

MiFID II Information Note

(updated in 2023)

On January 3rd, 2018 came into force the European legislative package generically called **MiFID II** and **MiFIR**, which regulates the financial investment services and financial instruments. The EU Directive 2014/65/EU on markets in financial instruments (“MiFID II”) aims the creation of a legal framework that provides a high level of investors’ protection, the increase of transparency of financial markets and improvement of fair competition conditions among financial markets’ participants and it had been implemented in the national legislation through Law no. 126/2018 on markets in financial instruments, with further corrections.

The EU Regulation no. 600/2014, generically known as MiFIR, is a regulation with direct application throughout the European Union, starting with the date mentioned above.

For this purpose, GARANTI BANK SA is aligned with the new MiFID II provisions and the related documents drafted/updated accordingly were published and are available to clients at any time on the Bank’s official webpage www.garantibbva.ro. Questions or additional information on this Note or details on the impact of MiFID II amendments on your relation with GARANTI BANK SA may be requested any time to the Global Markets Group at the Bank’s head office or via e-mail sent to the dedicated address infomifid@garantibbva.ro.

Also, for more details on the new regulatory framework applicable to financial instrument markets, kindly access the regulatory authorities’ dedicated webpages:

<https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>

<https://asfromania.ro/ro/a/950/legisla%C8%9Bie-mifid-ii/-mifir>

CLIENT INFORMATION PACKAGE

MiFID II

In line with the new MiFID II package, the Bank has the obligation to provide its clients with information on financial services and instruments offered. The information should be communicated in a precise, correct, clean and non-misleading way, so that the client is able to understand the nature of the investment service provided and the type of financial product to invest in.

The present MiFID II information package shall be made available to clients in due time before signing the specific contracts with GARANTI BANK SA, via several means of communication such as the webpage www.garantibbva.ro MiFID II Section, via e-mail or on hard copy.

GARANTI BANK S.A.

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Registered with the Trade Registry under no. J40/4429/2009
Sole registration code RO25394008
Registered in the Banking Registry with no. RB-PJR-40-066/2009
Registered in the FSA Register under no. PJR01INCR/400019/28.03.2019
Paid up share capital RON 1.208.086.946

On a regular basis, GARANTI BANK SA shall review and update this information package, as the case may be, taking into consideration the changes occurred within the Bank, the legislative or regulatory framework and the updated versions shall be made available to the clients at least by posting on the Bank's webpage. Any update to the present Note will come into force upon its publication on the Bank's webpage www.garantibbva.ro, and the continued use by the client of the investment services offered by the Bank after the mentioned date will be considered client's acceptance of the updates to the present document.

GARANTI BANK SA is not conditioned by the client's consent on the updated or modified information contained in this information package. This package does not have contractual value, but it only aims to inform the clients and the potential clients on the financial services and instruments provided by the Bank, as well as on the general principles for provision of investment activities by the Bank, so that the client is able to make informed contracting decisions. This informative package provides to the clients of GARANTI BANK information regarding the financial services provided by the Bank, so that the clients are able to understand the nature, the risks associated with the investment services, the ancillary services and the financial instruments' specificity and to make informed investment decisions.

No information in this documents constitutes and shall be interpreted to represent investment advice or recommendation to sell, buy or trade financial instruments in any way. The information in this document is provided exclusively on the basis that a client (existing or potential) makes their own trading decisions, on the elaboration of this present document the Bank not taking into consideration their investment objectives or their specific financial situation. No element in this Informative package is meant to be construed as advice. The Bank recommends that you seek professional financial or investment advice before making any trading decision.

Information on investment services and financial instruments traded by the Bank can be provided to clients or potential clients only by the assigned personnel, notified prior to the competent authority. The List of MiFID personnel can be consulted on the webpage www.garantibbva.ro, MiFID section.

GARANTI BANK SA (the Bank) offers its clients investment services in connection with the receipt, transmission and execution of orders with the financial instruments provided under art. 2 para. 3 of Law no. 126/2018 on financial instrument markets, with further updates, namely: money market instruments, government bonds, swap contracts, forward rate agreements and any other derivatives related to securities, currencies, interest rates that can be settled by physical delivery or in cash.

The Bank does not provide investment consultancy services or client portfolio management services.

In case of discrepancies between the Romanian and English version of this document, the Romanian version shall prevail.

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I. INFORMATION ON GARANTI BANK SA AND MEANS OF COMMUNICATION WITH THE BANK

| | |
|---|---|
| Name | GARANTI BANK SA |
| Registered office | Bucharest, 5 Fabrica de Glucoza Street, Novo Park 3, Building F, 5 th and 6 th Floors, 2 nd District |
| Registration number in the Trade Registry | J40/4429/2009 |
| Tax Identification Number | RO 25394008 |
| Number in the register of credit institutions | RB-PJR-40-066/17.08.2009 |
| Number in FSA register | PJR01INCR/400019/28.03.2019 |
| Share capital | RON 1,208,086,946 |
| Bank account | RO33UGBI0009092002527 BNR Centrala |

The contact details for the communication with GARANTI BANK SA representatives regarding investments and transactions with financial instruments, your assets and for the receipt of reports related to your transactions.

| | |
|--|--|
| The Global Markets Group MiFID II Unit | Address: Bucharest, 5 Fabrica de Glucoza Road, Novo Park 3, Building F, 5 th and 6 th Floors, 2 nd District Telephone: 021-208.92.60ax: 021-208.92.86 e-mail: infomifid@garantibbva.ro |
| The Treasury Back Office Division MiFID II Unit | Address: Bucharest, 5 Fabrica de Glucoza Road, Novo Park 3, Building F, 5 th and 6 th Floors, 2 nd District Telephone: 021-208.92.60 Fax: 021-208.92.86 e-mail: mifidbackoffice@garantibbva.ro |
| The Compliance Division MiFID II Unit | Address: Bucharest, 5 Fabrica de Glucoza Road, Novo Park 3, Building F, 5 th and 6 th Floors, 2 nd District Telephone: 021-208.92.60 Fax: 021-208.92.86 e-mail: mifid_conformitate@garantibbva.ro |
| Market abuse | e-mail: mar@garantibbva.ro |

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MiFID II clients` complaints

Address: Bucharest, 5 Fabrica de Glucoza Road, Novo Park 3, Building F, 5th and 6th Floors, 2nd District

Telephone: 021-208.92.60

Fax: 021-208.92.86

e-mail: reclamatiiimid@garantibbva.ro

GARANTI BANK SA hereby declares that it is a credit institution authorized by the NATIONAL BANK OF ROMANIA (NBR), a regulatory, authorising and supervisory authority headquartered in 25 Lipscani Street, 2nd District, Bucharest, telephone no. 0213130410, fax 0213123831, webpage www.bnro.ro. NBR is the competent authority to supervise compliance with MiFID II requirements by exerting its regulatory, authorization, supervisory and control attributions.

GARANTI BANK SA clients may request and obtain any documents or information in Romanian and/or English language regarding the investments and transactions with financial instruments, their own assets and they may receive reports related to their own transactions.

The Bank provides to its clients and potential clients information via its webpage www.garantibbva.ro, by e-mail or in writing on hard copy.

Documents specific to transactions with financial instruments may be drawn up in Romanian or English. The Bank's representatives can communicate with the clients in Romanian or English.

GARANTI BANK SA working hours are from Monday to Friday between 9⁰⁰-17.30⁰⁰.

The communications regarding the agreement with the terms and conditions of each transaction, sending orders and receiving confirmations, as well as any other types of notices/correspondence may be carried out by telephone, fax, e-mail, Bloomberg/Reuters/SWIFT or via any other secure system used by the Bank and/or written correspondence by persons authorized in this respect in relation with the Bank and they will comprise all the essential terms applicable to the transaction to be executed. Orders are accepted by the Bank only in relation to the types of financial instruments described in the documents concluded with the Bank.

Any non-compliance with the market abuse framework can be reported by any interested party to email mar@garantibbva.ro.

Details regarding the effective communication means are included in the General Business Terms, as well as in the specific agreement you shall conclude with GARANTI BANK SA, depending on the selected product (financial instrument) and service.

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II. FINANCIAL INVESTMENT SERVICES OFFERED TO GARANTI BANK SA CLIENTS

The financial investment services offered by GARANTI BANK SA are:

➤ *main services*

- the receipt and submission of orders relating to one or several financial instruments;
- the execution of orders on behalf of clients;
- trading on its own account.

NOTE: GARANTI BANK SA does not undertake cross selling practices as in providing an investment service in connection with another service or product as part of a package or to condition a deal or to provide a package.

➤ *ancillary services*

- granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- foreign exchange services, where they are related to the provision of investment services to the clients;
- investment services and activities (including ancillary services) on derivative financial instruments.

