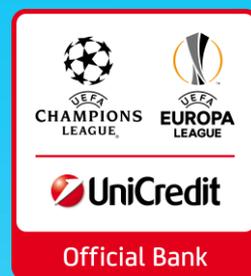


# Market Profile June 2017 Romania



## Global Securities Services

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# 1. OVERVIEW

## 1.1 Geopolitical Data

Time Zone:	GMT + 2	
Daylight Saving Time:	YES	
Currency:	Leu (RON)	
Banking Holidays:	<a href="#">link</a>	
EU Membership:	YES	
Schengen Zone:	NO	

## 1.2 G30 Compliance

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

## 1.3 Country Ratings

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	BBB-	Stable
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

## 1.4 Political Overview

Romania has a multi-party system. Politics of Romania take place in a framework of a semi-presidential parliamentary representative democratic republic. The Prime Minister of Romania is the head of government and the President of Romania exercises the functions of head of state.

The President is elected by popular vote for a maximum of two 5-year terms. According to the Romanian Constitution, the President of the Republic shall designate a candidate to the office of Prime Minister, as a result of his consultation with the party which has obtained absolute majority in Parliament, or – unless such majority exists – with the parties represented in Parliament.

Executive power is exercised by the government. Legislative power is vested in both the government and the two chambers of parliament, the Chamber of Deputies and the Senate. The judiciary is independent of the executive and the legislature. Romania's 1991 Constitution, amended in 2003, proclaims Romania a democratic and social republic.

In 2014, the current president, Klaus Iohannis was elected. He is an ethnic German and was the President of the National Liberal Party (member of the European Popular Party) prior to the election. In December 2016, Romania held Parliamentary elections. Although no political party won the majority, the clear winner was PSD (Social Democrat Party), which formed the government with ALDE (Alliance of Liberals and Democrats), a long-term close ally. The new Cabinet consisting of PSD and ALDE members is led by the new Prime Minister Sorin Grindeanu and was invested in January 2017.

## 1.5 Economic Overview

Romanian growth was a strong 4.8% in 2016 and accelerated further to 5.7%yoy in 1Q2017, strongly above the 4.7% level expected by the market. The surprise at the beginning of 2017 was due to industry, which grew more than expected by us, supported by the strong German industrial production which benefits from the intensifying global trade. We expect growth to decelerate in 2017, for the following main reasons: i) private consumption will contribute less than in 2016, as past consumption stimuli create a negative base effect; ii) fixed investment could fall, crowded out by social security spending and modest EU fund inflows due to lower co-financing; and iii) the goods' trade deficit is expected to increase.

The budget deficit can be hardly kept below 3% of GDP target in 2017 and 2018. Cuts in the main VAT rate and excise duties for fuels, as well as wage hikes and new social security measures adopted could push the budget deficit above the target, although they are currently funded through a combination of additional revenue from the uncapped social security contributions, higher revenues from income and property taxes and lower investments. The additional hikes in 2018-2022 to public sector wages envisaged in the Unitary Wage Bill planned for adoption will be difficult to accommodate, as they would take personnel expenditure to 8.5% of GDP in 2018 from 7.5% of GDP in 2016.

After staying in negative territory since June 2015 due to several VAT rate cuts, the annual inflation rate moved to positive territory at the beginning of 2017. We expect annual CPI to return inside the 1.5-3.5% target range this year, but to remain below the 2.5% target after the VAT cut by 1pp and the elimination of the fuel excise duty (EUR 0.07/liter) implemented as of 2017, in spite of a broad-based rebound in prices. This would allow the NBR to look through the initial reflation episode and start raising rates only in 2018.

In April 2017, Moody's changed Romania's outlook to stable from positive and affirmed the Baa3 long-term issuer rating, due to: i) "The expansionary fiscal policy of Romania that has resulted in a material widening of its fiscal deficit, and which is expected to lead to an upward trajectory in the government debt-to-GDP ratio."; and ii) "The pro-cyclicality of macroeconomic policy, which has led to rapid wage growth, a deterioration in price competitiveness and a widening of the current account deficit."

## 2. REGULATION AND SUPERVISION

### 2.1 Regulatory/Supervisory Bodies

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

- **Central Bank:**  
The National Bank of Romania (NBR) acts as the central bank. This is an independent public institution. The NBR's primary objective is to ensure and maintain price stability and to support the general economic policy of the State. NBR acts as State's agent so as to place with third parties government securities, acts as registrar, depository and transfer agent for government securities.
- **Financial Supervisory Authority:**  
The Financial Supervisory Authority (FSA) regulates and supervises the capital market, the commodity and financial derivative instruments markets, the private pensions sector and insurance, but also the specific institutions and operations. FSA is subordinated to the Romanian Parliament and submits reports to the Parliament's Commission for Budget, Finance and Banks.

### 2.2 Key Market Regulations

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

Regulation	Main Focus
The Capital Market Law	The law provides the legal framework for the establishment and functioning of the financial markets, institutions and their specific operations.
The Companies Law	The law provides the legal framework for carrying out the trading operations by natural and legal persons that may associate and set up trading companies.
The Banking Law	This law applies to banks and electronic money institutions, Romanian legal entities, and branches of foreign credit institutions in Romania.
Bucharest Stock Exchange Code	Comprises the set of norms, approved by the ASF, in order to ensure an efficient market, with correct rules.
Central Depository Code	A set of norms, approved by the ASF and NBR, providing the conditions for clearing, settlement and registration of financial instruments.
The Law on Issuers of Financial Instruments and Market Operations	The law lays down the legal framework applicable to the market operations concerning financial instruments admitted or soon to be admitted for trading on a regulated market or traded on a multilateral trading system or on an organized trading system supervised by the Financial Supervisory Authority.

### 2.3 Self-regulatory Organisations

The Romanian Banking Association is a non-profit organisation having as main targets to represent and defend its members' interests, to promote the principles of banking policy in domains of general interest for its members, to promote co-operation among banks and with national and international institutions and banking associations from other countries to train experts in the banking system and to communicate with the mass media.

