

Extract from the Regulation on transactions of the BC „Moldindconbank” S.A. with its related persons, approved by the Bank's Board of Directors

1. General provisions

1.1. The Regulation on transactions of the BC „Moldindconbank” S.A. with its related persons (hereinafter Regulation) transposes requirements on the activity of the BC „Moldindconbank” S.A. (hereinafter Bank) with its related persons, including the conclusion of transactions.

1.2. The Regulation is developed in accordance with the provisions of the following normative acts and internal normative documents:

- 1) [Law on banking activity no. 202 of 06.10.2017](#);
- 2) [Regulation on the bank's transactions with its related persons, approved by the Decision of the Council of Administration of the National Bank of Moldova no.240 of 09.12.2013, as amended and supplemented](#);
- 3) [Regulation on large exposures, approved by the Decision of the Executive Board of the National Bank of Moldova no.109 of 05.04.2019](#);
- 4) [Regulation on banking activity management framework, approved by the Decision of the Executive Board of the National Bank of Moldova no.322 of 20.12.2018, as amended and supplemented](#);
- 5) [Regulation on requirements for the members of the bank's governing body and financial holding company or mixed-financial holding company, for the directors of a branch of a bank from another member state, for key function holders, and for the liquidator of a bank in process of liquidation, approved by the Decision of the Executive Board of the National Bank of Moldova no.292 of 29.11.2018, as amended and supplemented](#);
- 6) [Statute of the Commercial Bank „Moldindconbank” S.A., approved by the Decision of the Annual Ordinary General Meeting of Shareholders of the Bank of 20.04.2018 \(minutes no.01\)](#);
- 7) Other normative acts and internal normative documents of the Bank.

1.3. The purpose of the Regulation is to:

- 1) Ensure the internal regulatory framework on the Bank's activity with its related persons, including transposition of the requirements to the conclusion, approval, registration, accomplishment, review, reporting and disclosure of transactions with the Bank's related persons, as well as related risk management;
- 2) Transpose maximum exposure limits for transactions with persons related to the Bank;
- 3) Establish the responsibilities of the governing body of the Bank and of the Bank's subdivisions regarding the persons related to the Bank and the transactions concluded with them.

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2. Transactions and other relationships with persons related to the Bank

Section 1. General provisions

2.1. The expectations of the governing body of the Bank, regarding the related persons of the Bank and transactions with them are:

- compliance with the provisions of normative acts and internal regulations of the Bank on the persons related to the Bank and transactions with them;
- protection of customers' interests;
- protection of shareholders' interests;
- protection of the Bank's interests;
- prevention of conflict of interest situations;
- engagement of the Bank in safe and prudent transactions and relationships with its related persons, within the limits and in compliance with the legislation in force, in order to avoid the involvement of the Bank in excessive risks, including risks related to the deterioration of the Bank's reputation and ensuring the trust of the general public;
- compliance with the maximum allowable limits for transactions with persons related to the Bank;
- management of risks of transactions with persons related to the Bank.

2.2. Transactions and other relationships with persons related to the Bank, including related to the affairs of members of the Bank's governing bodies, must reflect the interests of the Bank and may not be carried out on more advantageous terms for those persons than with unrelated persons (except for employees of the Bank who are not affiliated to the Bank), as well as, can not be carried out in violation of the limits and provisions laid down in the Regulation.

Furthermore, these relationships cannot in any way compromise decision-making and harm the Bank.

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The numbering of the points is indicated according to the Regulation.

2.3. At least the following conditions are considered to be more advantageous for persons related to the Bank than those provided for unrelated persons to the Bank (except for employees of the Bank who are not affiliated to the Bank):

- a) acceptance of a pledge with a market value lower than a similar pledge requested from other Bank's customers;
- b) purchase of immovable property of low quality or at a price higher than the price of similar immovable property on the market;
- c) making investments in the securities of the related person that the Bank would not have made in the case of other persons;
- d) payment of goods or services procured from a related person at a price higher than the price for similar goods and services on the market or in circumstances where the same goods or services would not have been procured from another person;
- e) sale to an affiliate of the Bank of an asset at a lower price than that which would be charged in the event of a sale of the asset to another person.;
- f) setting a lower interest/ commission rate for the service provided than if the same service was provided to another person under general conditions;
- g) setting a higher interest rate for the accepted deposit than if the same deposit was accepted from another person under general conditions.

2.4. The Bank will carry out transactions with its related persons only after the accumulation of sufficient information (documents) to substantiate the economic advantage for the Bank of those transactions, as well as to assess their risks. Any transaction with persons related to the Bank will be concluded only if it represents a prudent and sound financial and managerial relationship with appropriate documentation.

2.5. Transactions with the related persons will not be initiated if the existence or lack of affiliation with the Bank cannot be identified and verified for those persons.