III. SAFEGUARDING OF CLIENTS' ASSETS. INVESTORS COMPENSATION FUND

GARANTI BANK SA has taken the appropriate measures to protect the clients' funds, their ownership and rights in connection therewith, as follows:

GARANTI BANK SA keeps its records and accounts so as instantly and without delay it is able to delimitate the funds held on behalf of a client from the ones held on behalf of another client, as well as from its own funds. GARANTI BANK SA does not provide custody services for financial instruments.

GARANTI BANK SA shall keep the records and the accounts so as to ensure their accuracy and especially the correspondence with the funds held for its clients and it shall regularly reconcile its internal accounts and records with the ones of the third parties involved. GARANTI BANK SA has the obligation to submit information related to clients' financial instruments and funds to the competent authorities, to the assigned insolvency practitioners and to the persons responsible for the resolution of institutions facing major difficulties.

GARANTI BANK SA undertook adequate measures to protect the property rights of its clients, especially in case of insolvency.

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GARANTI BANK SA does not conclude title transfer financial collateral arrangements with MiFID retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients [Directive 2014/65/EU, art. 16 para. (10) and Law no. 126/2018, art. 61].

GARANTI BANK SA participates in the **Romanian Bank Deposit Guarantee Fund** and its depositors can benefit from the guarantee, by way of compensations payment, of the eligible deposits established, within the coverage ceiling established periodically by the applicable legislation (currently, the maximum level of the coverage ceiling is the RON equivalent of EUR 100,000) for each account holder. Deposit represents any credit balance of funds, including the interest owed, resulting from an account or from transitory situations deriving from current banking operations which the Bank is required to reimburse, including term deposits and savings accounts. For more details, please visit www.fgdb.ro.

In compliance with Law no. 88/2021, GARANTI BANK SA is a participant to the **Investors Compensation Fund** based in Bucharest, Bd. Carol 1 no. 34-36, floor 3, room. 1-2, postal code 020922, sector 2, with CIF 45084419, telephone 0213157348, fax 0213157340, e-mail office@fond-fci.ro, a legal entity governed by public law which aims to compensate investors in case of Bank's inability to return funds and / or financial instruments due to or belonging to investing clients, which were held by the Bank on their behalf, in connection with the provision of investment services and activities. The following categories of investors are exempted from compensation: a) professional and institutional investors (investment firms, credit institutions and financial institutions within the meaning of the legislation on credit institutions and capital adequacy; insurance companies; collective investment undertakings; pension funds and other professional and institutional investors established by the FSA regulations); b) international organizations, governments and other authorities of the central public administration; c) regional and local public administration authorities; d) directors, including managers, directors or other responsible persons, persons whose responsibility is to prepare the audit of the members of the Fund, their shareholders holding more than 5% of the share capital, as well as investors with similar status in other companies in the same group with members of the Fund; e) spouses, relatives and relatives up to the first degree, as well as persons acting on behalf of the investors mentioned in letter d); f) legal entities within the same group with the members of the Fund; g) investors who have become liable for or have taken advantage of certain situations in connection with a member of the Fund which have led to the financial difficulties of the member or were likely to lead to the deterioration of his financial situation; h) companies which, due to their size, are not allowed to draw up an abbreviated balance sheet according to the accounting regulations.

The fund compensates equally and non-discriminatory the eligible investors, up to a maximum ceiling representing the RON equivalent of 20,000 euro.

Since the Bank does not provide custody and management services for financial instruments, executing transactions for clients only with forward and swap derivative financial instruments, and while the clients' margins (in the form of money) are protected by FGDB, the Bank's clients **are not eligible** for clearing by the Investors Compensation Fund because, if compensation is ensured by the deposits guarantee scheme, no investor has the right to double compensation. Also, professional and institutional investors are exempted from compensation by the Fund.

For more information about the Investor Compensation Fund and the Fund's procedures, please visit www.fond-fci.ro and www.garantibbva.ro, Useful Links section.

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IV. CLASSIFICATION OF CLIENTS ACCESSING FINANCIAL INSTRUMENTS AND INVESTMENT SERVICES

According to MiFID II Directive and Law no. 126/2018, depending on the level of knowledge and experience, clients are classified in three categories:

- *MiFID retail clients*
- *MiFID professional clients*
- *MiFID eligible counterparties*

Prior to the commencement of the contractual relationship, the Bank will classify the client in one of the following categories: **Retail client**, **Professional Client** or **Eligible Counterparty** and shall inform it accordingly of its status. For this purpose, the Bank shall request the client to fill in and sign statements, questionnaires or any other documents or forms, in accordance with the applicable legislation and/or with its internal policies and procedures.

The clients have the responsibility to inform the Bank of any changes that might affect their original classification.

A. *MiFID retail clients*

As a rule, if at the commencement of the contractual relationship, based on the available information, the client does not fit in the Professional Clients or Eligible Counterparties categories, it will be classified as a Retail client, thus benefiting of all the advantages that derive from this classification.

This category includes legal entities or individuals that do not meet the criteria regarding the knowledge and experience imposed by MiFID regulations in order to be classified as professional clients or eligible counterparties, and also bodies from the public sector, municipalities and local public authorities that do not manage public debts.

This client category benefits of the highest protection in terms of the requirements for information, assessment, transparency, appropriateness of products or services provided and communication that the Bank shall observe in relation to them.

As an example, the protection provided by the rules of professional conduct that the retail clients will enjoy based on MiFID II provisions, unlike the clients treated as professionals or eligible counterparties, refers to:

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1. Information about the Bank, the means of contact and communication, the general business terms for provision of services;
2. More information and disclosures on the financial instruments' characteristics and the risks associated with the investment in different types of financial instruments;
3. Submission of detailed information on the costs and expenses related to investment services, before and after the execution of the transaction, including information related to any commissions and fees owed to the Bank by third parties;
4. Appropriateness assessment of the service or of the investment in the complex financial instruments made by assessing the experience and knowledge required to understand the risks associated to a financial instrument or investment service, including through the performance of appropriateness tests;
5. Issuance of warnings to the client when, following the appropriateness assessment, the Bank considers that the financial instrument or investment service is not appropriate for the client;
6. The obligation to take into account, for obtaining the best possible result at the execution of the order, the total consideration, which represents the price of the financial instruments and the costs associated to the execution;
7. The obligation to inform the retail client of any significant difficulties that might affect the correct execution of its orders, as soon as it becomes aware of such difficulty;
8. Priority in the execution of orders when these are submitted simultaneously with the orders of a professional client;
9. The nature, frequency and deadlines for reports regarding the provision of the services provided by the Bank;
10. Information sent to client on the safeguarding of its assets (financial instruments and funds);
11. Assurance that the financial instruments provided by the Bank are created to respond to the needs of an identified target-market and that their distribution strategy is compatible with the identified target-market'
12. Obligation to provide the Key Information Document (KID) according to PRIIPs legislation;
13. Obligation to notify the decrease of the initial value of each active derivative financial instrument with 10% and multiples of 10%.

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B. MiFID professional clients

This category includes clients that possess the required experience, knowledge and expertise to make their own investment decisions and to properly assess the risks involved.

Professional clients benefit of a lower level of protection than retail clients.

This category includes:

- *entities that are authorised or regulated to operate in the financial markets (credit institutions, investment companies and financial investment institutions, other authorised or regulated financial institutions, insurance companies, collective investment bodies and their management companies, pension funds, traders, entities that trade in commodities and their derivatives, other institutional investors, etc.), unless they choose to be included in the eligible counterparties category;*
- *large enterprises meeting two of the following criteria at an individual level: total balance of EUR 20,000,000; net turnover: EUR 40,000,000 and own funds: EUR 2,000,000;*
- *public bodies that manage public debts at a national or regional level, central banks;*
- *other institutional investors whose main activity consists of investments in financial instruments, including entities dealing with asset securing or other financing operations;*
- *retail clients or eligible counterparties requesting to be included in the professional clients' category, by meeting the criteria provided by law for reclassification.*

The abovementioned categories are considered professional clients for all investment services and activities and for all financial instruments in the meaning of the Law 126/2018 on markets in financial instruments. If the Bank's employees are unable to classify without a doubt a client in the professional or eligible counterparties' category, they will classify the client in the retail category.

For example, professional clients may receive less information regarding costs and fees. The Bank does not have the obligation:

- to inform them of the investment products and services provided by the Bank, or of the detailed costs and commissions; to provide with the same regularity reports as provided to retail clients; the regular reports may be fewer and less frequent than those provided to retail clients;
- during best execution, the Bank does not have the obligation to take into account the total consideration of the transaction as the most important factor, while during appropriateness and suitability tests, the Bank may assume that a professional client holds enough knowledge and experience to understand the related risks, as well as the financial ability to undertake the risks associated with the investment objectives.

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- to inform the clients on the major difficulties in carrying out the orders promptly and in the appropriate manner;
 - to benefit of less compensation/guarantee rights in case of the Bank's bankruptcy, according to the guarantee scheme in force at that time;
- to provide the Key Information Document (KID) according to PRIIPs legislation.