The Custodians Commission is set up under the Central Depository and has an advisory role by informing the Board of the Central Depository about custodians' specific issues.

The Association "ACI Romania - Financial Markets Association" is a professional, non-profit organisation, based on relationships of fellowship between dealers, with the objective of promoting the profession, without discrimination and on a professional level of competence and ethical standards of loyalty considered essential in the development of relations between members.

CFA Romania is a not-for-profit educational organisation with the mission to educate and inform investment decision-makers, promote ethical standards in the industry, and assist financial professionals in career development. CFA Romania promotes awareness and understanding of securities analysis, investing, and the operation of the securities markets.

## 3. TRADING

### 3.1 Commonly Traded Instruments

EQUITIES	MONEY MARKET INSTRUMENTS
<input checked="" type="checkbox"/> ordinary shares	<input checked="" type="checkbox"/> certificate of deposits
<input checked="" type="checkbox"/> preferred shares	<input checked="" type="checkbox"/> commercial papers
<input checked="" type="checkbox"/> employee shares	<input checked="" type="checkbox"/> REPO transactions
<input checked="" type="checkbox"/> interest bearing shares	
GOVERNMENT DEBT	CORPORATE DEBT
<input checked="" type="checkbox"/> government bonds	<input checked="" type="checkbox"/> corporate bonds
<input checked="" type="checkbox"/> treasury bonds	<input checked="" type="checkbox"/> mortgage bonds
<input checked="" type="checkbox"/> treasury bills	<input checked="" type="checkbox"/> convertible bonds
<input checked="" type="checkbox"/> treasury notes	<input checked="" type="checkbox"/> exchangeable bonds
<input checked="" type="checkbox"/> municipal bonds	
DERIVATIVES	OTHER INSTRUMENTS
<input checked="" type="checkbox"/> options	<input checked="" type="checkbox"/> exchange traded funds
<input checked="" type="checkbox"/> futures	<input checked="" type="checkbox"/> investment funds
<input checked="" type="checkbox"/> warrants	<input checked="" type="checkbox"/> eurobonds funds
	<input checked="" type="checkbox"/> depositary receipts
	<input checked="" type="checkbox"/> commodities

### 3.2 Bucharest Stock Exchange – BSE

Legal name	Bursa de Valori Bucuresti
Website	<a href="http://www.bvb.ro">http://www.bvb.ro</a>
Ownership structure	100% Miscellaneous
Trading members	Authorised brokers, such as financial services investment companies, investment banks, credit institutions, investment firms from other EU member states.
Traded instruments	Equities such as shares, rights, debt instruments such as corporate bonds, municipal bonds, government bonds, fund units, certificates, warrants.
Trading method	<p>Pre-Opening, Opening, Opened (Continuous trading), Pre-Closure, Closing auction, Trading at Last, Closed Status. During Opening, the following operations may be carried out:</p> <ul style="list-style-type: none"> <li>● Calculating the price and volume based on the fixing algorithm;</li> <li>● Executing each symbol transaction at the symbol's opening price time in the respective market.</li> </ul> <p>Opened Status: trade occurs on the continuous market and orders, informative quotes, firm quotes and deals may be entered, adjusted, withdrawn, suspended or resumed, and transactions are concluded.</p> <p>Under the Trading at Last status the orders may be executed only at the price determined by fixing algorithm in the Closing Status.</p>
Settlement agent	Central Depository (CSD)
Clearing agent	Central Depository (CSD)

Trading hours	Main market	from 09:30 to 18:10
	Equity market	from 09:30 to 18:10
	Bond market	from 09:30 to 18:00
Settlement cycle	T+2	Main market
	T+2	Government bond market
Indices	BET, BET-XT, BET-BK, BET-FI, BET-NG, BET Plus, BET-TR, BET-XT-TR, ROTX	
Number of listed instruments – Main Market	86	Equities
	82	Bonds
Annual trading turnover	EUR 2.06 billion	
Annual number of transactions	653 thousand	
Domestic market capitalisation	EUR 38.47 billion	
Main index annual change	BET: +1.35%	

### 3.3 Sibex Stock Exchange – SIBEX

Legal name	Sibiu Stock Exchange
Website	<a href="http://www.sibex.ro">http://www.sibex.ro</a>
Ownership structure	100% Miscellaneous
Trading members	Authorised brokers (financial services investment companies) Following types of membership are available: Direct clearing members
Traded instruments	Futures (stock index futures, commodities futures, single stock futures, currency futures), CO2 2008-2012 Greenhouse gas emissions certificates (EGES) EGES certificate, standard options (options on single stock futures, options on currency futures, options on commodities futures), CFD, Spot (2 equities)
Trading method	Pre-Opening, Opening, Opened (Continuous market), Pre-Closure, Closing, Closed Status. The Opened Status - trade occurs on the continuous market and orders, informative quotes, firm quotes and deals may be entered, adjusted, withdrawn, suspended or resumed, and transactions are concluded, order driven system.
Settlement agent	Sibiu Depository (DS)

<b>Clearing agent</b>	spot: Sibiu Depository (DS) derivatives: ATHEXClear
<b>Trading hours</b>	Commodities futures and options from 10:00 to 23:15 Stock index futures and options from 10:00 to 23:15 Spot - equity market from 10:20 to 18:00 Single stock futures and options from 10:00 to 18:30 for futures contracts on Romanian and European equities; from 16:30 to 23:00 for futures contracts on US equities Currencies Futures from 10:00 to 23:15
<b>Settlement cycle</b>	T+2 SPOT - equity market
<b>Indices</b>	DEDJIA_ROM, Underlying asset: The Dow Jones Industrial Average Index (Symbol DJIA); DEDJIA_USD, Underlying asset: The Dow Jones Industrial Average Index (Symbol DJIA)
<b>Number of listed instruments</b>	40 Futures products (20 Romanian single stocks, 10 International single stocks, 2 commodities, 1 stock index, 7 currency futures) 12 Spot
<b>Annual trading turnover</b>	EUR 0.8 million – Spot Market 10,819 contracts – Derivatives Market
<b>Annual number of transactions</b>	N/A
<b>Domestic market capitalisation</b>	N/A

