.2012 as the equivalent in RON of EUR 20,000 / individual investor.

The ceiling established by the Investors Compensation Fund can be found on its own website: www.fond-fci.ro. These details are offered only for the client's information. No legal liability can result from it.

BCR will separate the financial instruments of the clients from those of the bank and will register those instruments in its own records in separate account from those of the bank. For the instruments held outside the European Union, the rights an investor can benefit of can be different.

Where due to the nature of legal provisions or of the market practice in another jurisdiction it is in the Client's interest to act in this way, or where it is not viable to act as such, the Bank can register the Client's financial instrument also in the name of the Bank or in the name of any other person (which can include a sub-custodian).

The Bank will not register the Client's financial instrument in the name of another person unless the activity object of the respective person includes the supply of financial services. Given such conditions, the Client's financial instruments can be submitted to the legal provisions from another jurisdiction, will not be separated and the Client might not benefit of an adequate protection against the claims raised by the general creditors of the person on whose name the financial instruments are registered, a protection it would have benefited if the Client's financial instrument had been separated and held in custody in other jurisdictions.

The Bank will not accept any liability for any loss, material obligation or cost the Client might suffer or bear as a result of deficiencies in the activity of the sub-custodian appointed by the Bank, with the express accord of the Client if the Bank took all the reasonable diligence measures in that appointment, in which case, the Bank will accept the same liability level as that accepted for its own actions, omissions or obligations default.

D. Clients' classification

According to MiFID, the clients are classified in three categories: ***Retail clients, Professional clients, Eligible counterparties.***

1. ***Retail clients*** are those clients which benefit most of the protection requirements of information, assessment, transparency and communication the bank should meet in its relation to such clients. Under retail category usually fall the private individuals, as well as legal entities that fail to fulfill the criteria to be classified as professional clients.

2. ***Professional clients*** are the clients having the experience, knowledge and capacity to make the investment decision and to assess the risks it involves. The professional clients benefit of a lower level of protection than the retail clients.

As an example, the professional clients can receive less information about costs and commissions, the Bank having no obligation to inform them about the significant difficulties in the prompt and adequate achievement of the Order, the Bank having no obligation to provide with the same frequency the regular report like in case of retail clients. At the same time, while achieving the best execution, the Bank has no obligation to consider the total costs of transaction as the most important factor and during the tests of opportunity and adequacy, the Bank can start from the assumption that a professional client has sufficient knowledge and experience to understand the related risks and has the financial capacity to bear any associated risks according to the investment goals. Within the compensation schemes for professional clients, it is possible they benefit of less rights according to applicable regulations

This category includes:
1. commercial companies meeting two of the following requirements: a total accounting balance sheet of: EUR 20,000.000, net turnover: EUR 40,000,000, equity: EUR 2,000,000; or
2.. the entities authorized or regulated to operate on financial markets (credit institutions, investment companies, financial investment services companies, other authorized and regulated financial institutions, insurance companies, collective placement bodies and their management companies, pensions funds and their management companies, entities effecting transactions with goods and derivatives instruments, local companies as per art. 4 (1) 4 in the Reg. EU 575/2013 and other institutionals investors) and which are not classified as eligible counterparties,
3. governments, including public institutions managing the public debt at national or regional level, central banks, international institutions and supranationals.
4. other institutionals investors with the main activity in the investments in financial instruments, including entities dealing with the securitisation of the the assets or other finance activities.

Eligible counterparties are the authorized or regulated entities to operate on financial markets (credit institutions, companies of financial investment services, insurance companies, collective placement bodies and their management companies, etc.). These clients benefit of the lowest level of MiFID protection.

This category includes investment companies, credit institutions, insurance companies, UCITS and their management companies, pensions funds and their management companies, other authorized and regulated financial institutions in line with the EU legislation and the internal legislation of any other member state, national governments and the services/structures agreed according to the internal legislation of each state, including public organisations, in charge with the public debt at national level, central banks and supranationals, that are not classified as Professional clients.

In this sense, we mention as an example that in the relation with eligible counterparties, the Bank has no obligation of the best execution of orders, to conduct adequacy or opportunity test, to provide information regarding the bank and its services, the incentives received by the Bank for the supply of products and services or the risks associated to such products and services.

Your classification made by BCR:

The clients are classified in one of MiFID categories at the initiation moment of their business relation with BCR, based on the available documents and information at the account opening. Reclassification in another category can occur during the contractual relation at your initiative or at BCR initiative.

As a rule, if when initiating the contractual relations based on the available information you do not fall in the categories of "Professional Clients" of "Eligible Counterparties", you are regarded as classified in the category MIFID retail clients, benefitting in this way of all the advantages derived from this classification. Unless you are informed to the contrary during the next year, in the sense of reanalyzing your classification.
Being in the category of retail clients, you will further enjoy the highest protection level of investors.

If you want to talk about it or change the category you are classified in, BCR will inform you about the possibility to change that classification upon request, in case you meet the criteria listed at point D above, in the sense of becoming a professional client or an eligible counterparty.

E. Services offered to clients

Authorized services of financial investment: BCR is authorized to provide financial investment services specified in Section A at pct. 1, 2, 3, 4, 5, 6, 7 and Section B at pct. 1, 2, 3, 4, 5, 6, 7, of Annex A to the Law 126/2018 regarding financial instrument markets.

Investment services and activities:

1. orders takeover and transmission related to one of several financial instruments;
2. execution of orders in the clients' account;
3. trading financial instruments on its own account;
4. portfolios management;
5. consultancy for investments;
6. subscription of financial instruments and/or placement of financial instruments, based on a firm commitment;
7. placement of financial instruments without a firm commitment;

Connected services:

1. safeguarding and management of financial instruments in the clients' account, including custody and services related to them, such as management of funds or guarantees and excluding the supply and management of security accounts at the highest level. The supply and management of security accounts at the highest level means "the centralized management service" provided for in Section A, pct.2 of the annex to the Regulation (EU) n.m909/2014.
2. Granting credits or loans to an investor in view of allowing it to conduct a transaction with one or more financial instruments, transaction in which the company granting the credit or loan is involved;
3. consultancy granted to companies related to capital structure, industrial strategy and connected aspects such as consultancy and services regarding mergers and acquisitions of entities;
4. services of foreign currency exchange related to the performed investment services;
5. research for investments and financial analysis or any form of general recommendation regarding the transactions with financial instruments;
6. services related to subscription;
7. investment services and activities, as well as their connected services such as those stipulated in the present Section or in Section A related to the support asset of derivative instruments included in Section C, pct. 5-7 and 10 if they are related to the provisions on main and connected services.