C. *MiFID Eligible counterparties*

This category includes the institutions authorised or regulated to operate on the financial markets, considered to hold the required experience to make investment decisions based on their corporate profile (they have a statute designated by the legal provisions to be rightfully included in this category, e.g. credit institutions, investment companies, other authorised or regulated financial institutions, insurance companies, pension funds, other institutional investors, etc.).

Such clients benefit of the lowest degree of protection granted by the applicable legislation and they are not entitled to compensation/guarantee for their investment. As an example, we mention that the Bank does not have the obligation to ensure “best execution” of orders in relation to eligible counterparties, as such entities hold all the required knowledge, expertise and experience needed to take the trading decisions, nor does it have the obligation to provide information on any fees and commissions owed or collected, or to submit reports on the execution of orders. Also, the Bank does not have the obligation to carry out appropriateness or suitability tests, to provide information about the Bank and its services, nor on the costs and commissions, the inducements received by the Bank for the provision of products or services or on the risks associated with such products and services.

In connection with eligible counterparties, the Bank has the following rights:

- a) To conclude agreements on the specific contents of the reports and the time of their submission;
- b) To decide on a limited applicability of the requirements related to costs, except for the case when the financial instrument sold comprises a financial derivative and the eligible counterpart intends to sell it to its retail customers;
- c) Not to comply with the detailed information and reporting requirements established for retail clients.

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IV. B. RECLASSIFICATION OF MiFID CLIENTS

The client has the right to request a different classification by the Bank. Further to its written request, the Bank can change its classification as follows:

- a) Reclassification from professional to retail client, the highest level of protection being provided;
- b) Reclassification from professional client to eligible counterparty, the lowest level of protection being provided;
- c) Reclassification from eligible counterparty to professional/retail client, a higher level of protection being provided;
- d) Reclassification from retail to professional client, a lower level of protection being provided.

If the Bank approves the client's request, it shall treat the client according to the regime applicable to the new category of clients. For the purpose of approving or rejecting the client's request for classification under a new category, the Bank will reasonably assess the client's statute, experience, competence and knowledge, thus aiming at observing the applicable regulations and/or the internal policies and procedures.

The client has the obligation to inform the Bank, through the means of communication agreed-upon on the opening of the account, in reference to any change that might affect its classification, at any time, under a certain category of clients.

a) *Reclassification of professional clients to retail clients, upon request*

If GARANTI BANK SA categorizes a client under the professional clients' category, it is the client's responsibility to request the Bank a higher protection level if it believes that it cannot properly assess and manage the risks involved by financial investments. For this purpose, the client shall request the reclassification as a retail client, wither generally, or for one or several services or transactions or for one or several types of transactions or financial instruments, by filling in and signing the form made available by the Bank.

GARANTI BANK SA reserves the right to reject the reclassification request. If its reclassification under the retail clients' category is accepted, the Bank shall notify the client in writing of this aspect.

b) *Reclassification of professional clients to eligible counterparts, upon request*

Clients categorised under the professional clients' category may be categorised under the eligible counterparts' category only upon their express request, only if they can be automatically considered as eligible counterparties and comply with the criteria to be treated as eligible counterparties, and only for the following investment services (including the ancillary services related thereto), respectively:

- the receipt and submission of orders;

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- the execution of orders on its own behalf;
- the execution of orders on behalf of the clients.

In this case, the Bank shall send the client a written warning regarding the consequences of such request, including in what concerns the protections that the client risks to lose. Following the receipt of such warning, the client shall send a written confirmation to the Bank regarding its request to be treated as an eligible counterpart, either generally, or for one or several investment services or for a transaction or for a type of transaction or financial instrument, as well as regarding the fact that it is aware of the consequences arising out of the potential loss of protection following its request.

c) Reclassification of eligible counterparts to professional/retail clients, upon request

Particularly, the clients categorised as eligible counterparts must confirm that they agree with their classification under this category. The clients that were categorised under the eligible counterparts' category may request the Bank in writing to be treated as professional or retail clients, if they believe that they cannot properly assess and manage the risks involved by financial investments, thus requesting a higher degree of protection. In this respect, the client may request at its own initiative the reclassification as a professional or retail client, either generally, or for one or several services or transactions or for one or several types of transactions financial or instruments, by filling in and signing the form made available by the Bank. GARANTI BANK SA reserves the right to reject the reclassification request. If a client has accepted the classification under the eligible counterparts' category and later requests to benefit of a higher degree of protection, but it does not expressly state its inclusion in the retail category, it shall be categorised by the Bank as a professional client.

If GARANTI BANK SA has any doubts regarding the categorization of a client under the professional clients or eligible counterparts' category, the Bank shall include that client under the Retail clients' category.

In case of a transaction where the future counterpart is established in another member state, GARANTI BANK SA shall accept the counterpart statute, as stated by the laws of the member state where it is established.

If it accepts the reclassification under the professional/retail clients' category, GARANTI BANK SA shall notify the client accordingly.

d) Reclassification of retail clients under the professional clients' category, upon request

The clients that were categorised under the retail clients' category may waive the protection granted by the applicable regulations and they may request in writing to be treated as professional clients. For this purpose, the client may request at its own initiative the reclassification as a professional client, either generally, or for one or several services or transactions or for one or several types of transactions or financial instruments.

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The waiver of the protection allowed by the standard rules is only valid if following the receipt of the abovementioned form provided by the Bank to the client, GARANTI BANK S.A. performs an adequate assessment of the client's competence, experience and knowledge, which can grant a reasonable guarantee, in light of the nature of the transactions or financial instruments considered, that it is able to make investment decisions and understand the risks it may be exposed to. Retail clients may be treated as professional clients if at least two of the criteria mentioned below are met:

- 1) the client has performed in average 10 transactions of a significant amount per quarter in the previous 4 quarters on that market;
- 2) the value of the client's financial instrument portfolio, comprising cash deposits and financial instruments, exceeds EUR 500,000;
- 3) the client has been operating for at least one year or has operated for at least one year in the financial sector in a professional position which requires knowledge on transactions or the financial investment services in question.

The retail client's request to be included in the professional clients' category shall be taken into consideration by GARANTI BANK SA only if, following the assessment of the client's experience, expertise and knowledge by the Bank, it gives reasonable assurance that the client is able of making its own investment decisions and that it understands the risks involved by these investments.

The competence criteria applied to the directors and managers of authorised entities based on the directives in the financial field may be considered an example of assessment of the client's competence and knowledge.

In case of a client - legal entity, the assessment shall refer to the person authorised to make transactions on its behalf.

GARANTI BANK SA reserves the right to reject the reclassification request.

If it accepts the reclassification under the professional clients' category, GARANTI BANK SA shall notify the client accordingly. The notification shall also include a clear warning on the protections that the client will lose following its reclassification.

V. EXECUTION OF ORDERS RECEIVED FROM GARANTI BANK SA CLIENTS

A) *What is Best Execution?*

In accordance with the provisions of the (EU) Delegated Regulation 2017/565 of the Commission for the supplementation of Directive 2014/65/EU of the European Parliament and of the Council (*MiFID II*), GARANTI BANK SA has the obligation to prepare and enforce a

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Policy through which it will make sure that it consistently executes the orders of its clients under the conditions most favourable to these, also stating the execution venues that allow the Bank to obtain, in a consistent manner, the best possible result for the execution of such orders.

A summary of such Policy, as well as any major amendment thereto, shall be made available to the Bank's clients.

The Bank's Policy regarding the best execution only applies to clients categorised as retail and professional and to all the financial instruments offered by the Bank when it receives and sends the orders of these clients or when it executes orders. As an exception, **the Policy regarding the best execution cannot be applied when the Bank executes orders and requests for quotes (RFQ) of its clients.**

In any case, the Bank shall provide a high standard of professionalism, integrity, correctness and it shall take all the measures to guarantee the best execution of its clients' orders, regardless of their classification.

Based on the application of the factors regarding the best execution, the Bank shall select the most suitable venue to execute the client's order. If there is a single venue possible for the order execution, the Bank shall execute the order in that venue.

If the Bank submits a quote to a client and this quote meets the Bank's obligations to adopt all the sufficient measures to obtain the best possible result for its clients if the Bank executed that quote on the date when the offer was made, the Bank shall meet the same obligations as in the case when it executes its quote after the client accepts it, provided that, taking into consideration the changes occurred in the market and the time elapsed between the offer and the offer acceptance by the client, the quote is not exceeded to a major extent.

When executing transactions with OTC instruments, the Bank shall check the correctness of the price proposed to the client by collecting market data and, if possible, by comparing it to similar or comparable products. On the other hand, for example, transactions involving a highly customised OTC financial instrument, which involves a unique contractual relation adapted to the client's and the Bank's circumstances, cannot be comparable for the purpose of the best execution to transactions involving financial instruments traded in centralised execution venues. An example of customised derived transaction is the case when the Bank provides to the client an OTC structured transaction which is adapted to the client's needs, for which there is no comparable alternative, in which case the Bank cannot make a comparison of the execution factors, that is possible in case of other financial instruments.