### 3.4 OTC Trading

OTC trading is allowed for all financial instruments except shares. For shares, OTC turnaround trading is possible which, according to the Central Depository Code, shall meet the following conditions:

- For trades concluded outside the trading systems there are one or more corresponding trades concluded on BSE;
- Participant in the clearing - settlement and registry system, including custodian that settles the transaction / sale transactions concluded at Bucharest Stock Exchange, will invariably settle the transaction / purchase transactions concluded outside the corresponding trading systems;
- Participant in the clearing - settlement and registry system, including custodian that settles the transaction / purchase transactions concluded at Bucharest Stock Exchange, will invariably settle the transaction / sale transactions concluded outside the corresponding trading systems;
- The settlement date of the trades concluded outside the trading system is the same as the corresponding transactions related to the trades concluded on BSE;
- The volume of financial instruments for the transactions concluded outside the trading system is at most equal to the volume of the corresponding financial instruments related to the transactions concluded at Bucharest Stock Exchange;
- More technical steps for OTC transactions settlement linked with a BSE trade (as part of an OTC turnaround) are allowed for the same beneficial owner.

## 4. CLEARING

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### 4.1 Romanian Clearing House - RCH\*

<b>Legal name</b>	Casa Romana de Compensatie S.A.
<b>Website</b>	<a href="http://crc.sibex.ro">http://crc.sibex.ro</a>
<b>Ownership structure</b>	<p>41.19% SIBEX Sibiu Stock Exchange S.A.</p> <p>7.87% SIF Moldova S.A.</p> <p>6.36% Swiss Capital SA</p> <p>6.06% International Esi SRL</p> <p>38.52% Others</p>
<b>Clearing members</b>	<p>Banks, brokers, other financial institutions authorised by the Romanian Securities Commission</p> <p>Following types of membership are available:</p> <p>Direct Clearing Member, General Clearing Member</p>
<b>Scope of services</b>	Clearing, risk management and settlement for derivatives products traded at SIBEX Sibiu Stock Exchange.
<b>Risk model</b>	The RCH risk model is embedded in the clearing software and follows the recommendations of the European Code of Conduct for Clearing and Settlement agreed on by the Federation of European Securities Exchanges (FESE), the European Association of Central Counterparty Clearing Houses (EACH) and the European Central Securities Depositories Association (ECSDA).

*\*As of 22 December 2014 SIBEX Stock Exchange decided not to use RCH as the clearing house for its derivatives market. Since that time clearing services are provided by the ATHEXClear.*

## 5. SETTLEMENT

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### 5.1 Central Depository – Depozitarul Central - DC

<b>Legal name</b>	Depozitarul Central
<b>17f-7 eligibility</b>	YES
<b>Website</b>	<a href="http://www.depozitarulcentral.ro">http://www.depozitarulcentral.ro</a>
<b>Ownership structure</b>	69.00% Bucharest Stock Exchange 31.00% Other legal persons
<b>Scope of services</b>	The Central Depository ensures the clearing, settlement and registration for the shares listed and traded at the Bucharest Stock Exchange.
<b>Accounts held</b>	The direct participants in the DC system (i.e. brokers and custodians) open global accounts at the DC level. Individual sub-accounts opened in the name of beneficial owners are opened at the participant level. The global accounts have disclosure requirements on the DC request.
<b>Eligible instruments</b>	All instruments traded at the Bucharest Stock Exchange such as: equities, fixed income instruments (municipal bonds, corporate bonds), government bonds, foreign shares and rights.
<b>Level of dematerialisation</b>	According to the Capital Market Law, all instruments listed and traded are dematerialised.
<b>Stock Exchange Settlement</b>	The clearing and settlement process for the instruments traded on the Bucharest Stock Exchange is provided by the Central Depository. The trading system is separated by the clearing and settlement system since 6 <sup>th</sup> October 2014. Under this environment, brokers do not execute anymore trades directly in the custodian banks' accounts as it was possible in the previous technical set-up. Currently, the brokers maintain their proprietary accounts (house accounts), accounts for clients' transactions and special account for custodians' clients. Thus, brokers conclude the transactions on the BVB trading system and, afterwards, allocate the custodian clients' transactions to the special account. The allocation is done through settlement instructions in the post trading system which is matching with the custodian bank instruction in the RoClear system. For the trades instructed in RoClear system on SD a penalty up to 700 RON is charged by the Central Depository.
<b>OTC Settlement</b>	OTC transactions are settled on a gross basis. The gross settlement of transactions concluded outside trading systems and registered in the Central Depository's system are executed on the date agreed by the participants of the clearing, settlement and registry system, but no later than T+2.

<b>Settlement Protection</b>	<p>The risk management is organised on two levels:</p> <ul style="list-style-type: none"> <li>● Settlement banks' level - The risk management is performed by the Central Bank. In order to ensure the existence of the funds for net settlement, the clearing participants (settlement banks) have to pledge collaterals (cash and financial instruments) in an amount at least equal with the net debit position for the settlement date and updated on a daily basis.</li> <li>● Central Depository level – The DC has the following risk management measures: trading limits, Guarantee Fund, margins, special sell out trades, imposed sell-out procedures, buy-in and imposed buy-ins.</li> </ul> <p>The Central Depository establishes a trading limit for each participant (except the custodians), in order to mitigate the risk of non-payment of the obligations resulted from the settlement of transactions.</p> <p>Each participant (broker and custodian) has to make contributions to the Guarantee Fund and margins, which are administered by the Central Depository.</p> <p>Sell-out trades may be initiated by the DC in case the participant does not have enough money on settlement date. The DC can initiate the imposed sell-out procedure in order to sell the securities of the participant.</p> <p>A buy-in procedure is applied by the DC in case of a lack of shares on the SD.</p>
<b>Investor Protection</b>	<p>The Investor Compensation Fund was established as a legal entity, a joint stock company set up in accordance with the Law no. 31/1990 regarding commercial companies, the Law no. 297/2004 regarding the capital market, the NSC Regulation no. 3/2006 regarding the authorisation, structuring and functioning of the Fund.</p> <p>The purpose of the Investor Compensation Fund, as defined by the NSC regulations in force, is to compensate investors in case of a member's default, i.e. a member is unable to pay its debt and to collect contributions from members. Investment firms, asset management companies and credit institutions authorised by the NSC to perform investment activities on regulated markets, are members of the fund. The eligible investors are mainly private individuals and non-financial entities.</p> <p>The maximum compensation is EUR 20,000 per investor.</p>
<b>Identified Risk</b>	None