F. Reports to clients

BCR will provide the clients at least the following reports regarding the main services of financial investments performed:

- **Confirmation of order execution**. This report is transmitted immediately after transaction conclusion, and in case of retail clients, the latest on the first business day following their order execution. If the Bank receives the confirmation from a third party, the report is sent the latest on the first business day following the confirmation receipt from the respective third party.
  In case the Client is a professional client, the Bank will immediately send it significant information about the order execution. Upon the Client's request, the Bank will inform it about the status of its order execution.

- **Portfolio status (Report on client's assets)**. This report is transmitted if you benefit of financial investment services on capital markets. The portfolio status is sent quarterly and includes details about each financial instrument held, quantity, market value, or in case the market value is not available, the estimated value of financial instruments alongside the clear specification that the absence of a market price could be a clue of a lack of liquidity.

At the same time, this report also includes, if the case, the extent to which any financial instruments of the client or the client's funds made the object of some funding transactions for the establishment of securities and the quantification of any benefit of the client consequent to its participation in any funding transaction of securities and based on which the benefit increased.

All these reports are sent to the Client by the communication means agreed in the specific contracts.

The reports and any other written communications regarding the transactions conducted in the Client's name sent by the Bank will be deemed correct and approved by the Client if, within maximum one business day since the date of their receipt, the Client issued no written notification to signal the existence of any irregularities.

G. Tariffs and associated costs

TARIFFS AND ASSOCIATED COSTS

The tariffs and associated costs for the services provided by the Bank are presented in detail, as the case may be in the General Terms and Conditions /Contract of Banking Services, as well as in the specific contracts concluded by the Client with the Bank, depending on the product or service (total price, currency, payment methods, other formalities).

The Bank informs the Client about the possibility of other costs for the client including taxes associated with the transactions related to the financial instrument or the investment service, which are not paid through the Bank and are not imposed by the Bank.

The following list presents the standard structure of the commissions charged by BCR for the services provided in connection with the financial instruments:

Financial Instrument	Trading Commission	Minimum Commission	Transfer Taxes	Custody Taxes
Shares, Structured products (Certificates)	0,25-1,5%	10 - 650 RON	10 - 100 RON	0,00 - 1,00%/year
Bonds	0,00-9.00%	10 - 1200 RON	10 - 2350 RON	0,00 - 1,00%/year
Investment funds	0,00-5%	-	-	0,00-0.2%/year

The fees and commissions charged by market institutions (stock exchanges, central depositories, clearing houses) and by CNVM/FSA for the operations carried out on the Romanian capital market are available on their websites: www.bvb.ro, www.depozitarulcentral.ro, www.asfromania.ro. Details can be provided upon request by BCR.

The fees and commissions charged by market institutions (stock exchanges, central depositories, clearing houses) for operations on international markets can be provided upon request by BCR.

H. Financial instruments, risks associated to investments in financial instruments

H.1 The main instruments for which BCR offers services on capital markets or outside the trading systems operated by regulated markets are:

- **Shares** issued by commercial companies and other securities equivalent to them, negotiated on the capital market. The shares are financial securities conferring their holder rights over the issuer's patrimony. The shares represent indivisible parts of the share capital of the company, of equal value, which confer voting right in the general meetings of shareholders, the right to participate in decisional process and in sharing the profits and risks. The investors risk and are material liable only within the limit of the invested amounts. They bear a series of investment risks and do not guarantee the invested capital.
- **Bonds and other receivables, including T-Bills with a longer maturity than 12 months.** Bonds are negotiable financial instruments, which confer their holder the quality of creditor. The bonds confer their holder the right to collect an interest and will be repurchased on maturity by their issuer. Usually, the bonds have the invested capital and the interest secured by the issuer, the main risk being the issuer's credit risk. The bonds issued by an issuer and secured by a certain portfolio of assets of the respective issuer will bear the credit risk of the respective portfolio of assets of the issuer. These elements are presented in the offer prospectus attached to the respective bonds emission.
- **Any other securities** usually negotiated, confer the right to purchase the respective securities by subscription or by exchange, allowing a settlement in cash, except for the payment instruments.
- **Derivative financial instruments:** are financial instruments whose price depends on one or several support assets (shares, indices, interest rates, currencies, commodity, other derivative financial instruments, etc.). Most derivatives are characterized by a high risk level due to their margin trading, which might generate significant gains or losses within a very short time, losses which could exceed the invested amount. Derivatives are used to protect the investments in the support asset or in speculative purposes.

- **FX option structured product:** Structured products offer the clients the possibility to get higher yields compared to standard deposits by taking a market risk. The best known FX option structured products are those related to the evolution of a financial market (the foreign currency one, for instance). The risk associated to this product consists in the possibility of erosion of the invested capital or of getting a zero yield, depending on the product.
- **Structured bonds**
  "Instruments of structured investments" are investment instruments for which the yield and/or the capital repayment are not, in general fix, but rather depending on certain future events or evolutions. In addition, such investment instruments can be structured so as the issuer could request their early payment in case the product reached its target value; in such cases, they can be automatically called on payment.
  Due to the numerous possibilities of correlation, combination and payment related to such investment instruments, they developed a large variety of different structures whose selected names did not always uniformly comply with the structures. Because of that, the terms and specific conditions of the product should always be analyzed.
- **Fund units:** The investment funds are investment product in which the decision of resources allocation is left by the client to the fund manager. The investment funds place the attracted resources into other financial instruments according to a recipe meant to assure an optimum between the average yield offered to the client and the associated risk. The risk related to this product is related to the assets in which the investment is made: shares, bonds, derivatives, deposits, etc.

The risks presentation given below is meant to help you recognize and define your own tolerance to risk in case of investments. **Therefore, we ask you to carefully read this information.**

Risk means a possibility of not getting the expected yield of an investment and/or the loss of the whole invested capital or of a part of it. Such a risk can be due to a variety of causes, depending on the specific structure of the respective product. Such causes can be inherent to the product, markets or issuer. As the risks are not always predictable, the following presentation should not be regarded as definitive.