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Exception from the best execution rule

The best execution does not apply in the following cases:

- 1) When the client is classified as an eligible counterpart; however, in the relations with eligible counterparts, the Bank shall act in a fair, correct and professional manner and it shall communicate in a clear and non-misleading way;
- 2) When the transactions are executed with products which are not subject to the obligation to provide the best execution according to MiFID II;
- 3) When the client's order is accompanied by specific instructions and the Bank executes the order in accordance with the client's instructions. Any specific instruction sent by the client may prevent the Bank from adopting all the measures implemented for the purpose of obtaining the best possible result for the execution of its orders. The Bank considers that it meets its obligation to adopt sufficient measures to obtain the best possible result for the client if it executes the order (or a specific aspect of the order) in accordance with the instructions received from the client in reference to the order or the specific aspect of that order. If the client instructs the Bank to execute an order in a certain execution venue, the Bank shall not be responsible for choosing that venue. If the client instructs the Bank in reference to the exact time of execution (or in reference to the period of time when the execution should take place), the Bank shall execute the order according to the client's instructions in the best possible manner, but the Bank shall not be responsible for the consequences that might arise as a result of the order execution at the time/during the period of time stated by the client. The Bank reserves the right to refuse any specific instruction of the client if it considers that it is against the compliance regulations.
- 4) The situations described under item D) below – *THE BEST EXECUTION FOR DIRECT REQUESTS FOR QUOTE (hereinafter referred to as RFQ)*, when the client does not legitimately rely on the Bank to ensure the best execution.

B) Execution factors

The Bank must take all the reasonable measures to obtain, when executing the orders, the best possible result for its clients, considering the execution factors in the execution of the clients' orders. The Bank shall consider a hierarchy of factors listed in terms of their relative importance. The hierarchy of the execution factors is presented in Appendix 1.

C) Trading/execution venues

The trading venue comprises a regulated market (hereinafter referred to as RM), a multilateral trading facility (hereinafter referred to as MTF), an organized trading facility (hereinafter referred to as OTF), an independent operator, a market maker or another liquidity provider or an entity that meets, in a third country, a function similar to the functions met by any of the

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categories mentioned previously or an OTC market. It must be stated that GARANTI BANK SA also executes transactions outside the rules of a RM, MTF or OTF, especially in the case of complex product clauses, non-standard tenors and/or amounts etc. or if a RM, MTF or OTF is not available for the specific product.

Generally, the Bank executes clients' orders with GARANTI BANK as counterparty, on OTC markets. The exception is when the client explicitly instructs that the transaction be executed directly on a regulated market, MTF or OTF where the Bank is a member or a participant.

The following general rules apply when clients' orders are executed outside an MTF, RM or OTF rules:

- with high quality counterparties dealing on their own account or acting as independent operators, including BBVA and entities from its group;
- execution on own account;
- through other OTC means.

Without the client's prior express consent, the Bank is not entitled to execute the off-exchange clients' orders (outside a trading venue). An off-exchange trading form shall be signed by the client. The Bank shall notify the client of any potential risks, particularly of those related to the possibility of occurrence of a counterparty risk. When executing OTC trades, the Bank checks the correctness of the price proposed for its client or through the collection of market data used to estimate the price of the relevant product and, if possible, by comparison with similar or comparable products.

GARANTI BANK SA warns its clients that when trading outside the market, they may face counterparty risk. The Bank shall inform its clients of any other consequences of trading outside the market.

When executing transactions on its own behalf, the Bank may execute transactions either on the trading venues (RM, MTF or OTF), or on OTC markets. For the transactions in counterparty (OTC-RFQ), the Bank does not request quotes from the trading venues in order to obtain the best possible price.

On the execution of its own orders, the Bank shall take sufficient measures to make sure that the transaction will not affect the legitimate interests of its clients. If the Bank issues orders identical to those of one of its clients, it shall give priority to the client's orders. The Bank shall not aggregate a client's orders with its own orders or with the orders of other clients.

The Bank executes the clients' orders in the chronological order of their receipt, taking into account the time when the orders were received and introduced into the systems and/or platforms used by the Bank.

D) *Best execution for the direct request for quotes (hereinafter referred to as "RFQ")*

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Most orders are executed by GARANTI BANK SA through requests for quotes ((hereinafter referred to as RFQ) which according to the law are excepted from the „best execution” rule and are not executed on a trading venue.

When the Bank supplies a trading price (quote) on a bilateral basis or when it negotiates with a retail or professional client best execution will depend on the nature and circumstances of the client’s request. The Bank shall assess from case to case if, at the time of the request for quote, the client legitimately relies on the Bank to protect his interests concerning the price and other elements of the transaction that might be affected by the execution.

In assessing this situation, the Bank relies on the following four factors:

1. Who initiated the transaction?
2. When the client initiates the transaction, it is less probable that he relies on the Bank to protect his interests. But, if the Bank approached the client and suggested to conclude a transaction, it is very likely that it relies on the Bank to protect its interests.

The existence of a practice to request quotes from several sources; if the client has access to quotes supplied by several sources (*shop around*), it is less probable that a client relies on the Bank to protect its interests.

3. Price transparency.

In case the Bank has access to market prices while the client does not, there is a higher probability that the client relies on the Bank to protect his interests. If the client has a similar access level as the Bank to information concerning market prices, this may indicate the fact that the client does not rely on the Bank to protect his interests.

4. Agreement.

If there is an agreement between GARANTI BANK SA and the client in which the parties agree whether the Bank is liable or not for the best execution and on the modality in which the best execution will be provided by the Bank to the client.

After considering these cumulative factors, GARANTI BANK SA may conclude if the best execution rules included herein apply or not to the execution of the client’s order. If, after considering the four factors stated above, the Bank reaches the conclusion that the client does not legitimately rely on the Bank to provide the best execution of its order, the Bank does not consider that the best execution policy must apply.

In establishing the execution venue of a client’s order, the Bank shall consider factors such as:

- The price and costs charged by the execution venue;
- The access speed and the execution probability;
- The probability of settlement.

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E) *Monitoring and verification*

GARANTI BANK SA monitors the effectiveness of this Policy, in order to identify and, if applicable, to correct any deficiencies observed in its application.

The Bank publishes annually on its website www.garantibbva.ro, MiFID Section, a report with data on the quality of trades` execution on all venues. All reports on execution quality issued by the Bank may be consulted in the following link: <https://www.garantibbva.ro/documente-utile/>

GARANTI BANK shall notify its clients of any material change in the Policy regarding the best execution and it shall publish the summary of the revised Policy on the website www.garantibbva.ro.

Upon the express request of the client or of the competent authority (NBR), the Bank shall prove, by verifying the enforcement of the Policy`s provisions, that the client`s order was executed in accordance with his instructions. The client is entitled to request additional information regarding the Best Execution Policy and on its review process.

F) *Inducements and other benefits*

As a rule, GARANTI BANK SA shall not receive any remuneration, discount or non-monetary benefits for routing client orders to a particular trading venue, which would infringe the MiFID II Directive requirements on inducements or the internal policy on conflicts of interest.

The Bank shall inform its clients of the inducements received by means of the regular reports supplied to the client.

The Bank shall not accept any advantages/non-monetary benefits in relation to the provision of an investment service or to an ancillary service to or from any person, except for the client or a person that acts on the client`s behalf, unless the payment or benefit:

- is intended to improve the quality of the service in question intended for the client; and
- does not affect the Bank`s obligation to act in a fair, equitable and professional manner, that is best suited to its client`s interests;

The following benefits are considered minor non-monetary benefits, which are acceptable only if they consist of:

- information or documentation referring to a financial instrument/investment service and which are generic or customised so as to reflect the circumstances of a certain client;
- participations to conferences, workshops and other training events concerning the advantages and characteristics of a certain financial instrument or of an investment service;
- treats of a reasonable minimum value (e.g. food and beverages during a business meeting or conference, workshops, training events);
- other minor non-monetary benefits that can improve the quality of the services supplied to a client and that do not risk, through their amplitude and nature, to influence the Bank`s behaviour in any way which is detrimental to the client (not affecting the Bank`s obligation to act on its client`s interest).

Minor non-monetary benefits are notified to the clients prior to the provision of the investment services or to the ancillary services.

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VI. DOCUMENTS AND REPORTS FOR CLIENTS

GARANTI BANK SA shall provide its clients, on a durable medium, with at least the following documents and reports regarding the core financial investment services provided:

- **the key information document (KID) for the instruments under the scope of PRIIPS**

This document is sent to all the clients classified under the retail category, prior to the provision of any financial investment service by the Bank (pre-trading) and only for the following derivative financial instruments: *FX Forward, FX Swap and Interest rate swap*. The templates of the key information documents can be checked on the Bank's website, under the Useful Links section at:

<https://www.garantibbva.ro/priips/>

- **confirmation of order execution**

The Bank shall promptly supply to its retail and professional client, on a durable media, the key information regarding the execution of its order.