## 5.2 Sibex Depository – DS

<b>Legal name</b>	Depozitarul Sibex S.A.	
<b>17f-7 eligibility</b>	YES	
<b>Website</b>	<a href="http://www.depozitarulsibex.ro">http://www.depozitarulsibex.ro</a>	
<b>Ownership structure</b>	73.136%	SIBEX - Sibiu Stock Exchange S.A.
	5.438%	SIF Oltenia S.A.
	5.438%	SIF Transilvania S.A.
	5.438%	SIF Muntenia S.A.
	10.550%	Others

<b>Scope of services</b>	Sibex Depository acts as a depository and registry operations for the securities issuers. Also, it ensures the clearing and settlement operations for the financial instruments traded on the regulated market and alternative trading system organised and administrated by the SIBEX – Sibiu Stock Exchange SA.
<b>Accounts held</b>	<p>In the Sibex Depository system, electronic accounts are used in order to register the financial instruments owned by the participants to the clearing-settlement and registry system, as well as by their clients.</p> <p>In order to register the financial instruments, the Sibex Depository uses the following types of system accounts:</p> <ul style="list-style-type: none"> <li>● Individual accounts opened on the name of the financial instruments legal owners;</li> <li>● Global accounts opened by the participants of the clearing-settlement and registry system where the financial instruments owned by the clients whose representative is the respective participant.</li> </ul>
<b>Eligible instruments</b>	Shares, rights, bonds, unit funds, structured products, ETF.
<b>Level of dematerialisation</b>	According to Capital Market Law, all instruments listed and traded are dematerialised.
<b>Stock Exchange Settlement</b>	The clearing and settlement process for the instruments traded on the SIBEX Stock Exchange is provided by the Sibex Depository (DS). Currently the DS is using only the pre-validation mechanism and the net basis settlement with T+2 settlement cycle as of 1 January 2015.
<b>OTC Settlement</b>	The transactions concluded outside the trading are settled on a gross basis, using the delivery versus payment principle.
<b>Settlement Protection</b>	<p>The risk management in place at the DS is as follows:</p> <ul style="list-style-type: none"> <li>● A trading limit is established for each participant of the DS clearing-settlement and registry (except custodian agents);</li> <li>● Each participant of the DS clearing-settlement and registry system must contribute to the Guarantee Fund and margins;</li> <li>● Sell-out transactions;</li> <li>● Buy-in transactions;</li> <li>● Automatic financial instruments loan.</li> </ul>
<b>Investor Protection</b>	Investor Compensation Fund as described in Section 5.1.
<b>Identified Risk</b>	None

### 5.3 Transfond for SAFIR Depository System

<b>Legal name</b>	TRANSFOND S.A.
<b>17f-7 eligibility</b>	YES
<b>Website</b>	<a href="http://www.transfond.ro">http://www.transfond.ro</a>
<b>Ownership structure</b>	100% Banks
<b>Scope of services</b>	<p>National Bank of Romania (NBR) is appointed by the Ministry of Public Finance to act as agent for the state to place government securities and other transferable securities issued by the government. NBR manages the Settlement and Financial Instruments Registration System (SaFIR) which performs depository, settlement and registry operations for government securities issued by the Ministry of Public Finance (including benchmarks) and certificates of deposit issued by the National Bank of Romania, ensuring DvP.</p> <p>SaFIR runs on TransFonD technical platform that supports the whole Electronic Payment System. SaFIR uses the SWIFT platform for exchanging settlement and registration messages.</p> <p>SaFIR processes operations performed by participants in the secondary market (sale/purchase transactions, registration, cancellation and execution of financial collateral arrangements, repo and reverse repo operations and portfolio transfers). The settlement may be performed on a net or on a gross basis. Participants initiate instructions within the system via SWIFT messages.</p>
<b>Accounts held</b>	Participant banks open omnibus accounts at SaFIR level.
<b>Eligible instruments</b>	Government bonds
<b>Level of dematerialisation</b>	The financial instruments are fully dematerialised.
<b>Stock Exchange Settlement</b>	Not applicable.
<b>OTC Settlement</b>	<ul style="list-style-type: none"> <li>● For the primary market the auctions are announced by NBR two days in advance. However, an issuing calendar is published on a quarterly basis;</li> <li>● Primary dealers (commercial banks authorised by the Central Bank based on a specific document submitted) have to send the bids in the name of the bank and the bank clients, on the auction day by 12:00 local time;</li> <li>● The bid is considered as a commitment for payment for the entire amount in the auction, the Central Bank confirms the allocation on T by 16:00 local time;</li> <li>● On T+2 the cash settlement takes place and the securities are credited (the settlement at SAFIR is real DVP);</li> <li>● Secondary market transactions for government bonds/bills are concluded between clients directly. Trades details are confirmed to the custodian banks in order to conclude the settlement on settlement date.</li> </ul>
<b>Settlement Protection</b>	Real STP. Risk management is set forth by SaFIR system rules and is managed via payment queues, gridlock mechanism, validation module and acceptance and matching of messages.
<b>Investor Protection</b>	Investor Compensation Fund as described in Section 5.1.
<b>Identified Risk</b>	None

## 6. PAYMENT SYSTEM

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### 6.1 General Information

The Romanian payments are settled through the National Payments Electronic System (S.E.P.).