In any case, the investors should pay special attention to any risk related to the credit rating of the issuer of a product, which is always depending on the individual case.

The description of investment products relies on the most typical features of the respective product. The decisive factor is always related to the specific structure of each product. That is why, the following description does not replace a careful examination the investor has to make on the specific product.

The risk the investments in financial instruments are subject to has three components:

a) systematic risk (undiversifiable) influenced by factors such: general evolution of national economy, risk of a steep fall of the capital market, the risk of market interest change, the risk of inflation, the risk of foreign currency exchange rate, etc.;

b) non-systematic risk which includes: the placement risk, management risk, financial risk, etc. The manager can control this risk by its own regulations/procedures and internal control, by diversifying the portfolio, as well as by selecting the assets in the portfolio;

c) legislative risk, which implies the occurrence of some regulations suppressing a series of exemptions or advantages existing on a certain market or which introduce taxation quotas, charges or others alike, more onerous than the existing ones.

<u>In general, the following should be considered when investing in financial instruments:</u>

- Potential return of each investment is directly dependent on the risk rate; the higher the potential return, the higher the risk.
- Irrational factors (feelings, opinions, expectations, rumors) can also have an impact on prices and therefore also on your investment return.
- Investing in several different types of financial instruments can help the mitigation of total investment risk (the principle of risk diversification).
- Each client is liable for a correct taxation of its investment and of any taxation aspects and charges. The Bank does not offer tax counselling.

H.2 General risks associated to investments in financial instruments:

- ***Foreign currency risk:*** this type of risk occurs in case of transactions with financial instruments denominated in a foreign currency, the investment performance depending not only on the local yield of the financial instrument on external market, but also on the evolution of the exchange rate of the respective foreign currency compared to portfolio currency.
- ***Credit risk:*** each issuer traded on capital markets shows a certain risk rate, considering that the previous performances are not guarantees of some future performances. The credit risks refers to the possibility of counterparty's insolvency, namely the incapacity of one of the parties in a transaction to meet its obligations, such as the payment of dividends, interests, principal repayment on maturity or the total default of such obligations. At the same time, it is also called repayment risk or the issuer's risk. Such risks are classified by means of "ratings". A rating is an assessment scale to evaluate the solvency of an issuer. The rating is established by rating agencies, especially

based on the credit risk and of the country risk. The evaluation scale ranges from "AAA" (the best credit rating) to "D" (the worst credit rating).

- ***Country risk:*** represents the creditworthiness of a certain country, and occurs related to the solvency of a certain country, on which economic or political factors could have negative effects for all counterparties resident in the respective country.
- ***Transfer risk:*** depending on the irrespective involved country, the securities of foreign issuers show an additional risk related to political or exchange control measures, which could complicate or even prevent the achievement of an investment. In addition, issued might occur also related to the settlement of an order. In case of foreign currency transactions, such measures could prevent the free convertibility of the currency.
- ***Risk of total loss:*** the risk that a certain investment becomes completely valueless, for instance, due to its design as a limited right. The total loss might occur, mainly if the issuer of a financial instrument is no longer capable of meeting its payment obligations (insolvent), due to economic or legal reasons.
- ***Price risk:*** this type of risk occurs in case of unfavorable fluctuations of individual investments. In case of transactions with conditioned commitments (foreign currency exchanges on term, futures, options issuance, etc.) it is consequently required to provide guarantees (margin call) or to set up an additional margin, which means liquidity fixation.
- ***Risk of acquiring securities on credit:*** acquisition of securities based on a credit show a high risk as the credit has to be repaid irrespective of the investment evolution and the costs of a credit also cut down the investment value.
- ***Branch risk:*** this type of risk occurs when a portfolio is made of financial instruments whose issuers operate in the same activity branch.
- ***Macroeconomic risk:*** this risk refers to the general evolution of the national economy.
- **Market risk**: the market of financial instruments could show phenomena hard to anticipate, events which could affect the trading prices.
- ***Interest risk:*** the risk that in case of an investment instrument with fixed interest rate the investment value is changed due to the evolution of interests on the market (if the market interest is higher than the interest attached to the investment product, the market value of the investment product could be depreciated).
- ***Liquidity risk:*** the impossibility or the possibility of client's financial losses when liquidating the investment product when it wants to (in case the client wants to liquidate the investment product before maturity and there are not enough buyers on the market interested to buy it at the market price, the client risks to score financial losses due to the product liquidation at a price much below its market value (the market is not liquid).

H.3. The presentation below is meant to help you understand the associated risks to the main instruments for which BCR offers services on capital markets or outside the trading systems operated by regulated markets.
The description of investment products relies on the most typical features of the respective product. The decisive factor is always related to the specific structure of each product. That is why, the following description does not replace a careful examination the investor has to make on the specific product.

[1] Bonds/Receivables/Securitized securities

Return
The bonds return is represented by the interest related to the capital and any difference between the buying price and the price obtained at the bond sale/repurchase moment.
Consequently, the return can be calculated in advance only in case the bond is held until maturity. In case of variable interest rates, the return cannot be calculated in advance. The bonds with returns much over the market level should always be carefully analyzed as it is possible to have a higher credit risk which is a reason for such higher returns. The sale price which can be obtained at bonds repurchase (market price) is not known in advance. Consequently, the return can be higher or lower than the initially calculated return. In addition, the trading costs, if there are, should be deducted from global return.

Credit risk
There is always the risk that the debtor is in impossibility to fully or partially pay its obligations, for instance, in case of debtor's insolvency. Consequently, the debtor's creditworthiness should be considered in an investment decision.
The credit ratings (assessment of organizations solvency) issued by the independent rating agencies provide some indications in this sense. The highest solvency rate is "AAA" (for instance, for German state bonds). In case of lower ratings (for instance, "B" or "C"), the payment default risk (credit risk) is higher, but by compensation, the instruments offer in general a higher interest rate (risk premium). The investments with rating BBB or higher are, in general regarded as having an acceptable risk for investments.