The confirmation of order execution is notified to the client within the shortest possible time after the transaction is closed, the latest on the first business day following order execution. The notification shall include the information established by the applicable legal and regulatory provisions.

The report shall contain, without being limited to, details regarding the price, date, venue of order execution.

Upon the Client's request, the Bank shall inform it regarding the execution status of its order.

- **portfolio statement**

The Bank does not provide any financial instrument custody services. Thus, the Bank does not have the obligation to submit reports on the financial instruments portfolio or on the client's funds kept in the classical bank deposits.

- **status of costs for financial instruments traded through GARANTI BANK SA**

GARANTI BANK SA shall report to retail and professional clients on an annual basis, the status of the total costs related to the financial instruments traded with GARANTI BANK, as well as the estimate of their total effect on their profitability.

- **publication of the first 5 (five) execution venues**

When executing its clients' orders, the Bank has the obligation to publish reports regarding the best execution on an annual basis. In order to assess the quality of execution, the Bank may also use any data and information published by the execution venues.

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The Bank shall also publish on an annual basis a report of the first five execution venues in terms of volume of the transactions and the quality of execution obtained during the previous year. The reports shall be drafted separately for each class of financial instruments and according to the client type (retail or professional). The reports shall be posted on the website www.garantibbva.ro under MiFID Section, until April 30th of each year.

- **notification on depreciation of leveraged active derivative instruments with 10% & multiples of 10%**

GARANTI BANK SA shall notify its retail clients on the depreciation of the initial value of each derivative financial instrument traded by the said clients with 10% and multiples of 10%. The notification shall be sent on the day the depreciation takes place.

The communications, notifications, documents and reports shall be sent to the clients through the means of communication agreed-upon in the specific agreements.

The reports and any other written communications regarding the transactions executed by the Bank for its clients are deemed correct and approved by the client if he does not notify the Bank on the existence of any irregularities within the maximum term provided by the specific agreement concluded.

Other types of reports to be sent to the client may also be agreed-upon within the specific agreements, including the nature, the regularity and the period corresponding to these reports.

VII. FINANCIAL INSTRUMENTS, RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL INSTRUMENTS. PRODUCT GOVERNANCE AND TARGET-MARKET

Description of the financial instruments offered to retail and professional clients by GARANTI BANK SA:

A) BONDS

1) Definition and main features

Bonds are fix income financial instruments in the form of securities by which the investor finances the issuer of the bond over a well determined time period, at a fixed or fluctuating interest rate (coupon). They are issued by public bodies (the state, public bodies of the central or local administration) or private bodies (trade companies) with the purpose of financing their activities or for other objectives; they represent a form of loan which gives the holder a right to receivables onto the issuer of these securities (the right to collect interests) and the redemption obligation to the issuer, in accordance with their specific issuance conditions. The bond terms, such as the nominal value, the coupon rate and the maturity are established at the time of their issuance. The reimbursement can be made through multiple payments throughout the issuance period or entirely, on the maturity date. The coupon rate is calculated as a percentage of the nominal value of the bond and it may be fixed or variable (reported to a reference rate). In the

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event of the issuer's inability to make the payment, the holder shall benefit of a reimbursement priority higher than the shareholders, yet lower than other creditors of the issuer, such as the state, the employees, the banks, etc., which generates a potential risk of non-reimbursement of the investment made by the creditor.

Depending on the type of issuer, the bonds may be:

- governmental (public securities)
- municipal
- corporate

An alternative classification of bonds may be made according to their maturity, as follows:

- bonds with maturities of less than 1 year;
- bonds with maturities exceeding 1 year.

As they are secured instruments, bonds are traded on the so-called secondary market, where their holders trade between them without the intervention of the issuer. The price at which the bonds are traded on the secondary market may be different from the price at which the issuer had sold the bonds to the initial investors (primary market).

The price at which the bond is traded on the secondary market impacts on the investment yield. The yield is the calculated return of the investment in bonds considering all the cash flows related to such investment (the buying price, redemption price upon maturity, coupons).

Bonds are addressed to investors with risk appetite or to the ones willing to reduce the risk level of investments.

2) *Risks related to an investment in bonds*

Usually, bonds are considered non-complex financial instruments. The target-market of this financial instrument is represented by all type of clients (retail, professional, eligible counterparties).

An investment in bonds is subject to the following main risk categories:

- credit risk is the risk of failing to meet the payment obligations by the issuer;
- interest rate risk represents the appreciation/depreciation in the value of an investment in bonds as a result of interest rate volatility. As a general rule, the price of one bond decreases following an increase in the interest rates;
- liquidity risk refers to certain bonds that, being traded less frequently, have a price lower than the price of some similar bonds that are traded more frequently; the risk of early redemption (prior to maturity) decided by the issuer has a negative impact onto the investor in the absence of some investment alternatives which are at least equally favourable.

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B) Derivative financial instruments (complex financial instruments)

Derivative financial instruments are complex financial instruments whose value depends or derives from the value of another asset (called *base asset* or *underlying asset*). They are used both for speculative purposes and as a means to cover unwanted risks. The most common derivative financial instruments are options, futures, forward swap, as well as variations thereof. Derivative financial instruments may be traded on organised specialised markets (stock exchanges) or outside an execution venue (OTC – over-the-counter). Derivative financial instruments involve a higher level of risk, as they fluctuate according to the underlying asset.

The Bank reserves the right to select its clients according to certain criteria, such as: previous experience in these types of transactions, the knowledge related to treasury products, etc.

The clients' orders may be executed outside a trading venue and the Bank shall always be a counterparty for each transaction generated. In this context, the Bank provides the reception and execution of orders services for its clients, as well as trading on own account service.

B.1 FX Forward transactions

1) Definition and main features

FX Forward transactions represent the firm agreement between the client and GARANTI BANK to carry out a foreign exchange transaction on a well-defined subsequent date (maturity date) and at a pre-set rate (forward rate). The forward rate is determined based on the exchange rate valid at the time the transaction is initiated and on the interest rates.

FX forward instruments are mainly addressed to legal entities exposed to foreign exchange fluctuations (e.g. exporters, importers) that intend to cover this risk.

2) Risks related to FX Forward transactions

An FX Forward transaction is subject to the following main risk categories:

- foreign exchange risk upon maturity is the risk that, upon maturity of the transaction, the forward rate is less favourable than the exchange rate that the client could have obtained at the said time; foreign exchange risk represents the loss that the client would incur in case of an unfavourable evolution of the exchange rate and in case it decides to close the transaction before its maturity;
- interest rate risk represents the loss that the client would incur in case of an unfavourable evolution of the interest rates and if it decides to close the transaction before maturity;
- operational risk refers to the malfunction of systems, which may have an adverse effect on all the financial products.

The target-market of this financial instrument is represented by all type of clients (retail, professional, eligible counterparties).

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B.2. Currency exchange rate swap contracts (hereinafter referred to as “FX Swap”)

1) Definition and main features

An FX Swap contract represents the firm agreement between the client and GARANTI BANK SA to carry out two opposite foreign exchange transactions, with a similar value, at different times and different exchange rates.

The foreign exchange transaction at the closest moment in time is called the spot transaction, while the transaction at the furthest moment in time is called forward transaction.

The economic meaning of an FX Swap refers to the fact that a client shall borrow from GARANTI BANK SA in the currency bought by means of the spot transaction and, at the same time, it shall grant a loan to GARANTI BANK SA in the currency it sells by means of the spot transaction.

The difference in the interest rates between the two loans is covered by the difference between the rate of the forward transaction and the one of the spot transaction.

2) Risks related to FX Swap transactions

An FX Swap transaction is subject to the following main risk categories:

- interest rate risk is the loss that the client would incur in case of an unfavourable evolution of the interest rates in both currencies and in case it decides to close the transaction before the maturity;
- foreign exchange risk represents the loss that the client would incur in case of an unfavourable evolution of the exchange rate and in case it decides to close the transaction before its maturity;
- operational risk refers to the malfunction of systems, which may have an adverse effect on all the financial products.

The target-market of this financial instrument is represented by all type of clients (retail, professional, eligible counterparties).

B.3. Interest Rate Swap contracts (hereinafter referred to as “IRS”)

1) Definition and main features

Interest rate swap contracts represent the firm agreement between the client and GARANTI BANK SA to exchange two cash flows denominated in the same currency or in different currencies accompanied by an exchange of fixed or fluctuating interest rate flows (in case of a fluctuating rate, a reference fluctuating rate shall be provided). The two cash flows are equivalent in value in case they are denominated in different currencies.