S.E.P. consists of three systems that communicate with each other, in real time:

- The Romanian electronic Gross Interbank System (ReGIS), used for settlement of high value and urgent payments between participant banks and the State Treasury, the net settlement instructions received from the SENT, SaFIR and other clearing and settlement systems;
- The Electronic System Net Settlement (SENT), for low value payments, direct debits and debit instruments settlement;
- The Storage and Settlement of Financial Instruments (SaFIR), for state bonds operations, deposit and settlement of financial instruments managed by the National Bank of Romania.

### 6.2 Limitations, Deadlines, Cut-off times

The local clearing systems do not allow back-valuation or future-valuation.

The RON liquidity in the interbank money market is under the supervision and monitoring of the NBR for monetary policy purposes, banks are requested to keep RON liquidity in the market and provide control over the overdraft facilities extended to third-party banks.

ReGIS opens at 8:00 local time and closes at:

16:00	Initial cut-off: customer payments
17:00	Final cut-off: interbank payments
17:45	General cut-off
18:00-18:30	Closing of the system

SENT opens at 8:25 local time and closes at 16:25 local time.

## 7. SECURITIES LENDING

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### 7.1 Securities Lending

In May 2016 the Financial Supervisory Authority released new regulation concerning securities lending operations and short selling by amending the Regulation on Financial Investment Services and the Regulation regarding the Use of the Global Accounts. The regulation was published in the Official Gazette on 3 June 2016. The new rules are as follows:

- Securities lending operations may be performed only for the following purposes:
  - to perform short selling transactions, including if the financial instruments are initially borrowed by intermediaries to be subsequently lent to their own clients in order to perform short selling transactions;
  - to perform operations in the margin account;
  - to complete the settlement of transactions, in the event that the intermediary providing custody services does not send the transfer order corresponding to the instruction for the settlement of an allocation transaction to the central depository;
  - to complete the settlement of the transactions, in the event that, on the settlement date, it is found that the financial instruments are not available for settlement (they are not transferred from the system of another central depository or of an international financial institution with which the central depository has established electronic links, by an instruction of transfer without change of ownership);
  - in the context of the market maker activities;
  - to perform settlement operations of the derivatives involving physical delivery;
  - in the context of exercising the role of an authorised participant of a tradable UCITS or of managing a tradable UCITS.
- It is prohibited to borrow financial instruments exclusively to obtain dividends or to exercise votes in the general meetings of shareholders.
- The intermediaries shall be responsible for the ongoing monitoring of the operations whereby financial instruments are lent and associated collateral established, in terms of compliance with the applicable legal provisions.
- The intermediaries involved in securities lending transactions will have to report to the FSA on a monthly basis the number of lending/borrowing transactions, the value of lent securities, and the scope of the lending/borrowing transaction as well as the clients' identity.
- The funds resulting from the settlement of the short sale transaction based on the financial instruments borrowed are considered assets of the customer which are constituted as margin to secure the loan. After settlement of the short sale transaction, the funds set as margin can be replaced by other financial instruments at the same amount. Assets constituted as margin may not be lent.
- If the issuing company distributes dividends or interest on financial instruments during the loan period, the respective payment shall be made by the borrower to the lender.

The Regulation 6/2016 amending and supplementing Regulation 32/2006 on Financial Investment Services as well as Regulation 5/2010 on Securities Lending Operations and Short Selling will become effective 60 days following its publication in the Official Gazette. Until the entry into force of this Regulation, the market operators, central securities depositories and intermediaries shall issue its own regulations to implement this Regulation.

Following the FSA approval of the changes of regulations with regards to the securities lending and short selling, Bucharest Stock Exchange (BVB) Board of Governors decided on its meeting held on 25 May 2016 to operate certain changes to the BVB's Rulebook with regard to the short selling and buy on margin operations. These new rules need to be approved by the FSA which is expected by the entering into force of the FSA Regulation. The BVB updated rules on short selling and buy on margin are not yet disclosed.

## 7.2 Short Selling

Short selling transactions with shares admitted to trading on a regulated market or on an ATS system are carried out with consideration of the provisions of EU Regulation no. 236/2012 and the regulations issued in its application.

Before concluding a short sale under a loan granted or intermediated by an intermediary, each client shall open a margin account to that participant.

In case of short sales made pursuant the EU Regulation no. 236/2012 and the regulations issued in its application, the client is obliged to notify in writing or by means of communication agreed by the parties and can be subsequently verified that the order given to the intermediary is a "short sale order" and submit the evidence of the loan agreement, according to the Rules of Implementing EU Regulation no. 827/2012.

## 8. CORPORATE ACTIONS

### 8.1 Common Corporate Action Events

MANDATORY EVENTS	VOLUNTARY EVENTS
<input checked="" type="checkbox"/> bonus issue	<input checked="" type="checkbox"/> dividend option
<input checked="" type="checkbox"/> cash	<input checked="" type="checkbox"/> dividend
<input checked="" type="checkbox"/> early	<input checked="" type="checkbox"/> exchange
<input checked="" type="checkbox"/> interest payment	<input checked="" type="checkbox"/> priority issue
<input checked="" type="checkbox"/> maturity	<input checked="" type="checkbox"/> repurchase offer
<input checked="" type="checkbox"/> maturity (final)	<input checked="" type="checkbox"/> reverse stock split
<input checked="" type="checkbox"/> merger	<input checked="" type="checkbox"/> shareholders meeting
<input checked="" type="checkbox"/> pari-passu	<input checked="" type="checkbox"/> spin-off
<input checked="" type="checkbox"/> partial redemption	<input checked="" type="checkbox"/> stock split
<input checked="" type="checkbox"/> rights issue	
<input checked="" type="checkbox"/> stock dividend	
<input checked="" type="checkbox"/> tender offer	

### 8.2 Dating Conventions

Registration date is the date established by the Board of Directors of the company which serves to identify the shareholders entitled to attend and vote in the GSM. Registration date should be later than the date of the convening notice publication and prior to the GSM.

Record date is set up within the general shareholders' meeting and serves to identify the shareholders who will benefit from dividends or other rights or who will be affected by the decisions from the GSM. The established date shall be subsequent to the date of the general shareholders' meeting by at least 10 working days.