Price risk
In case a bond is kept until maturity, the investor will receive the repurchase price as specified in the bond conditions. Please, remember that there is a risk of early repayment from the issuer, which is stipulated in the terms and conditions of the emission.
In case a bond is sold before maturity, the investor will receive the current market price. This price is determined by the supply and offer, which also depends on the current interest rate. For instance, the price of fix rate securities will drop if the interest for the bonds with comparable maturities is also dropping.
A change of the issuer's solvency can also affect the market price of a bond.
In case of bonds with variable interest whose interest rate is indexed to the rates on the capital market, the risk of interest becoming fix is significantly higher than in case of bonds whose interest rate depends on the rates on monetary market.
The level of a bond price change as an answer to an interest rate change is described by the ratio "tenor". The tenor depends on the time left until the bond maturity. The longer the tenor, the higher the impact of interest rate changes on the price, either positively, or negatively.

Liquidity risk
The bonds tradability depends on several factors, such as the volume of emission, the time left until maturity, the rules of securities market and the market conditions. The bonds which are hard to sell or which cannot be sold at all should be kept until maturity.

[2] Shares

Return
The return of capital investments is made of dividends, as well as of price rises or falls and cannot be accurately predicted. Dividends stand for the gain's distribution to shareholders, according to the general meeting of shareholders. The dividend value is expressed as an absolute value per share. The return obtained from dividends compared to the share price is called the dividend return. Most of the gains from capital investments are usually obtained from the performance/evolution of the share price (see the price risk).

Price risk
The shares are usually traded on stock exchanges. In general, the prices are set up daily, based on the supply and offer. The investments in shares can generate significant losses.
In general, the price of a share depends on the business trend of the respective company, as well as on the general economic and political stability. In addition, irrational factors (investors' feelings, public op8inion) could also influence the shares price trend and consequently the return of an investment.

Credit risk
As shareholder, you hold a participating interest in a company. Consequently, your investments can be depreciated, mainly in case of that company's insolvency.

Liquidity risk
Tradability can be limited, mainly in case of shares listed on unregulated or OTC markets.
In case a share is listed on several stock exchanges, differences might occur in its quotations on various stock exchanges.

Trading
The shares are traded on public stock exchanges and sometimes on OTC markets. In case of stock exchange transactions, the stock exchange rules have to be observed (lots of trading, types of orders, settlement contracts, etc.). In case a share is listed on different stock exchanges, in different currencies (for instance, an USA share quoted in Euro on Frankfurt Stock Exchange) also show a foreign currency risk.

[3] Investment funds

I. Investment funds

Return
The return of open investment funds relies on the evolution of fund units' value. It cannot be set up in advance. The value of a fund unit depends on the investment policy presented in the fund prospectus, as well as on the evolution of market prices related to the financial instruments held in the fund portfolio. Depending on the structure of a fund portfolio, the relevant risk alerts have to be considered for each type of financial instrument separately (bonds, shares, etc.).

Price/rating risk
The fund units can be repurchased at any moment, at the repurchase price. Under exceptional circumstances, the repurchase of fund units can be temporarily suspended. The duration of an Investments fund depends on the fund conditions and is usually unlimited. Please, consider that the fund units, unlike bonds, do not have a maturity date and, consequently, do not have a fix repurchase price. The risk related to the fund units depends, as already mentioned, on the declared investment goals of the fund and on the market evolution. **A loss cannot be excluded.** Although the fund units can be repurchased at any moment, these instruments are designed for investments on a long period of time.
Similar to shares, the funds can be traded on stock exchange. The prices on a certain stock exchange can be different from the repurchase price. In this sense, please, consult the information on risks related to shares.

II. Funds traded on stock exchange

The funds traded on stock exchange (ETFs) are units of investment funds which are traded he same as the shares listed on stock exchange. An ETF is made, in general, of a basket of financial instruments (for instance, a basket of shares), which mirror the composition of a certain index. The ETF unit follows the ratio by the composition and weight of the financial instruments included in that Index, so that most of the time ETFs are also called "index shares".

Return
The return depends on the evolution of the financial instruments price in the basket of financial instruments.

Risk
The risk depends on the financial instruments in the basket of financial instruments.

[4] Warrantee

Return
The buyer of a call warrant has an assured acquisition price of the support asset. Profit can be obtained if the market price of the support asset exceeds the exertion price to be paid by the Investor. In that case, the warrant buyer can buy the basic Instrument at the exertion price and immediately sell it at the market price.
A price rise of the support asset will usually lead to a percentage rise proportionally higher of the warrant price (leverage effect). Consequently, most owners of warrants obtain profit from selling them.
The same is valid, in an opposite direction for put warrants. They are usually appreciated if the price of the support asset is falling.
The return of transactions with warrants cannot be previously calculated.
The maximum loss is limited to the value of invested capital.

Price risk
The inherent risk of transactions with warrants is represented by the possibility that between the warrant buying and expiry, the support asset has a different evolution compared to the expectations at the buying moment. In the worst case, the whole invested capital can be lost.
The price of a warrant also depends on the following factors:

- Volatility of the support asset (a measure of fluctuation margin anticipated at the buying moment and, at the same time, the most important aspect to establish an equitable price). A high volatility usually implies a higher price of the warrant
- Time left until maturity (the longer the maturity of a warrant, the higher the price).

A drop of volatility or a reduction of the time left until maturity can make the price of a warrant to remain unchanged or to drop - even if the expectations as regards the support asset price are confirmed.
In general, we do not recommend the acquisition of warrants which are close to maturity. Buying warrants with high volatility makes your investment more expensive and, consequently, extremely speculative.

Liquidity risk
The warrants are usually issued at a small number, which increases the liquidity risk for investors. That is why, the individual warrants can be subject to some extremely high price fluctuations. As regards their trading on stock exchange, it is important to remember that the market has a very low liquidity.

Warrantee conditions
Warrants do not have standardized conditions. Consequently, complete information should be obtained regarding the exact terms and conditions of a warrant, especially about:

Exertion way	Can the warrant be exerted at any moment during its validity, or only on expiry (European option)?
Subscription ratio:	How many warrants are required to obtain the support asset?
Exertion:	Physical delivery of the support asset or settlement in cash
Expiry:	When does the warrant right expire? Please, remember that your bank will not exert any warrant, unless it receives a specific instruction to do that!
Last trading day:	This date is many times before the expiry date, so that there is no doubt that the option can be sold at any moment until the expiry date.

[5] Instruments of monetary market

Return
The risk and return elements of instruments for monetary markets are mostly equivalent to those for bonds/receivables. The differences are mainly related to the liquidity risk.

Liquidity risk
Usually, there are no organized secondary markets for the instruments of monetary market. Therefore, there is no guarantee that the instruments can be easily sold.
The liquidity risk has a secondary importance if the issuer guarantees the payment of invested capital at any moment and shows a sufficient creditworthiness to do that.