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2.10. The persons related to the Bank can not use the property of the Bank (offices, storage facilities, vehicles, technical equipment and other property) under the circumstances and conditions that are more favorable than those offered to unrelated persons to the Bank. The circumstances and conditions of use by a person of the Bank's property are set out in the internal normative documents of the Bank.

2.11. The Bank can not offer gifts and other benefits to its affiliates on terms that are more favorable than those offered to unrelated persons to the Bank, except as otherwise expressly provided in the internal regulations of the Bank.

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2.13. The Bank ensures sound risk management practices regarding the Bank's transactions with its related persons by identifying, quantifying, monitoring and controlling the risk related to the Bank's affiliates. The risks most often associated with transactions with persons related to the Bank are reputational risk, credit risk, liquidity risk and operational risk.

Risk management most often associated with the Bank's transactions with its related persons is carried out in accordance with the Bank's normative documents for each type of risk.

2.14. The Bank informs its related persons by placing on its official website www.micb.md the extract from the internal rules on the related persons of the Bank and transactions with them, and/or information of strategical provisions of the Bank with regard to the risk management related to the transactions with its affiliates, as well as, the Bank brings into the attention of the persons related to the Bank the provisions of the internal regulations on the affiliates of the Bank in the event of termination of the transactions.

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Section 2. Transactions of the Bank with its related persons

2.16. Credit activity/placements:

2.16.1. The Bank may grant credits/ carry out placements to its related persons according to the internal normative documents of the Bank regulating these processes in relation to all customers of the BC „Moldindconbank” S. A., conditional on compliance with the provisions of the Regulation.

2.16.2. The Bank may grant loans / carry out placements to its related persons under the same conditions as to unrelated persons (except for employees of the Bank who are not affiliated to the Bank). The Bank may not collect from its related persons interest and commissions lower than it charges under similar conditions from unrelated persons (except for employees of the Bank who are not affiliated to the Bank).

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2.16.3. The Bank is obliged to submit the same requirements to its related persons on the insurance of repayment of the credit, the terms of payment of the credit/carrying out the placement, the presentation of information to the financial statement, and information to the actual use of the credit.

2.16.4. When granting credits/making placement to its related persons, the risk of reimbursement assumed by the Bank shall not be higher, than in the case of granting credits / making placement to unrelated persons.

2.16.5. The Bank applies the same measures to its related persons when repaying credits / placements made, as to the unrelated persons.

2.17. Accepting deposits/ obtaining loans

2.17.1. The Bank can accept deposits/ obtain loans from its related persons in conformity with the internal normative documents of the Bank's regulating these processes in relation to all customers of the BC „Moldindconbank” S. A., conditional on compliance with the provisions of the Regulation.

2.17.2. The Bank can accept deposits/obtain loans from related persons for the same term and under the same conditions as for the unrelated persons.

2.17.3. The Bank is not entitled to pay its related persons higher interest rate/commissions on deposits/loans than to other persons on such deposits/loans.

2.17.4. The Bank is not entitled to create more favorable conditions for the deposits/loans to its affiliates and to allow overdrafts (debit balance on the accounts of the liabilities), under such conditions, on the accounts of the respective related persons of the Bank.

2.18. Conclusion of other transactions (except those specified in p.2.16 and p.2.17)

2.18.1. The Bank can conclude other transactions (except those specified in p.2.16 and p.2.17), with its related persons in conformity with the internal normative documents of the Bank regulating these processes in relation to all customers of the BC „Moldindconbank” S. A., conditional on compliance with the provisions of the Regulation.

2.18.2. The Bank can conclude other transactions (except those specified in p.2.16 and p.2.17) with its related persons for the same term and under the same conditions as for the unrelated persons.

2.18.3. The Bank is not entitled to collect and/or pay its related persons a higher interest rate/commissions at the conclusion of other transactions (except those specified in p.2.16 and p.2.17), than other persons on such transactions.

2.18.4. The Bank is not entitled to create more advantageous conditions for its related persons at the conclusion of other transactions (except those specified in p.2.16 and p.2.17), than for other persons on such transactions.

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3. Maximum limits

3.1. The amount of the exposure, as a result of the effect of credit risk mitigation in accordance with chapters VI-IX of the Regulation on large exposures, to a related person of the Bank and/or a group of customers in relation to a related person of the Bank, shall not exceed 10% of the eligible capital of the Bank.

3.2. The sum of the aggregate amount of the exposure of the Bank to the related persons and/or groups of customers in relation to the related persons of the Bank, as a result of the effect of credit risk mitigation in accordance with the provisions of chapters VI-IX of the Regulation on large exposures must not exceed 20% of the eligible capital of the Bank.