Ex-date is the date falling one settlement cycle (standard settlement cycle is T + 2 working days) minus one business day before the registration date, as of which the financial instruments forming the object of the corporate bodies' resolutions are traded without the rights resulting from such resolution.

Payment date shall be established by the issuer so that it is a business day falling no more than 15 business days after the registration date. In the case of dividends, the general shareholders meeting shall establish as payment date a business day falling no more than 15 business days after the registration date, but no later than 6 months from the general assembly of shareholders establishing the dividends.

### 8.3 Sources of C/A Information

For sources of C/A information we only use the public official data gathered from the Bucharest Stock Exchange announcements section, Official Gazette and the issuers' official website.

### 8.4 Local C/A Specifics

According to the Capital Market Law, all listed securities are in dematerialised form, kept in book-entry accounts.

All securities transfers are processed by the Central Depository (CSD) as direct debit/credit entries to the participant global accounts with CSD. The Central Depository acts as a Registrar.

## 9. PROXY VOTING

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### 9.1 General Characteristics

The announcement of the AGM by the issuer is made at least 30 days in advance, in the Official Gazette. Information should be available on market information channels and an intermediary of media channels, according to the NSC regulations in daily newspapers widely circulated in Romania, on the Bucharest Stock Exchange information system (FTP – File Transfer Protocol) and mandatory in the Official Gazette 30 days in advance.

Shareholders are permitted to vote directly or by an authorised power of attorney.

The owner of the shares after record date is allowed, with no restriction, to sell the shares acquired.

The result of the meeting is available as soon as the minutes are distributed to the shareholders and must be accomplished by the management.

### 9.2 Announcement

The announcement of the AGM by the issuer is made at least 30 days in advance, in the Official Gazette. Information should be available on market information channels and an intermediary of media channels, according to the NSC regulations in daily newspapers widely circulated in Romania, on the Bucharest Stock Exchange information system (FTP – File Transfer Protocol) and mandatory in the Official Gazette 30 days in advance.

### 9.3 Voting Process

The available voting procedures are as follows:

- Direct vote: shareholders may exercise their right to personal vote after proving their identity;
- Shareholders may delegate other persons to represent them and vote in GMs through a special power of attorney. The delegate will be physically present at a GSM. Based on our customer request, a person from the Custody Team represents the client at a GSM;
- Shareholders may vote via correspondence, using the special ballot papers/forms for voting by correspondence.
- Electronic vote is possible if the issuer meets the technical requirements.

Any issuer shall accept a proxy instruction given by a shareholder to a credit institution providing custody services, without requesting any further documents. However, a special proxy should be issued in accordance to the NSC Regulation no. 6/2009, signed by the shareholder, accompanied by an affidavit given by a credit institution, which has been empowered to be a proxy representation mentioning at least the following information:

- The credit institution is providing custody services to the respective shareholder;
- Special proxy instructions are identical to the instructions in the SWIFT message received by the credit institution in order to vote on behalf of the shareholder.
- The special power of attorney is signed by the shareholder/shareholder's legal representative.

The special Power of Attorney (PoA) and above mentioned declaration must be signed, stamped where applicable and submitted to the issuer without further formalities with regards to the form of these documents.

The issuers whose shares are traded on the capital market have to prepare a proxy form in English and Romanian. Documents can be completed in either of the two languages.

The documents required for identification of the shareholder before accepting the voting instruction are:

- Certificate of registration;
- Legal representative empowerment (an extract from the trade registry is required, not older than three months before the GSM announcement);
- List of authorised signatures;
- Identification document for the person who signs the PoA or the voting form:

In some cases the documents submitted in a foreign language – other than English (except for identity documents) shall be accompanied by an authorised translation into Romanian or English.

The forms must be submitted to the issuer in original until the market deadline, which is 48 hours before the shareholders' meeting.

## 10. INCOME COLLECTION

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### 10.1 Dividend payments

Dividends are generally payable on an annual basis. Dividend distribution is announced at the annual general meeting of the issuer. The ex-dividend date is on the second day prior to the record date announced by the company. The Central Depository provides the issuer with the records of the registry on record date. The dividend payment has to be made by the issuer to the account of the local custodian bank, which allocates the payment to the individual accounts of a foreign investor. There are no restrictions on repatriation of dividends for foreign investors. The payment date shall be established by the issuer to be a business day falling no more than 15 business days after the registration date. In the case of dividends, the general shareholders meeting shall establish as payment date a business day falling no more than 15 business days after the registration date, but no later than 6 months from the general shareholders meeting establishing the dividends. Shareholders' accounts are credited with the dividend amount only after the actual receipt from the issuer.

<b>Announcements</b>	Announcements are gathered from multiple official sources (BSE, Official Gazette, issuers' websites, etc.). Then they are introduced in the custody system interface with SWIFT. SWIFT notifications are released to the customers. If necessary, emails are also sent with such notifications.
<b>Dating Conventions</b>	If a company registers profit and the GSM decides to pay dividends, the record date will be set up in the GSM as well. The record date is the date at which the registered shareholders are entitled to receive their dividends.
<b>Payment Execution</b>	The new Romanian legal framework in place defines the payment date for dividends. This shall be decided by the issuer to be a business day falling no more than 15 business days after the registration date, but no later than 6 months from the general shareholders meeting establishing the dividends.

### 10.2 Interest & Maturity Payments

Entitlements are based on the settled position at record date. Payment is done on an actual basis.

All fixed income instruments are issued in a dematerialised form; therefore it is not required to present the coupons to the issuer.

The paying agent is paying the coupon with the same day value date and in accordance with the calendar published. Market practice is that the interest is accrued on a 365-day basis, but the issuer is free to mention in the prospectus whether the interest is calculated on a 365- or a 360-day basis.

<b>Announcements</b>	Notifications are sent via SWIFT messages, and if needed also by email.
<b>Dating Conventions</b>	Interest and maturity payments are settled in accordance with the calendar published.
<b>Payment Execution</b>	Payments are executed and sent to the client account on the day of the receipt of the funds, within the specific date according to the calendar published.