Instruments of monetary market

Deposit certificates	financial instruments of monetary market issued by bank, in general, with a maturity from 30 to 360 days.
Discounted treasury certificates	financial instruments of monetary market issued by the state at a lower price than the nominal value, In general, with a maturity up to 360 days

[6] Discounted and bonus certificates, convertible bonds in cash or shares <u>with support asset in shares or index</u>

<u>Discounted certificates</u>
In case of discounted certificates, the investor receives the basic financial instrument (for instance, the shares or basic index) with a discount from the current price, but in exchange, its participation in the growth of the basic financial instrument is limited to a certain ceiling. On maturity, the issuer has the option to repurchase the certificate at the maximum value (ceiling), to receive the shares, or, if this is used as a basic financial instrument with index, to receive a cash amount equal to the index value.

Return
The difference between the discounted acquisition price of the financial instrument and the superior limit of the prices determined by ceiling represents a possible profit.

Risk
In case the price of the basic financial instrument is suddenly dropping, at the instrument maturity shares will be delivered (the equivalent value of the delivered shares will be below the acquisition price at that moment). As shares can be allocated, the risk alert for shares should be considered.

<u>Bonus certificates</u>
Bonus certificates are receivables which, under the reserve of certain requirements, on maturity offer a bonus or a positive evolution of the basic financial instrument (individual shares or indices) in addition to the nominal value. The bonus certificates have a fix maturity. The certificate terms and conditions regularly stipulate the payment in cash or delivery of basic financial instrument on maturity. The type and repurchase price on maturity depend on the price performance of the basic financial instrument.
For bonus certificates three levels are established: a starting level, a barrier below the starting level and a bonus level over the starting level. In case the basic financial instrument drops down to the barrier or below that, the bonus is lost and the certificate can be repurchase at the pr4ice of the basic financial instrument. In a contrary case, the minimum repurchase price results from the bonus level. If the certificate reaches its maturity, the bonus is paid together with the initially paid amount for the nominal value of the certificate.

Return
With a bonus certificate, the investor gains a monetary receivable over the issuer for the payment of an amount determined by the performance of the basic financial instrument.

Risk
The risk depends on the basic financial instrument. In case the issuer goes bankrupt, the investor has no secured creditor rights or of claim for the separation and recovery of the goods which are not part of the bankrupt patrimony as regards the basic financial instrument.

<u>Convertible bonds in cash or shares with support asset or index</u>
These are made of components whose risk is borne by the bond buyer:
The investor buys a bond whose interest rate includes a first option on the basic support asset. Consequently, this structure generates a higher interest rate than a comparable bond with the same maturity. The bond can be repurchased either in cash, or in shares depending on the prices' evolution of the support assets.
The bonds buyer is therefore the author of a sale option (option component), which sells to a third party the right to sell it shares; in this sense, the bonds buyer agrees to accept the consequences if the prices go to a contrary direction to its interests. The bonds buyer will bear the risk of prices evolution; in exchange, it will receive an amount, which mainly depends on the volatility of the support asset. In case the bond is not kept until maturity, this risk is aggravated by the interest rate. A change of interest rate will affect the bond price and therefore, the net return of the bond compared to its maturity.
Please, also consult the adequate risk alerts from the sections regarding credit risk, interest rate risk and shares price risk.

[7] Index certificates and type shares basket

Index certificates
Index certificates are receivables (usually listed with the stock exchange), which offer to investors the chance to get a participation in a certain index with no need to hold the financial instruments included in the index. The support index is generally represented by a 1:1 ratio in the index certificate; the changes of the support index should be considered.

Return
With an index certificate, the investor obtains a monetary receivable over the issuer for the payment of an amount determined by the level of basic index. The return depends on the performance of the basic index.

Risk
The risk depends on the financial instruments relying the basic index.
In case the issuer goes bankrupt, the investor no longer has creditor secured rights or claim rights for the separation and recovery of the goods which are not part of the bankrupt patrimony as regards the basic financial instrument.

Certificates type shares basket
The certificates type shares basket are receivables which offer the investors the possibility to obtain a participation in a shares' basket, with no need to hold the financial instruments contained in the basket. The composition of the shares' basket is established by the issuer. The various financial instruments in the basket can be equally or differently weighted. The composition can be adjusted at certain time intervals (for instance, annually).

[8] Certificates type knock-out (certificates turbo)

The term "certificate type knock-out" means a certificate which confirms the right to buy or to sell a certain financial instrument at a certain price in case the financial instrument does not reach the price threshold (knock-out barrier) specified before maturity. In case the value of the financial instrument reaches the barrier level, the certificate will expiry in advance and most of the investment will be generally lost. Depending on the price evolution of the financial instrument, a distinction is made between the certificates type knock-out long, which increase on an ascending market and the certificates type knock-out short, which are mainly designed for descending markets. Besides the certificates type knock-out normal, also issued are certificates type knock-out with "lever effect", usually under the name of "certificates turbo" (or lever certificates).
In case the price of the basic financial instrument rises, the value rise of turbo certificates will be disproportionately higher due to the level effect (turbo); the same effect is also present in an opposite direction, when the prices drop. Thus, high gains can be obtained by small investments, but the loss risk is also high.

Return
A positive return can be obtained if there is a favorable difference between the acquisition price or the market price and the exertion price (which give the buying chance of the basic financial instrument at the lower exertion price or the sale change at the higher exertion price).

Risk
In case the knock-out threshold is reached before maturity, either the certificate expires and becomes valueless, or an estimated residual value is paid (the product is "knock-out"). In case of certain issuers, it is enough for a certificate to become knock-out if the price reaches the knock-out level during the trading day. The closest the current quotation at the stock exchange to the exertion price, the strongest the lever effect is. At the same time, the risk that the price drops below the knock-out threshold increases and the certificate will either become valueless, or the estimated residual value will be paid.

