BVB DIRECTOR'S CONSOLIDATED REPORT

2019

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Note

The report herein presents the annual consolidated financial results of the Bucharest Stock Exchange, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in compliance with the rules and regulations of the Financial Supervisory Authority (FSA). The financial results as at 31 December 2019 are audited.

The financial ratios presented in the executive management commentary which are expressed in million RON are rounded to the nearest integer and may result in small reconciliation differences.

The information presented in the report herein are compliant with the FSA Rule no. 39/2015 for the approval of accounting regulations compliant with the International Financial Reporting Standards, applicable to entities regulated, authorized and/or supervised by the FSA, within the Financial Instruments and Investments Sector, as well as with the FSA Regulation no. 5/2018 on issuers of financial instruments and market operations (the information presented herein is equivalent to that required by Annex no. 15).

In order to comply with the requirements of FSA Rule no. 39/2015, the BVB Board of Governors, the parent company of BVB Group, has the obligation to prepare the consolidated directors' report that presents the development and performance as well as the financial position of the entities included in the consolidation process. BVB shall not prepare a directors' report for the parent company and shall include all relevant information in the consolidated directors' report, in accordance with art. 30, par. (4) of the FSA Rule no. 39/2015.

Message from the BVB Chairman

The Romanian capital market witnessed in 2019 one of its best years in modern history, and I am not saying this from the point of view of the market evolution, which was exceptionally high but outside our control. I believe 2019 was the „pivotal year": following the initiatives we had undertaken at the level of the Bucharest Stock Exchange (BVB) and due to the energies we had managed to amass at the market level, we succeeded in building up the most important pillars to support a new version of the stock exchange, BVB 2.0, which has a chance to become reality in 2020, when we celebrate 25 years since the re-establishment of the Romanian stock exchange.

The most important acknowledgment of our efforts to develop came from one of the leading global index providers, and it marked a truly historic moment for Romania. FTSE Russell promoted Romania to Emerging Market from Frontier Market status, as announced last year on September 26th. The decision came after Romania has been retained on the Watch List for three consecutive years. The reclassification from Frontier to Emerging status will become effective in September this year. It took us an enormous amount of work to meet all the 9 quality criteria, including the liquidity criterion, required for Secondary Emerging market status within the FTSE Country Classification scheme.

In order to reach the new status, significant improvements were speeded up and turned into reality in about one year and a half. We did everything in our power in this limited timeframe to meet all the criteria needed for the upgrade. Criteria which were previously rated as <<not met>> no longer have that label, while the OTC liberalization also became effective. This new status represents an acknowledgment of the progress of the local capital market and represents a step of paramount importance in its future development.

The future development of the market needs to come from us. That is why the Central Counterparty (CCP) clearing company will create the framework that will allow for a significant improvement in the liquidity. The CCP project will host the infrastructure that will relaunch the derivatives market in Romania, and at a later stage will allow sophisticated investors to access new financial instruments. We have started this journey focused on one goal: to enhance liquidity in the medium and long term, and to offer to investors the tools they need to make the market even more appealing.

In order to develop the local market, the Bucharest Stock Exchange together with eight other shareholders had partnered to set up the company which would operate as the local central counterparty. The legal entity is called CCP.RO Bucharest S.A. and was registered with the National Trade Register Office on November 4, 2019. CCP.RO will relaunch the derivatives market in Romania and will provide new mechanisms for mitigating and transferring the risks for the markets operated by BVB and OPCOM, thus enhancing the confidence and activity in these markets. Once the authorization process takes place, we will be able to relaunch the derivatives market. Aside from this project dedicated to making the secondary market more efficient, we have also established the framework to enhance liquidity by offering the issuers the option to close Market-Making contracts with the brokerage companies, and this possibility is being increasingly used.

Our goal for the next 10 years is to double the stock market weight in the economy – when taking into account the capitalization of the Romanian listed companies as a percentage in the DGP – from the current level of 10% to 20% in the GDP. In order for the stock market to have a greater weight in the economy, BVB's efforts should be doubled by the backing of the authorities to encourage new companies to go public and to stimulate the population to invest in financial instruments.