# 11. TAXATION

## 11.1 Withholding Tax

Income earned by non-residents from activities performed in Romania or from Romanian sources is generally subject to a 16% tax, with certain exceptions.

The issuer has the obligation to calculate, retain and pay the tax due to the State Budget.

Tax Rates	Type of Income	Tax Rate
	Interest	16%*
	Dividends	5%
	Royalties	16%

\* Taxpayers resident in an EU or EEA Member State who obtain interest income from Romania may choose to settle the tax withheld by paying corporate income tax for the taxable profit related to this income. In this regard non-residents may register (for corporate tax purposes) in Romania and therefore include to the taxable base any costs related to the interest income earned.

**Relief at Source** Tax relief at source is applicable for income derived from Romanian sources, in accordance with the Romanian fiscal regulations.  
More favorable tax rates/exemptions provided by the Double Tax Treaties concluded by Romania with other jurisdictions may be applied.

In order to apply the favourable fiscal treatment provided by the Double Tax Treaties, the non-resident is required to provide the income payer with a tax residency certificate issued by the relevant authorities, valid for the period when the income was obtained. The tax residency certificate should stipulate that the foreign beneficiary was tax resident during the year(s) in which the Romanian income was received. The tax residency certificate is valid for the year in which the payments are made with an extension of the first 60 days of the following year, provided that the residency conditions have not changed. Otherwise, the withholding tax rates provided by the domestic legislation are applicable.

### Tax Reliefs

Revenues exempt from withholding tax:

- Interest income derived from bonds issued by the Romanian authorities;
- Interest income derived in connection to debt instruments/titles which are issued by Romanian companies based on a prospectus approved by the competent regulatory body;
- Dividends distributed to companies resident in an EU Member State if the recipient company has held, at the time of distribution, a minimum of 10% of the shares of the Romanian company for a continuous period of at least one year (Parent Subsidiary Directive);
- Interest and royalties paid by a Romanian company to a company resident in another EU Member State provided that the non-resident company held, prior to the time of payment of the interest / royalty, at least 25% of the share capital of the Romanian company for a continuous period of at least two years (Interest and Royalties Directive);
- Dividends and interest incomes obtained from Romania by EU and Economic European Area (EEA) registered pension funds.

In order to apply tax exceptions provided by EU Directives, non-residents are required to present a certificate of tax residence and a declaration attesting cumulative fulfilment of the conditions laid down by the respective EU Directive.

### 11.2 Capital Gains Tax

Capital gains obtained by non-residents from the sale of financial instruments held in Romanian companies are taxable. However, the most favourable provisions of the Double Taxation Treaty may be applicable in certain conditions, as described above at paragraph 11.1. The capital gain is defined as the difference between the selling price and the fiscal value. The fiscal value is calculated as the acquisition cost including any commissions, fees or any other amounts paid for the acquisition. The Fiscal Code does not stipulate any specific rule for the allocation of the acquisition price in case of non-resident legal entities, but the method used in the accounting rules of the company (i.e. FIFO, LIFO or Weighted Average Cost) is recognized.

In case of non-resident individuals the sale sequence is FIFO per each symbol and the acquisition price at each purchase date is to be determined upon WAC method.

**Tax Rates** 16%

**Relief at Source** Residents of a country with which Romania has concluded a Double Tax Treaty, should comply with the necessary requirements to avail any benefits outlined in the treaty.

Non-residents have to appoint a fiscal representative with a Romanian fiscal domicile in order to fulfill the obligations toward the tax authorities ( pay the capital gain tax, submit the quarterly fiscal statements to the Romanian authorities and submit the yearly tax return).

Certain non-residents can either appoint a resident fiscal representative in Romania or file directly with the fiscal authorities. This exception is applicable to taxpayers having fiscal domicile in an EU Member State, in the European Economic Area or in a jurisdiction with which Romania has concluded a treaty providing administrative cooperation in the field of taxation.

**Tax Reliefs** The following types of revenues are tax exempt:

- Income of mutual investment funds without legal personality from the transfer of securities owned directly or indirectly in a Romanian legal entity;
- Income earned by non-residents from transfer of bonds issued or guaranteed by the Romanian government;
- Income obtained on foreign capital markets from the transfer of securities issued by Romanian residents;
- Mergers, spin-offs, transfer of assets and exchanges of shares between a Romanian company and a company tax resident in another EU Member State are neutral from a tax perspective, under certain conditions and should not trigger the capital gains tax.

### 11.3 Stamp Duty

Not applicable in Romania.

**Tax Rates** N/A

**Tax Reliefs** N/A

### 11.4 Other Taxes

Health Insurance Contribution

In some circumstance, investment income derived starting 1 January 2017 is subject to health insurance contribution. Foreign individuals who obtain the right to extend temporary residence or domicile in Romania fall under this law provision. The due amount is determined by tax authority decision issued in the year following the reference year by applying the rate of 5.5% to the total amount of investment income earned.

Health insurance contribution is not due for the income derived from investments that are exempt from tax on income, such as income from owning or trading in government securities.

### 11.5 Tax Reclamation Process

In Romania the tax reclaim process is provided by the Methodological Norms on the Fiscal Code.

In the case of capital gains obtained by non-residents, the tax reclaim process is carried-out by the fiscal representative appointed by the client in Romania. In case of tax on dividends, the issuer processes the tax reclaim.

For the income subject to withholding tax, the process is managed by the income payer.

A refund can be claimed if the tax residency certificate is made available within five years following the payment.

### 11.6 Double Taxation Treaties

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

DTTs are listed in the /MARKET/DOCUMENTS section.

### 11.7 Other information

Foreign individuals or entities subject to a fiscal legal relationship have the obligation to register in Romania in order to obtain a fiscal register number (NIF).

Registration with the tax authorities must be made within 30 days of the date of circumstances which gave rise to the obligation occurred.

The registration form shall be submitted directly (legal representative), by the authorized representative or by the income payer to the registry of competent authority or by post as registered mail.

Forms to be submitted:

- Form 015 for entities;
- Form 030 for individuals.