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2) *Risks related to IRS transactions*

An IRS transaction requested by the client is subject to the following main risk categories:

- interest rate risk is the loss that the client would incur in case of an unfavourable evolution of the interest rates and in case he decides to close the transaction before maturity;
- foreign exchange risk represents the loss that the client would incur in case of an unfavourable evolution of the exchange rate (if the cash flows are denominated in different currencies) and in case it decides to close the transaction before maturity;
- operational risk refers to the malfunction of systems, which may have an adverse effect on all the financial products.

The target-market of this financial instrument is represented by the all types of clients (retail, professional and eligible counterparties).

Treasury financial instruments are sold directly by the Bank via the service of receipt/transmission and execution of the orders, exclusively to the head office, through the Bank's specialised personnel. The target-market is identified at the time when the financial product is manufactured and it is regularly revised. The Bank identifies its target-market for treasury financial instruments in consideration of the following criteria:

- clients' classification according to MiFID II;
- clients' knowledge and experience.

When the Bank distributes products that it did not manufacture, it obtains all the relevant information to understand the characteristics and identifies the target-market for each financial instrument.

The information below aims to cover the most important risk factors related to an investment in general or to a certain investment product.

GARANTI BANK SA recommends its clients to invest in a financial instrument only after a prior thorough understanding of its nature and specific characteristics. Moreover, the clients must possess the required knowledge and experience to identify and assess the risks involved by any investment decision they make. In case of retail clients, if they consider that their experience and knowledge related to a certain instrument is not sufficient, they must contact the Bank in order to assess the investment opportunity taking into consideration the experience and knowledge concerning the requested financial instrument.

Other generic types of risks that may have an impact onto each type of investment are:

- **market risk:** it represents the risk to incur losses related to the positions of financial instruments held, due to the unfavourable market fluctuations of prices; the price change depends on demand and offer, financial and political reasons that influence the financial environment or the specific sector of the investment. Market risk is higher in investments with major price fluctuations.
- **inflation risk:** it is materialised in the depreciation of purchase value (real value) of the capital, due to an inflation rate increase;

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- **payment delay risk:** for bonds, there is the possibility that the coupon payment by the issuer is made later than the established date; if the amount is paid to the Bank, the client's account shall be immediately credited;
- **systemic risk:** is caused by factors affecting the entire market where the client performs trading operations, therefore, it cannot be limited through a diversification of the investments in that market;
- **political risk:** is caused by political changes or political instability; the current economic and political risk is extremely globalised, and these changes can affect to a significant extent the investment profitability;
- **legal/regulatory risks:** all the investments are subject to the legal or regulatory risk. The yield of any instruments, especially of new instruments, is exposed to the risk of legislative actions and changes which can change the profitability of an investment, among others. Also, changes in the legal framework that forbid certain types of investments that were allowed within the previous framework may lead to a change in the final investment value;
- **fiscal risk:** is the risk deriving from fiscal regulations or from future amendments thereof, which could have a major impact on the profitability of the transactions originally considered. The clients are warned that the financial instruments traded on external capital markets could be subject to a fiscal regime different from the fiscal regime applicable to financial instruments in Romania, which is why we recommend that a fiscal expert be consulted;
- **country risk:** the risk arising out of the country's geographic position, the geopolitical conditions, as well as out of other parameters – risks, such as those related to the political regime, the legal/fiscal framework and the financial conditions (the inflation increase, etc.);
- **clearing and settlement risk:** the risk occurring when the counterpart in the transaction fails to meet its clearing and settlement obligation, being unable to pay the funds in case of a purchase or unable to deliver the financial instruments in case of a sale;
- **operational risk (includes the legal risk and the risk related to the trading systems):** it is the risk of occurrence of an event, with or without a financial impact, resulting from inadequate or faulty internal processes, computer systems, people (with or without intention) and from external events. Operational risk includes the legal risk, which is related to incorrect actions from the legal point of view, uncertainty in relation to the legal provisions that may lead to an inadequate interpretation and to potential inefficiencies of the legal framework. Most trading facilities are supported by computer systems for the management, pairing, recording and settlement of transactions. These computer systems are vulnerable to temporary disturbances and discontinuations. The possibility to recover certain losses can depend on the limits imposed by the system supplier, the market and/or members or participants to the markets;
- **the risk of trading outside regulated markets, of MTFs and OTFs:** trading on these markets may be governed by a different, far more permissive legislation. The client should be aware of the rules governing such markets. **Specific risks** may occur in relation to the investments in OTC traded derivative financial instruments (counterpart risk and discounting risk). Also, the risk of incomplete hedging occurs when the investment prices are freely correlated with the prices of the investments they should cover. The risk of divergence between the derivative instrument market and the supporting asset market occurs when the price of the derivative financial instrument fluctuates independently from the supporting asset price.

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Product governance and Target Market. Distribution channels

Besides the assessment of the appropriate nature of financial instruments, the Bank has the obligation to define a target market for each financial instrument manufactured/sold, respectively the targeted group of clients that can purchase a certain financial instrument manufactured or offered by the Bank. The target market of each relevant financial instrument shall be determined according to a series of information, such as:

- the targeted type of client, according to the MiFID classification (Retail, Professional or Eligible Counterpart);
- the client's knowledge and experience, specific for the relevant financial instrument; the Bank shall request the client to provide information regarding the knowledge and experience in the field of investments, according to the type of financial service or instrument requested, in order to be able to determine whether it is suitable for the client or not;

However, in case the financial instruments are considered as bespoke or tailor-made for a certain client, the target-market shall be understood as being represented by the client who requested the instrument.

The Bank defines the financial instruments that it deems unsuitable for the client's investment profile and for this purpose, sends a warning to the client, drawing its attention to the fact that the financial product requested is not adequate with his profile.

Also, the Bank delivers a general warning to its clients that trade derivative financial instruments that **any transaction that is performed with the aim of realizing gains out of the market fluctuations is susceptible to the financial loss risk**. The Bank shall not be held responsible for possible risks or losses resulted from executing the transaction.

In the event that, after the receipt of the Bank's warning, the client still wishes to access the financial product in question, the Bank is entitled to decide whether it will continue executing the client's order with the relevant product or not. The Bank shall execute the transaction only after the client's issuance of a new trading order following the receipt of the warning.

GARANTI BANK SA has implemented a procedure for the approval/admission of new products and business lines and it regularly revises whether each financial instrument manufactured continues to meet the needs of the identified target market, targeting also the client's direct interest. When **offering (selling)** to its clients any financial instruments that were not manufactured by the Bank or by the group the Bank belongs to, GARANTI BANK SA shall make sure that it obtains sufficient adequate and reliable information in reference to these from the producing companies, so as to allow the Bank to understand and know to the required extent the financial instruments that it intends to offer (sell), in order to make sure that they meet the needs, the characteristics and the objectives of the identified target market. The Bank has the obligation to determine the target market of an instrument if it was not defined by the manufacturer of the financial instrument in question. Thus, if the relevant information was not made public, the Bank shall take all reasonable measures to obtain such information from the manufacturer or from its agent. The Bank shall use the information obtained from the manufacturer and the information regarding its own client to identify the target market.

The Bank also has the obligation to make sure that the financial instruments it manufactures or distributes are and will continue to remain compatible with the needs, the characteristics and the objectives of the identified target market.

For this purpose, the Bank shall regularly revise the financial instruments that it manufactures or offers, taking into consideration any event that could influence to a significant extent the potential risk to the identified target market. Within this process, the Bank has the obligation to identify the

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groups of clients with whose needs, characteristics and objectives the financial instrument in question is not compatible (negative target market). The negative target market refers to financial instruments in which a client should not trade. Also, when possible, the Bank shall send to the manufacturers information regarding the sales of financial instruments made and, when applicable, information regarding the review of the financial instruments offered, in order to support the assessments carried out by the manufacturers themselves.

If the information collected by GARANTI BANK SA does not give the possibility to exert full control onto the client's inclusion in the target market of a certain financial instrument offered, the Bank does not have the obligation to include that client in the target market of the financial instrument in question, but only to disclose to the client, for information purposes, on a durable media, the target market of each class of financial instruments or of each financial instrument, namely the specific parameters which define the target market. **Outside of the services of investment advice or discretionary portfolio management services, when the client acquires the product at its own initiative, Garanti Bank is hereby warning the client that it will not monitor and check whether the product due to be acquired is compatible with its needs, characteristics and investment objectives.**

The distribution channels

The financial instruments are sold by means of the service for the reception/transmission and non-advised execution of the clients' orders, exclusively by means of the specialised personnel within the Global Markets Group with the Bank's head office.

VIII. PRIIP PRODUCTS

PRIIP means a structured individual investment product, respectively an investment where the amount payable to the individual investor is exposed to fluctuations following the exposure to reference values or to the performance of one or several assets that are not purchased directly by the individual investor.

According to the European legislative framework PRIIP and provisions of the Financial Supervisory Authority Regulation no. 12/2018, PRIIP creators and the entities selling PRIIP products must draft the key information document on the PRIIP they create.

The key information document must be drafted by the PRIIP creator before the product can be offered for sale to investors classified as retail investors according to MiFID. The retail investors must be provided with the information they need in order to make an informed investment decision and to compare the various PRIIP.