For retail investors, we continued the successful programs to promote the capital market among the general public. To bring us closer to the community of investors, current or potential investors, BVB started from 2019 to organize the Forum of Individual Investors also in other cities in the country, for example, the ninth edition of the Forum was organized in May 2019 in Cluj-Napoca. We have also kept the edition from Bucharest, which took place last

November and where 900 signed up to attend. The forum has taken on a much more dynamic tone in recent years, and the talks have become more and more engaging for both participants and speakers as Romanians realize that part of their savings can be held with confidence in securities.

The financial education program Fluent in Finance continued in 2019 and we are delighted that, in total, we reached a cumulative audience of over 18,000 people at the 295 seminars organized during the first four and a half years of the program. So far, 100 seminars had been organized at 43 companies, 75 seminars within 20 universities in 11 cities (Alba-Iulia, Brasov, Bucharest, Cluj-Napoca, Constanta, Iasi, Oradea, Sibiu, Suceava, Tg. Mures, Timisoara), another 85 seminars were for students from various schools in Bucharest and other cities in the country, while 35 seminars dedicated to individuals were organized in Alba-Iulia, Brasov, Bucharest, Cluj-Napoca, Constanta, Iasi, Oradea, Ploiesti, Sibiu and Timisoara.

Made in Romania, the program dedicated to Romanian entrepreneurs, has reached the fourth edition, which is about to be launched soon. Through this program, we were able to highlight the Romanian companies with development perspectives and to present to the entrepreneurs a diversified range of financing instruments meant to offer solutions complementary to those offered by the banking system. Some of these companies included in the program used the stock exchange mechanisms via bond or equity issues. This reinforces our belief that "Made in Romania: BVB League" is an efficient program and encourages us to develop it so that, together with our partners, we can guide Romanian entrepreneurs towards a sustainable development of their businesses.

As for 2020, we are confidently looking ahead and we are monitoring the international context, which is described as highly volatile. The external influence aside, the domestic factors could also trigger misalignments to the trend of international markets. It is difficult, at this moment, to imagine that we will have in 2020 a growth rate similar to that of 2019, namely 35% for BET or 47% if we take into account the dividends. Should disruptive factors not occur, nor should the Romanian economy slow down, the publicly traded Romanian companies have solid foundations to contribute to the overall growth of the market this year as well.

In 2020, we will be celebrating 25 years of modern stock market in Romania. It is the year when the Central Counterparty and the Secondary Emerging Market status become reality. We will be able to say the Romanian stock exchange upgrades to stock exchange version 2.0 and enters a new stage, more updated and better anchored in the context, and allows companies to have better exposure and investor to have more possibilities to trade their investment ideas.

Radu Hanga

BVB Chairman

Executive summary

Key events, 2019

- The BET index, including the most liquid companies with the exception of Financial Investment Companies, ended the year at 9,977.3 points, very close to the 10,000 points threshold, recording an advance of 4.2% in Q4. This brought the full-year result to 35.12% growth
- The BET-Total Return (BET-TR), including the dividends of the BET companies, mirrored its counterpart in Q4 with 4.2% advance and witnessed an increase of 46.9% for the full year 2019
- At the end of 2019, the market value of all the companies listed on the Main Market of BVB reached RON 180.8 bn, the equivalent of EUR 37.8 bn
- The primary bond market broke a record with 10 new listing in Q4 2019. 5 listings took place on the main regulated market while the other half were done on the alternative platform. The 10 issuers raised in total RON 1.43 bn (EUR 300 mn)
- The total trading value on the regulated shares market, excluding offers, -3% from RON 9.68 bn to RON 9.38 bn
- Transactions with shares, excluding offers, accounts for 77% of the total traded value in 2019, respectively 68% in 2018
- The total traded value for all markets, including offers, -15%, from RON 14.225 bn to RON 12.155 bn, due to the decrease of offers on the main equity market with RON 1.48 bn
- In November 2019, the company CCP.RO Bucharest SA (CCP.RO) was incorporated, with a share capital of RON 79.80 mn, of which Bucharest Stock Exchange (BVB) holds 59.52% representing RON 47.50 mn. CCP.RO is considered a subsidiary within the BVB Group and has been included in the consolidated financial statements of BVB.