The forms and related filling instructions (in Romanian language) can be accessed at [https://www.anaf.ro/anaf/internet/ANAF/asistent\\_a\\_contribuabili/toate\\_formularele\\_cu\\_explicatii](https://www.anaf.ro/anaf/internet/ANAF/asistent_a_contribuabili/toate_formularele_cu_explicatii)

The forms in English language are available at the following link: [https://www.anaf.ro/anaf/fiscal\\_forms/](https://www.anaf.ro/anaf/fiscal_forms/)

## 12. DISCLOSURE REQUIREMENTS

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### 12.1 Obligations for Issuers

The issuers of listed shares are obliged to inform the BSE about any price sensitive developments. The information has to be published in at least one newspaper widely circulated in Romania. The following information has to be disclosed:

- Consolidated Changes in performing the main activities of the company
- Planned crucial changes in the financial and accounting policy of the company shareholders' meetings
- Changes in management
- Changes in the ownership structure
- New issues of securities
- Decisions on dividends
- Amount of approved capital and related issue of shares
- Change of ownership stake in a company held by a member of managing board or supervisory board.

### 12.2 Obligations for Investors

The following disclosure requirements are in place for local and foreign investors:

Investors are obliged to disclose, through an acquisition or sale, a change of 5, 10, 20, 33, 50, 75 and 90% of the shares of voting rights. The stockholder, whether foreign or domestic, must notify the Financial Supervisory Authority (FSA), the market (BSE) and the company within three business days of the relevant change.

Investors are obliged to disclose information if they act in concert with other shareholders in case of SIFs companies, with whom they hold more than 5%. The law limits the holdings on SIFs at 5%.

Investors that want to purchase 33% of a listed company must obtain prior approval of the Financial Supervisory Authority (FSA).

Investors wishing to acquire 5, 10, 20, 33 or 50% of a bank, must obtain the prior permission of the National Bank of Romania (NBR).

**Obligation for launching offers:** The voluntary takeover bid is a public purchase offer addressed to all shareholders, for all their holdings, launched by a person who does not have this obligation, in order to acquire more than 33% of the voting rights.

**Mandatory takeover bids:** A person who, as a result of their purchase or those of the persons acting in concert with, holds more than 33% of the voting rights in an undertaking must launch a public offer addressed to all securities holders for all their holdings as soon as possible, but no later than two months from reaching this holding position.

**The obligatory withdrawal of shareholders from an undertaking:** Following the public purchase offer addressed to all shareholders for all their holdings, the offerer has the right to demand the shareholders which have not subscribed to the offer, to sell to them the shares at a reasonable price, if they are in one of the following situations:

- They hold shares accounting for more than 95% of the share capital.
- They have acquired within the public purchase offer addressed to all shareholders and for all their holdings, shares accounting for more than 90% of those targeted by the offer.

### 12.3 Violation Consequences

The Capital Market Law 297/2004 provides administrative, disciplinary and penal sanctions in case of a breach of the provisions and of the regulation adopted in the law application.

Failure to comply with the above law will result in the following penalties:

- Up to RON 5,000 for individuals;
- Maximum 5% from the share capital for companies;
- Suspension of activities related to the capital market.

In case of breaching the provisions of the norms related to the holding directly or indirectly of more than 5% from the share capital of a financial investment company (SIF), the following penalties will be applied by the Financial Supervisory Authority:

- A warning;
- RON 10,000 to 100,000 fine for individual entities;
- 0.1% to 10% applied to the company turnover for the previous financial year for legal entities.

## 13. ACCOUNT MANAGEMENT

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### 13.1 Common Account Structures

Securities account structure:

Global accounts are opened by the intermediaries (i.e. brokers and custodians) at the depositories' level and have disclosure requirements. The market regulations provide segregated accounts in the name of a beneficial owner to be kept in the intermediaries' books. The segregation is required for all types of listed and traded securities. The segregation is kept per beneficial owner, based on the account opening documentation received.

Cash account structure:

UniCredit Bank Romania opens:

- Loro accounts for banks, opened as omnibus accounts. In this case all securities accounts linked to this type of cash account have access to the respective funds.
- Client accounts for other entities, opened as segregated accounts.

### Segregated Accounts

Global accounts are opened by participants at CSD level. As per the regulations in force, individual sub-accounts are opened at the intermediaries' level (i.e. custodians or brokers). The segregated securities accounts are opened for each underlying client based on the documentation received by the market participant. The segregated accounts shall comply with the market disclosure requirements. The disclosure is mandatory and shall be submitted to the CSD twice a year and on the issuer's requests. Disclosure reports are mainly required in relation to corporate actions. The disclosure is made based on CSD requirements addressed to participants and is mandatory.

For the Central Bank, omnibus accounts in the name of participants with the mention "clients" are opened. Segregated accounts in the name of clients are used only in case of the participation at the primary market. However, sub-accounts are opened at the intermediaries' level.

### Nominee/Omnibus Accounts

The nominee concept is not recognised in the Romanian capital market. Global accounts with mandatory disclosure requirements are opened by the market intermediaries at the depositories. Segregated sub-accounts are kept at the intermediaries' level.

Currently, there are no plans to introduce nominee accounts in the Romanian market.

### 13.2 KYC/AML Requirements

- Law no. 656/2002 for the Prevention and Sanctioning of Money Laundering and for the Implementation of Certain Measures for Preventing and Combating Terrorism Financing transposes the EU Directive 2005/60/EC ("Third AML Directive").
- Government Decision no. 594/2008 regarding the approval of the Regulations of application of the provisions of Law no. 656/2002 for the prevention and sanctioning of money laundering, as well as for establishing certain measures for preventing and combating terrorism financing.
- The National Bank of Romania Regulation no. 9/2008 regarding Know Your Customer procedures in order to prevent money laundering and terrorism financing.

The above local regulations, among others, regulate the following topics: customer due diligence, transaction monitoring, external reporting process and reporting of suspicious transactions, staff recruiting and training, recording and record keeping of information.

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as of 19 June, 2017

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