The key information document (KID) is the document regulated by the (EU) Regulation no. 1286/2014 on key information documents regarding structured and insurance-based products of individual investments (PRIIP), made available to the MiFID-retail client prior to the conclusion of a transaction, which provides key information regarding the chosen investment product (e.g. what the product consists of, what are the costs, the potential risks, gains and losses arising out of the investment product, etc.).

The key information document is made available to the retail client free of charge.

The Bank does not provide the KID to professional clients and to eligible counterparties.

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The key information document shall comprise information concerning particularly the product nature and characteristics, including the possibility to lose capital, the product's costs and risk profile, relevant information concerning the product's potential performance and other specific information that may be required in order to understand the characteristics of some distinct types of products.

The Bank will provide its retail clients the key information document for FX Forward, FX Swap and Interest rate swap. The key information document shall be forwarded to the client via the means that he opted for (usually by e-mail or in hardcopy). If the key information document is made available to the client by using a durable media other than paper, meaning if it is sent by e-mail or by posting on the website, the Bank shall supply a copy of the document in hardcopy, further to the client's request.

IX. APPROPRIATENESS TEST FOR FINANCIAL INSTRUMENTS

The Bank does not provide investment advice or portfolio management services to its clients, it only offers services for the reception, transmission and execution of orders with financial instruments.

The Bank warns its clients/potential clients that, in general, it shall not carry out any appropriateness test of the investment in a financial instrument classified as non-complex (e.g.: instruments of the monetary market, various types of bonds, etc.).

GARANTI BANK S.A. shall carry out the appropriateness test of the financial instrument for the client/potential client only if:

- the services are requested by the client and if they refer to financial instruments classified as complex (e.g. derivative financial instruments, etc.);
- the Bank has the initiative to offer the service, even if the financial instrument is not complex.

In case of clients - legal entities, the test shall be carried out to the authorised representatives assigned in relation with the Bank.

The appropriateness test represents an assessment that the Bank carries out prior to the client's execution of his first transaction with the specific instrument; the assessment is carried out for the purpose of finding out if the client in question has the knowledge and experience required to understand the risks related to trading the financial instrument in question. **The Bank carries out this assessment so that it can act on its client's interests**, and the assessment is made by the client filling in a related questionnaire made available by the Bank.

If, following the consultation of the questionnaire filled in by the client, the Bank concludes that the financial instrument in question is not appropriate for the client, the Bank shall issue a Warning in this respect to the client, in a standardised form and it shall only conclude the transaction based on a new order issued by that client following the receipt of the Bank's Warning. If the client refuses to fill in the questionnaire or if it does not supply sufficient or correct information, the Bank shall issue a Warning to inform the client that it is not able to determine whether the financial instrument in

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question is appropriate for the client and, therefore, in such case, the Bank shall not be held liable for any risks arising from the execution of the transaction. The Bank shall only execute the transaction based on a new order issued by the client in question following the receipt of the Bank's Warning.

In order to assess the appropriateness, it is important to categorise the financial instruments into complex or non-complex financial instruments.

From among the financial instruments traded by GARANTI BANK SA, the following instruments are considered **non-complex financial instruments**:

- bonds or other forms of debt instruments admitted to trading on a regulated market or on an equivalent market of a third country or within an MTF, except for those incorporating a derivative instrument or a structure that make it difficult for the client to understand the risks involved;
- instruments of the monetary market, except for those incorporating a derivative instrument or a structure which makes it difficult for the client to understand the risks involved;
- other non-complex financial instruments.

The rest of the financial instruments traded by the Bank, which do not fall under the categories listed above, are considered complex financial instruments.

X. INDUCEMENTS PAID TO THE BANK FOR SELLING FINANCIAL INVESTMENT SERVICES AND OTHER REVENUES OBTAINED BY GARANTI BANK SA IN RELATION TO FINANCIAL INSTRUMENTS

Inducements may consist in taxes, fees, benefits or other monetary advantages paid or offered by the clients or a third party in connection to the provision of services or the provision of products (instruments).

GARANTI BANK SA may conclude new contractual relations, based on which the Bank may accept inducements for the provision of financial investment services.

The Bank shall inform the clients about the inducements allocated and transferred to them by means of the regular reports sent to the clients.

The Bank shall not accept non-monetary advantages/benefits in connection to the provision of an investment service or an ancillary service to or from any person, except for the client or a person acting on behalf of the client, unless the payment or the benefit:

- aims to improve the quality of the respective service offered to the client; and
- does not affect the obligation of the investment firm to act honestly, fairly and professionally in accordance with the best interests of its clients.

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XI. BASIC PRINCIPLES FOR MANAGING CONFLICTS OF INTERESTS

Conflict of interests means any situation where the ability of the relevant persons of the Bank to assess independently and entirely or to adopt a decision is/may be affected by personal opinions, by material or non-monetary personal interests or by the authority or pressure exerted by a third party, which would lead to a potential risk of prejudice either to the client's interests, or to the good reputation of the Bank and of the Group that it belongs to.

Internal regulations regarding conflicts of interests contain clear identification elements of the types of conflicts of interests that might arise in the course of providing investment and ancillary services and whose existence may damage the interests of a client.

The Bank shall assess and take into account, as minimum criteria, whether the Bank or a relevant person (subject person) or a person directly or indirectly linked by control to the Bank, is in any of the following situations:

- The Bank or the person involved is likely to make a financial gain or avoid a financial loss, at the expense of the client;
- The Bank or the person/persons involved has/have an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- The Bank or the person/persons involved receives/receive a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- The Bank or the person/persons involved carries/carry on the same business as the client;
- The Bank or the person/persons involved receives/receive or shall receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

The Bank shall consider, on a preferential basis, the interest of its clients during the provision of services, which shall have priority over the interests of the Bank or its employees.

The Bank shall implement all the reasonable measures to assure an equal treatment of its clients, and it shall avoid favouring certain persons.

The Bank shall not induce to its clients to carry out operations that are not appropriate only with the purpose of generating profit (monetary or otherwise) for the Bank or for other clients.

The Bank shall establish separate areas and information barriers regarding the activities triggering the risk of conflicts of interests when the exchange of information may hinder the interests of one or several clients.

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The Bank's relevant personnel have the obligation to keep strict confidentiality of the information they become aware of in the course of the activities performed and of the projects they work on. In performing their attributions, the relevant employees shall not cumulate any duties that might lead to any conflicts of interests, abuse or errors that are difficult to find. Each relevant employee was assigned personal non-transferable codes and/or access passwords. The Bank shall regulate the information flow between the employees with attributions in the provision of investment and ancillary services and the financial analysts drafting analysis reports.

The Bank shall eliminate any direct link between the remuneration of the employees carrying out an activity related to main or ancillary investment services and the remuneration of the other employees carrying out another activity, avoiding the occurrence of a conflict of interests in connection to such activities.

Also, the Bank shall exclude the direct correlation between the remuneration of the employees with duties in the provision of investment or ancillary services to its clients and the commission resulting from the order execution, which may lead to a conflict of interests. The Bank records and keeps all the telephone conversations and the relevant electronic communications in relation to (potential) transactions concluded for the clients, which may be used as evidence in the event of a dispute.

When introducing new financial products and services, the Bank shall make sure that all conflicts of interests are identified and managed in an effective manner.

The Bank shall implement internal procedures to prevent the use of inside and/or confidential information. The Bank shall keep records of the transactions carried out on behalf of its relevant employees, as well as records of the situations representing conflicts of interests.

The Bank shall execute its clients' orders in accordance with its own policy of order execution.

The Bank shall not grant or receive from third parties any advantages in relation to the investment and ancillary services unless this is in the benefit/interest of its clients. In the event that conflicts of interests cannot be avoided or managed, the Bank shall disclose to the client the nature and scope of its interest before engaging in a contractual relation or before concluding any transactions for that client.

The following examples are potential situations of major material interests and conflicts of interests that may arise in the course of provision of intermediation services:

1. The Bank, relevant persons, a member of the group, an employee of the group or a client may be a counterpart in transactions carried out on behalf of the client, where the Bank collects a commission from both parties;
2. The Bank, relevant persons, members of the group or employees thereof may hold positions in financial instruments held or traded by the client;
3. The Bank may act as an advisor for clients that have investment interests in relation to financial instruments held by the client or they may provide other investment or related services in relation to those instruments.

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Any additional details related to the Policy of GARANTI BANK SA regarding conflicts of interests may be made available to the client, upon its request.

XII. FEES AND RELATED COSTS

Information on all the fees and related costs charged for the financial services of order execution offered by GARANTI BANK SA are aggregated so as to allow the client to understand the total cost, as well as the cumulative effect of its yield and to provide the client, upon its request, a detailed breakdown.