[9] Structured products

Risks
1) When the stipulated conditions for making payments of interests and/or dividends depend on future events or evolutions (indices, share baskets, individual shares, certain prices, goods, precious metals, etc.) and consequently can be reduced or even eliminated in the future.
2) The reimbursements of nominal values can depend on future events or evolutions (indices, share baskets, individual shares, certain prices, goods, precious metals, etc.) and consequently can be reduced or even eliminated in the future.
3) As for the payments of interests and/or dividends, as well as the reimbursements of nominal values, you should consider the interest rate risk, the foreign currency risk, corporate risk, branch risk, country risk and credit risk (and maybe, a lack of secured creditor rights and no claim of separation and recovery of the goods which are not part of the bankrupt patrimony), as well as fiscal risks.
4) The risks defined in paragraphs 1) - 3) above can generate major fluctuations of prices (losses) during the product validity, irrespective of the interest guarantees, gains or nominal value; such risks can make difficult or impossible the product sale before reaching its maturity.

Secured certificates

When the guarantee certificates reach maturity, the initial nominal value is returned or a certain percentage of it, irrespective of the performance of the basic financial instrument ("minimal repurchase").

Return
Maximum return to be obtained from the performance of the basic financial instrument can be limited at a maximum reimbursement price or by other restrictions regarding the participation in the performance of the basic financial instrument, set up according to the certificate terms and conditions. The investor is not entitled to dividends and similar distributions of the basic financial instrument.

Risk
The value of the certificate before maturity can drop below the minimum agreed repurchase price before maturity. However, at maturity, the value will be in general at the level of the minimum repurchase price. The minimum reimbursement price depends on the issuer's creditworthiness.

Certificates Twin Win
When the certificates Twin Win reach maturity, the issuer pays a repurchase price depending on the performance of the basic financial instrument. The certificates have a barrier. In case (as a general rule) the price of the support financial instrument does not reach the Twin Win certificate barrier or falls below it before reaching maturity, the investor participates in the absolute performance of the basic financial instrument, starting from the reference price set up by the issuer; this means that, even the price losses of the basic instrument can turn into gains on certificates. In case the price drops below the barrier of Twin Win certificate before maturity, the certificate will be repurchased at a price at least equal to the price evolution of the basic financial instrument. The issuer can stipulate the possibility of a disproportionate participation in the performance of the basic financial instrument over the reference price. However, there can be a maximum limit of the reimbursement price.

Return
In case the price does not reach the barrier, the investor can also profit from the negative performance of the basic financial instrument, as it participates in the absolute performance; consequently, the price losses of the basic financial instrument can turn into gains. The certificate price can react more or less to the price fluctuations of the basic financial instrument depending on various factors influencing it (for instance, volatility of the basic financial instrument, period until maturity, difference between the price of the basic financial instrument and the barrier).

Risk
Certificates Twin Win are risky investment instruments. In case the price of the financial instruments on which Twin Win certificates rely is unfavorably changed, all the Invested capital or a great part of it could be lost.

Certificates Express
A certificate Express allows the investor to participate in the performance of the basic financial instrument with the option of early repayment. If on one of the observation dates the basic instrument meets the early repurchase criterion specified by the issuer, the certificate expires in advance and will be automatically repurchased by the issuer at the repurchase price applicable at the respective date. If the basic financial instrument does not meet the specified early repurchase criterion, even on the final observation date, the certificate will be repurchased at the closing price of the basic financial instrument of the certificate set up at the final observation date. In that case, if the issuer established a barrier on the issuance date of the certificate and the price of the basic instrument does not reach or exceeds the barrier during the observation period, the certificate will be repurchased at a price at least equal to the minimum repurchase price defined by the issuer.

Return
The certificates Express offer the chance to get a positive performance of the basic financial instrument in advance. Even if the specified early reimbursement criterion is not met, it can be repurchased at a price at least equal to the minimum repurchase price defined by the issuer, in case the barrier was not reached or exceeded.
The certificate price can fluctuate more or less according to the price evolutions of the basic financial instrument depending on various factors (for instance, volatility of the basic financial instrument, period until maturity, difference between the price of the basic financial instrument and the barrier).

Risk
The certificates Express are risky investment instruments. In case the price of the financial instruments on which Express certificates rely is unfavorably changed, all the Invested capital or a great part of It could be lost.

I. Incentives paid to the bank for the sale of financial investment services and other income BCR obtained related to financial instruments

As for the implementation of financial investment services according to the best interest of all parties involved, BCR wants to underline that, according to current contractual relations with third parties (for instance, Investment Management Companies), BCR can accept benefits (“incentives”) from such third parties.

BCR obtains the following income acting as distributor:

a) 60% - 85% of the income of Erste Asset Management (EAM) generated by the management of the cash amounts which entered the funds' portfolio as a result of BCR distribution of fund units.
b) 30% - 85 % of the income generated by the cash management entered the portfolio of the funds BCR has contractual relations with and as a result of BCR distribution activity of fund units.
c) BCR is acting in its relation to EAM both as a distributor, and as an intermediary related to subscription (purchase) operations and repurchase (sales) of fund units.

Any commission or tax or any non-monetary benefit received or supplier related to the supply of an investments service or of a connected service to or by another party, except for the client or a party acting in the client's name will be regarded by the bank as an incentive.

New contractual relations could be developed in the future, based on which the Bank could accept incentives (benefits) for the supply of financial investment services. Such incentives received from third parties will be used to improve the services offered to the clients or to assure a long-term quality of the relation with clients.

BCR explicitly states that acceptance of such incentives has no negative effect on the trading in the best interest of the client.

Any additional details regarding the benefits BCR accepts from third parties for the supply of financial investments will be made available to the client by means of information documents.

J. Policy of Orders execution

[1] Policy or orders execution for each class of financial instruments

General notions
a. Execution venues include regulated markets, multilateral trading systems, organized trading systems and other liquidity suppliers. The choice of execution venue can have a direct impact on the best possible result of the Bank when it is executing clients' orders
b. Section 9 provides a list of execution venues selected by the Bank where the clients' orders are executed. The selection criteria, as well as the risks are described in Section 2. The sale transactions are usually executed in the country of the financial instrument custodian due to the settlement commissions related to orders' execution. This is also applied to the sale of subscription rights.

Shares and stock exchange traded funds (ETF)
a. The orders for shares and ETFs are placed directly or sent through brokers to the trading places to be executed.
b. In general, the Bank executes the orders for shares and ETF based on commission. For shares, the trading place is applied according to the provisions of Law 126 of 11 June 2018 regarding the financial instrument markets and MiFID Directive II revised (Directive 2014/65/EU). Consequently, the Bank executes orders of shares mainly on the stock exchange of the issuer's residence country, considering that the best result can be consistently obtained due to the larger trading volume. As an exception, deviations from this general rule could also occur.