3.3. The Bank is obliged at all times to comply with the limits set out in this chapter.

3.4. If the limits set out at p.3.1 and 3.2 are violated at the same time and the National Bank of Moldova exercises the powers set out at art.139 para.(3) letter n) of the Law on banking activity no.202 of 06.10.2017, the highest amount exceeding the limits set at one of those points shall be deducted from own funds.

4. Approval and registration of transactions with persons related to the Bank

4.1. Any transaction with a related person of the Bank, the value of which exceeds the equivalent of 1 million lei or the value thereof cumulated with all other transactions with the person related to the Bank or to customers in relation with the related person of the Bank, and leading to the concerned amount excess, must be approved, prior to the conclusion/change in the terms of the contract, by a vote of at least a majority of

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the members of the Board of Directors of the Bank, and when the value does not exceed the equivalent of 1 million lei it is approved by the Executive Board of the Bank.

For determining whether or not the threshold set out at this point is exceeded, the transaction values leading to the formation of exposure to the Bank shall be cumulated separately from the transaction values not leading to the formation of exposures to the Bank.

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4.7. The person related to the Bank who has a material interest in a transaction must leave any meeting at which this transaction is considered.

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4.9. The volume and correctness of the approval of transactions with related persons of the Bank by the Executive Board of the Bank according to p.4.1 of the Regulation are regularly reported, at least quarterly, by the Internal Audit Department to the Bank's Board of Directors.

4.10. When a relationship subsequent to the completion of a transaction between the Bank and a person appears, as in the manner and time-limits laid down in the Regulation, the Board of Directors will be informed of the occurrence of the respective affiliation and of existing transactions and, as applicable, will be taken as necessary steps for the purpose of complying with the provisions of the Regulation, including the review of the transactions concerned in the assessment of the associated risks and the elimination of conditions that are advantageous by the case.

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4.12. In order to comply with the normative acts on the related persons in force, it is held and maintained the Register of persons related to the Bank and the Register of transactions with persons related to the Bank. The transactions with the persons related to the Bank shall be entered in the respective register, indicating the type of the transaction, the date of conclusion of the transaction, the contract number, the amount and its terms. In case of credit/loan transactions, the insurance and their insurer shall be indicated. The term for keeping records in both registers is 5 years from the date of termination of affiliation and/or bonds.

4.13. In order to prevent excessive risks related to transactions with affiliates of the Bank, the Board of Directors shall review, at least once a year, the transactions of the Bank with those of its affiliates that were in existence at the time of the review, and ensures that the company, as appropriate, measures to mitigate those risks.

4.14. The Bank identifies, collects and verifies the information about its related persons according to the Procedure on establishment and management of the Register of persons related to the BC „Moldindconbank” S.A.

4.15. The Bank periodically identifies and assesses the material interests of the Bank's related persons according to the Procedure on establishment and management of the Register of persons related to the BC „Moldindconbank” S.A.

4.16. The Bank accumulates the financial statements (the financial statements, including the profit/revenue) of the debtors of the Bank, including of those related to the Bank, in accordance with the Procedure on financial statements of the debtors of the Bank.

5. Reporting

5.1. According to the Instruction on compilation and submission by banks of reports for prudential purposes, approved by the DCA no.279 of 01.12.2011, as amended and supplemented, the Bank shall submit to the National Bank of Moldova the monthly Report on the Bank's exposures to the related persons (form code ORD0302), and the quarterly Report on persons related to the Bank (form code ORD0305), and Report on information relating to the transactions of the Bank with its related persons, other than exposures (form code ORD0321).

5.2. According to the Instruction on compilation and submission by banks of FINREP reports at individual level, approved by the DEC of the NBM no.42 of 02.03.2018, the Bank presents the Report F 31.00 – Related parties, to the National Bank of Moldova on a quarterly basis.

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6. Responsibilities

6.1. **Board of Directors** is responsible for:

6.1.1. Approval of transactions with persons related to the Bank according to the powers and provisions of the Regulation.

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6.1.2. Ensuring that all transactions between the Bank and its related persons are carried out in the interest of the Bank and are properly monitored and controlled.

6.1.3. Proper monitoring and management of current and potential conflicts of interest between the interests of the Bank and its related persons.

6.1.4. Review at least once a year of the Bank's transactions with its related persons existing at the time of the review and ensuring the undertaking, where appropriate, of the necessary measures to mitigate their risks.

6.1.5. Adopting appropriate procedures to ensure that any relationship of the Bank with its related persons is a prudent and sound financial and managerial relationship with appropriate documentation;

6.2. **Executive Board** is responsible for:

6.2.1. Approval of transactions with persons related to the Bank according to the powers and provisions of the Regulation.

6.2.2. Adopting clear procedures regarding the knowledge of the Bank's related persons, including knowledge of all criteria for the affiliation of the Bank's Board of Directors' members and the Bank.

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Date: 19.07.2019

Section of registry of shareholders and related persons
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