The maximum costs for each category of financial instruments offered by GARANTI BANK SA are presented below:

| | |
|------------|--|
| FX Forward | 1% of the nominal value of the transaction |
| FX Swap | 1% of the nominal value of the transaction |
| Bonds | 1% of the annual yield of the bond |
| IRS | 1% of the annual yield |

The maximum costs stated in the table above is an estimate performed by the Bank and in some cases and circumstances, the fees and costs related to a specific transaction may exceed these percentages. The estimate is based on the costs and fees actually charged and it takes into consideration all the fees and costs related to financial instruments, but it does not take into consideration the special circumstances that a client may be facing or the unusual events that might influence the costs. When the client concludes a transaction with the Bank, the financial instrument price includes all the costs and fees of the investment service provided and of the instrument in question. The Bank does not charge these costs separately.

GARANTI BANK SA does not assume any liability in relation to the information concerning the abovementioned costs, except for the information supplied to the client within the General Business Conditions and/or in the specific agreements concluded between each client and the Bank.

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Sole registration code RO25394008
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XIII. MANAGEMENT OF COMPLAINTS

GARANTI BANK SA has established an internal procedure for management of complaints correctly and promptly according to the applicable regulations. In case the client wishes to submit a complaint regarding its transactions with MiFID financial instruments executed by the Bank, it shall address the Bank using the contact details mentioned below:

- ✓ in any agency of **GARANTI BANK SA**;
- ✓ to the e-mail address reclamatiiimid@garantibbva.ro, dedicated to complaints filed by MiFID II clients.
- ✓ through the dedicated form available on the website www.garantibbva.ro;
- ✓ to the mailing address of the head office of **GARANTI BANK SA**.

Complete information on the submission and management of complaints can be found in the document published by the Bank on the internet page www.garantibbva.ro, Contact section.

XIV. REGISTRATION OF TELEPHONE CONVERSATIONS AND COMMUNICATIONS. RECORDKEEPING

The Bank shall keep all records regarding the services provided and all the activities and transactions executed. The records shall include at least the telephone conversations or the electronic and/or written correspondence regarding the provision of services related to the clients' orders in reference to the receipt, submission and execution of the clients' orders.

In relation to the provision of any services and activities related to the receipt, transmission and execution of orders for new or existing clients, GARANTI BANK SA shall inform its clients that:

- a) All the telephone conversations and written communications (including the electronic correspondence) with its clients are recorded by the Bank and may be used to prove the parties' intention; and
- b) A copy of the conversations and communications recorded is available upon the client's express request sent to the Bank in writing, for a period of at least 5 years from their creation.

The Bank shall keep even information related to the recording or communications aiming to lead to the conclusion of any transactions or to the provision of services related to the clients' orders, regardless of whether these resulted or could have resulted in the conclusion of transactions.

Also, the Bank shall keep all the records related to orders changed and/or cancelled by the clients. Additionally to the information related to the execution of the clients' orders, the Bank shall store and keep information regarding: the client's identity, its classification according to MiFID, information regarding the appropriateness assessment, the client's assets (funds and financial instruments) held by the Bank, information regarding any conflicts of interests recorded by the Bank, potential complaints from the client and the relevant measures adopted by the Bank to manage the complaint, the regular reports sent by the Bank to the client (including those regarding the investment research), information regarding the related costs and expenses, all the communications with the client, any information regarding inducements, etc.

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The Bank shall record on a durable media all the relevant information regarding the relevant conversations it had face to face with the clients. The recorded information shall comprise at least the following data:

- a) The date and time of the meetings;
- b) The meeting place;
- c) The identity of the participants;
- d) who initiated the meeting; and
- e) The relevant information regarding the client's order, including the price, volume, type of order and the time when it must be sent and executed.

The documents in hardcopy concluded with/made available by the clients are kept by the Bank for at least 5 years from the date when the documents were drafted.

The competent authorities may request the Bank to store and keep records additionally to those mentioned herein and for a longer period of time, of up to 7 years.

All these records are means of evidence and conclusive proof of the contents of the orders and instructions, of the conversations or messages recorded by the Bank and they may be used within any judicial, extrajudicial, administrative or arbitration procedures.

XV. LEI (Legal Entity Identifier) CODE

The MiFID II European legislative framework established the obligation of all legal entities that are and will be involved in financial transactions to obtain the LEI code (a unique code for the identification of the entity).

Thus, before providing its legal entity clients any services related to the trading of financial instruments which generate obligations to report to the supervisory authority, the Bank must hold information regarding their LEI code.

LEI is an alphanumeric code of 20 characters, whose structure is based on the ISO 17442 standard and it represents a unique identifier of the entities involved in financial transactions. The operations for the implementation and management of the Global LEI System are carried out by GLEIF – the Global non-profit foundation of LEI codes (<https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>).

For the purpose of obtaining the LEI code, the entities must follow the steps below:

1. Checking of the list of entities authorised to issue a LEI code and choosing one of these entities (<https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations#>);
2. Checking, along with the entity chosen for the issuance of the LEI code, the data set belonging to the applicant company, that must be submitted in order to obtain the unique identifier (LEI) and the submission thereof;
3. Paying the fee for issuance of the LEI code (the issuance cost + the annual management cost). The LEI code must be renewed on an annual basis, by paying a management fee.

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XVI. PUBLISHING AND REPORTING OF TRANSACTIONS WITH FINANCIAL INSTRUMENTS

For the purpose of ensuring transparency, MiFID II established the legal framework for the establishing of several mechanisms for publishing and reporting of the transactions performed: APA (Approved Publication Arrangement) and ARM (Approved Reporting Mechanism).

In order for the Bank to meet its obligation related to the publishing and reporting of the transactions performed to the competent authority, GARANTI BANK SA submits via these approved publishing and reporting mechanisms information concerning the clients and their transactions with financial instruments.

The execution of transactions with financial instruments through GARANTI BANK SA represents the client's consent to waive any obligation to maintain the confidentiality of the information regarding the transactions concluded with the Bank, as the Bank has the obligation to reasonably disclose these transactions in compliance with the European MiFIR regulation and to report these to the regulatory and supervisory authority.

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ANNEX 1

Hierarchy of execution factors

A) Foreign exchange market instruments:

OTC Derivatives

1) Price

The foreign exchange derivative instruments are mainly traded on the off-exchange market (OTC), where the market makers (high quality counterparties or systematic internalisers) offer prices based on direct requests for quotes (RFQ).

2) Cost

3) Probability of execution, Speed, Size of the order

Most of the clients' orders shall be executed in full and immediately upon receipt.

B) Fixed income instruments

Bonds

1) Price

Bonds are mainly traded on the off-exchange market (OTC), where the market makers (high quality counterparties or systematic internalisers) offer prices based on direct requests for quotes (RFQ).

2) Cost

3) Probability of execution, Speed, Size of the order

Most of the clients' orders shall be executed in full and immediately upon receipt.

C) Interest rate instruments

OTC Derivatives

1) Price

Interest rate instruments are mainly traded on the off-exchange market (OTC), where the market makers (high quality counterparties or systematic internalisers) offer prices based on direct requests for quotes (RFQ).

2) Cost

3) Probability of execution, Speed, Size of the order

Most of the clients' orders shall be executed in full and immediately upon receipt.

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This “Client Information Package” prepared by GARANTI BANK SA was provided to you for information purposes only, to offer necessary information when using the services provided by the Bank in connection to one or several financial instruments and it shall not be construed as a contract. GARANTI BANK SA assumes no liability for the operations carried out outside the framework described in the present information package.

CLIENT’S STATEMENTS

I hereby confirm that I have received, read and understood the provisions included in the present document and that I have been informed regarding the risks related to the financial instruments mentioned above. Also, I have been informed and I understand that the Bank does not have the obligation to verify whether the financial instrument that I trade is compatible with my needs, characteristics and investment objectives.

I hereby declare that I have regular access to internet and that I agree with the Bank dispatching and forwarding me information and documents via e-mail or, when information is not personally addressed to me, via its webpage www.garantibbva.ro, in the MiFID section.

I hereby declare that I agree with the contents of GARANTI BANK SA Best Execution and clients’ orders management Policy applicable to retail and professional clients.

I hereby declare that I acknowledged the Bank’s obligation to report my transactions with financial instruments to the competent authority via approved publishing and reporting mechanisms and I agree to waive the Bank’s confidentiality obligation in this respect.

I hereby declare that I acknowledged the Bank’s obligation to record and keep records of the telephone conversations, of the electronic and written correspondence (including the Minutes of the conversations which take place face to face between me and the Bank’s representatives), as well as information on my identity and my investment activity (according to Chapter XIV above) and that I agree with this. I agree with the recording and storage by the Bank of the telephone conversations between me and the Bank’s representatives in relation to potential transactions with MiFID financial instruments.

I hereby declare that I acknowledged that I do not fall into the category of investments that can be compensated by the Investor Compensation Fund.

Name and surname _____
Company name _____
Signature _____
Date _____
Personal Identification Number/Tax Identification Number _____
E-mail _____

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