Bonds
BCR offers the possibility to directly buy or sell bonds A (including with zero coupon) at the current market prices. In general, the orders' execution for bonds is based on trading commission.

Investment funds
Subscription and repurchase of investment fund units of SAIs within Erste Group and of investment funds of the Bank's partners, in case such funds are authorized for distribution in Romania is not regarded as execution of clients' order in the meaning mentioned before in Law no. 126 of 11 June 2018 regarding financial instrument markets and consequently do not fall under the incidence of this policy. In general, the orders' execution for bonds is based on trading commission.

Certificates and warrants
a. The Bank offer the possibility of buying certificates and warrants based on a commission in a trading venue or outside a trading venue.
b. The Bank is trading directly with the issuer of financial instruments if the issuer offers a better general result for the client or a higher likelihood of order's execution.

OTC derivatives
a. These are referring to transactions individually agreed between the client and the Bank, at a fix price and outside a Regulated Market or traded on a MTF or OTF.
b. OTC derivatives could be based on different support assets, such as interest rates, currencies or commodities.

[2] Execution factors by each class of financial instruments

General notions
In order to obtain the best possible result for its clients, the Bank considers various factors of orders' execution:

- Price
- Costs
- Execution speed
- Execution probability
- Other relevant factors.

For the clients in Retail category, in order to obtain the best possible result for the client, the price of the financial instrument and the costs related to order's execution are mainly considered.
In order to obtain the best possible result for the **RETAIL** clients, Erste Group Bank AG considers the execution factors described below; please, find Erste execution policy at:
https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/About%20us/Corporate%20Governance/erstegroup-execution-policy-retail-en.pdf

For the clients in Professional category, in order to obtain the best possible result for the client, the execution probability and speed are mainly considered.
In order to obtain the best possible result for the **Professionals**, Erste Group Bank AG considers the execution factors described below; please, find Erste execution policy at:
https://www.erstegroup.com/content/dam/at/eh/www_erstegroup_com/en/About%20us/Corporate%20Governance/erstegroup-execution-policy-prof-en.pdf

The costs considered by the Bank include, for instance, execution commissions, taxes, commissions for brokers or clearing and settlement commissions.
Additional information about execution criteria and their meaning, as well as a description of market conditions for each class of financial instruments are shown in the following text. The execution factors are classified depending on their relative importance, starting from the criteria with the highest priority.

[2.1.] Shares and stock exchange traded funds (ETF)
Shares and ETFs are mainly traded on a trading venue.
Shares and ETFs admitted on trading on Bucharest Stock Exchange (BVB) will be traded on BVB.
Those admitted on trading in other trading venues than BVB will be sent for execution to Erste Group Bank AG.
In order to obtain the best possible result for the client, the Bank mainly considers the following execution factors:

Execution factor	Description
Price/ Costs	Erste assesses which of the trading venues offer the consistently best results as regards the trading price. Erste considers all the costs related to orders' execution which might impact the client. They include, for instance, commissions of the trading venues, brokers or clearing systems, but also the taxes.
Execution speed / probability	To assure the highest execution probability and speed, Erste considers different trading volumes of the respective execution venues.
Qualitative factors	In addition, Erste considers qualitative factors, such as the same and rapid access to execution venues and brokers, reliability of clearing systems, as well as the available emergency procedures. For Professional clients also considered are: the possible impact of the order's volume on the execution price and transaction type.

[2.2] Bonds
Bonds are mainly traded on a trading venue or from own accounts. Thus, the most important factors are price, costs and execution probability.
The orders BCR receives from the Clients will be mainly sent for execution to Erste Group Bank AG.
In order to obtain the best possible result for the client, Erste Group Bank AG considers the following execution factors:

Execution factor	Description
Price/ Costs	Erste assesses which of the trading venues offer the consistently best results as regards the trading price. Erste considers all the costs related to orders' execution which might impact the client. They include, for instance, commissions of the trading venues, brokers or clearing systems, but also the taxes.
Execution speed / probability	To assure the highest execution probability and speed, Erste considers different trading volumes of the respective execution venues.
Qualitative factors	In addition, Erste considers qualitative factors, such as the same and rapid access to execution venues and brokers, reliability of clearing systems, as well as the available emergency procedures. For Professional clients also considered are: the possible impact of the order's volume on the execution price and transaction type.

[2.3] Investment funds
Client's instructions for investment funds are mainly processed wither directly with the investments' management company, or through trading platforms.
b. In case of a client's specific instruction to execute the orders in a specific trading venue, the same execution factors are used as in case of shares and ETFs.

[2.4] Certificates and Warrants
Certificates and warrants are traded in trading venues, or directly with the issuer, considering where the best total price can be obtained for the client.
Certificates and warrants admitted on trading on Bucharest Stock Exchange (BVB) will be traded on BVB.
Certificates and warrants admitted on trading in other trading venues than BVB will be sent for execution to Erste Group Bank AG.
In order to obtain the best possible result for the client, Erste Group Bank AG considers the following execution factors:

Execution factor	Description
Price/ Costs	Erste assesses which of the trading venues offer the consistently best results as regards the trading price. Erste considers all the costs related to orders' execution which might impact the client. They include, for instance, commissions of the trading venues, brokers or clearing systems, but also the taxes.
Execution speed / probability	To assure the highest execution probability and speed, Erste considers different trading volumes of the respective execution venues.
Qualitative factors	In addition, Erste considers qualitative factors, such as the same and rapid access to execution venues and brokers, reliability of clearing systems, as well as the available emergency procedures. For Professional clients also considered are: the possible impact of the order's volume on the execution price and transaction type.

[2.5] OTC Derivatives
The Bank uses the current reference prices and the adequate assessment methods to inform the client about the potential risks, such as counter party risk.

[3] Primary Market
The Bank offers the possibility of subscription/purchase of shares, bonds, warrants and certificates issued by Erste Group Bank AG or other external issuers (based on commission) for a fix price (emission price).

[4] Brokers
In case the Bank does not have direct access on a market, the orders are sent for execution to Erste Group Bank AG.

[5] Costs and taxes paid to third parties
In general, different costs could be borne for the execution of clients' orders. These can be:
a. Costs of trading venues: These are costs published by the respective trading venue and are applied in case of direct access to the market, as well as in case of execution through a broker.
b. Brokers' commissions: In case the Bank does not have direct access on a market, there might be costs of the brokers assuring the required access on the market.
c. Settlement commissions: These are the commissions of external settlement agents and of the custodians related to the settlement and custody of financial instruments.
d. Other costs: They can be borne both for a certain trading venue, and for a single financial instrument.
e. Commissions of the Bank: These taxes are shown as the Bank's own expenses.

[6] Specific trading instructions of the clients
a. In case there is a specific instruction of the client regarding the execution place or other aspects of the order, the Bank will execute the order according to the specific instructions. The client has to acknowledge that any specific instructions can prevent the Bank to obtain the best possible result for the execution of such orders.
b. In case there are no specific instructions from the client, the Bank executes the order according to the present policy of orders' execution.

[7] Technical defects and other contingencies
a. In case of some contingencies, the Bank could be forced to deviate from the policy of orders' execution and chose alternative ways to execute the orders. At the same time, the Bank will try to get the best possible execution. During the period with trading restrictions, certain stock exchanges could become unavailable for orders' placement. In that case, the Bank will inform its clients, if possible when receiving their orders through its employees, through the Bank's website or through the online trading application (BCR Broker).

[8] Monitoring and revision of orders' execution policy
a. The policy of orders' execution ("Best Execution") is revised annually by the Bank. At the same time, the policy will also be revised if there are signs that the essential criteria in favor of a certain execution place became invalid. The Bank will inform the clients about the material changes related to its execution policy.
b. The Bank has developed procedures and practices to revise the quality of the obtained execution. These revisions rely on the execution factors related to each class of financial instruments listed in Section 2 for the execution venues.
The best possible execution venue for a certain financial instrument is determined based on a scoring model. There, the execution factor gets different weights and are assessed using the scoring model. The execution venue with the highest score is chosen as execution venue.
c. The Bank will use the reports on execution quality published by the execution venues as assessment parameters.
d. For OTC derivative instruments, the Bank verifies the price fairness. The Bank is regularly considering data regarding the external market in its validation and revision processes implemented to this end.

[9] Reporting Top 5 venues of orders' execution and the quality of execution report
a. The Bank is annually publishing, for each class of financial instruments, the top five execution venues as regards the volume of client's transactions in the previous year.
b. The Bank publishes quarterly data regarding the execution quality of client's orders for financial instruments, in case the Bank is acting as a systematic internalizer or another liquidity supplier.
c. Reports published on the Bank's website.

[10] The trading venues of BCR trading are Bucharest Stock Exchange, Bloomberg MTF and. Erste Group Bank AG. You can find the list of trading venues of Erste Group Bank AG in the execution policy of Erste Group Bank AG.

K. Basic principles for the management of conflicts of interest

We have established the following measures to make sure there will be no negative effects over the interests of our clients as regards the possible conflicts of interest that might occur between us and our clients or between our clients:

1. Conflicts of interest can occur in the following cases:
Between our clients and the Bank and/or its subsidiaries, the bank's employees and/or of its subsidiaries, when services of investment/connected services are provided, especially in the following fields: financial analysis; funds management; investment banking; retail distribution; execution of client's orders; trading in third parties' account; trading in its own account; securities custody.
The conflicts of interest can occur mainly following the relations of the Bank and/or its subsidiaries with issuers of financial instruments, by participating in the supervisory boards or endorsement committees, or of the issuers of financial instruments with the Bank and/or its subsidiaries as clients of the Bank and/or its subsidiaries.
Conflicts of interest can also occur following the relations of the Bank and/or its subsidiaries with issuers of financial instruments when the issuer is a subsidiary of the bank and/or of one of its subsidiaries or the bank and/or one of its subsidiaries has directly or indirectly an equity interest in the share capital of the issuer of financial instruments.
Moreover, conflicts of interest can also occur when the Bank and/or its subsidiaries participates in the issuance of the financial instruments of the respective issuer; is the creditor or guarantor of the issuer of financial instruments; participate in drafting the financial analysis of the issuer of financial instruments; makes/receives payments to/from the issuer of financial instruments; initiated cooperation relations with the issuer of financial instruments or operates, directly or indirectly mixt associations together with the issuer of financial instruments.

2. Conflicts of interest can also occur when the Bank and/or its subsidiaries or individual persons within the Bank and/or its subsidiaries have had, have access to information which was not public at the moment of transaction performance or there are incentives to choose a certain financial instrument during the analysis, consultancy granting, issuance of recommendation or during the execution of the client's orders**.**

3. In view of avoiding the best possible such conflicts of interest, our Bank and/or its subsidiaries have departments with clearly defines responsibilities**.**
According to legal provisions, we and our employees have the duty to offer financial investment services and connected services in a professional and honest manner, to the best interest of our clients and avoiding the possible conflicts of interest.

The Bank has a compliance structure/system including the following measures for the management of the conflict of interests:
a. Setting up some confidentiality zones separated by Chinese Walls ("**Chinese walls**"), which are virtual or physical barriers against information dissemination;
b. Setting up rules for the performance of personal transactions by the Bank's employees, including special rules related to holding custody accounts by the employees working in confidentiality zones;
c. The employees who can be in a conflict of interests are obliged to reveal such situations and the operations generating the conflict of interests;
d. Maintaining a list of financial instruments under watch (watch list) and of a list with restricted financial instruments (restricted list), which could lead to cases of conflict of interests. The transactions with financial instruments in the watch list are permitted in certain conditions and monitored, and the transactions with financial instruments on the restricted list are forbidden.
e. Keeping a register of persons working in confidentiality zones.
f. Monitoring the transactions with financial instruments which could generate conflicts of interest and are conducted by relevant persons in the Bank;
g. Execution of client's orders according to orders execution policy or according to the client's instructions.
h. Rules regarding the policy of gifts and other benefits.
i. Employees' training.

4. If a conflict of interest cannot be avoided, we will promptly inform our client according to legal provisions in the field. In that case, we can give up any assessment, can offer consultancy or issue a recommendation regarding the relevant financial instruments.

5. Upon the express request of the clients we will also provide other details regarding the settlement of such conflicts of interest.

Any additional details regarding the policy of conflicts of interest will be made available to the client at any moment upon its request, on a lasting support.

Executive President,

Sergiu Manea

(Illegible signature)