Evolution of financial performance, 2019 - consolidated results BVB Group

- The consolidated operating revenues of the Bucharest Stock Exchange (BVB) Group in 2019 were RON 34.96 mn, -12% compared to 2018 (2018: RON 39.82 mn), a decrease determined by the trading segment (BVB individual) as well as the registry segment - Central Depository (DC)
  - Revenue from trading segment – (BVB), RON -4.57 mn (from RON 23.93 mn to RON 19.36 mn) as a result of the decrease of the total value of the “offers” transactions carried out on the BVB markets with impact of RON -3.78 mn in revenues
  - The revenues related to the post-trading segment (DC) increased by 1% (from RON 10.11 mn to RON 10.25 mn) as a result of the advance of the revenues from the cross-border settlement services while the revenues related to the registry segment (DC) decreased by 12% (from RON 5.26 mn to RON 4.62 mn) as a base effect, considering the "one-off" revenues registered in the first half of 2018

  Individual preliminary results:

  - Revenue from trading – BVB Individual*, RON -4.57 mn (from RON 24.25 mn to RON 19.68 mn) as a result of the decrease of the total value of the “offers” transactions carried out on the BVB markets with impact of RON -3.78 mn in revenues
  - DC Individual* revenues, -0.51mn in 2019 compared to 2018, from RON 15.48 mn to RON 14.97 mn

** including intra-group transactions*

- The consolidated operating expenses - 2019, +1%, respectively RON 0.22 mn, from RON 30.94 mn to RON 31.16 mn mainly as a result of the advance of other operating expenses (mainly amortization and depreciation as result of IFRS16 application), by 8% or RON 0.79 mn
  - Operating expenses, **BVB individual***, 2019, -3%, from RON 17.09 mn to RON 16.62 mn mainly due to the reduction of the expenses with the services provided by third parties (respectively of the expenses with consulting services)
  - Operating expenses, **DC individual***, 2019, +4%, from RON 13.37 mn to RON 13.86 mn mainly due to the advance of the other operating expenses with RON 0.25 mn, expenses being influenced by the reauthorization process according to the legal requests and personnel expenses

- The consolidated operating profit of the BVB Group - 2019, -57%, from RON 8.88 mn to RON 3.80 mn, result of the combined effect of the decrease of the operating revenues by 12% and the increase of the operating expenses by 1%
  - Operating profit, **BVB individual*** - 2019, -57%, from RON 7.16 mn to RON 3.06 mn, with 16% operating margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
  - Operating profit, **DC individual*** - 2019, -47%, from RON 2.10 mn to RON 1.11 mn, with 7% operating margin. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

- The net financial income - 2019, + 15%, from RON 3.63 mn to RON 4.19 mn, mainly determined by the advance of the unrealized exchange rate differences from the revaluation of the financial instruments in foreign currency that generated a gain of RON 1.02 mn vs. RON 0.68 mn in 2018, but also as a result of the sale of financial assets (government securities) that generated a gain of RON 0.54 mn. Also, the application of IFRS16 generated a financial expense (interest related to operating lease) of RON 0.2 mn.
  - Net financial income, **BVB individual*** - 2019, + 23% or RON 0.92 mn, from RON 4.03 mn to RON 4.95 mn, and includes the dividend income from the Central Depository of RON 1.38 mn. For the trading segment values, excluding dividend income from the Central Depository - see *Note 6 Segment reporting*
  - Net financial income, **DC individual*** - 2019, + 30% or RON 0.16 mn, from RON 0.53 mn to RON 0.69 mn. For the post-trading and registry segment values - see *Note 6 Segment reporting*

- The consolidated net profit of the BVB Group - 2019, -34%, from RON 10.19 mn to RON 6.72 mn, 78% being generated by the Group's trading segment
  - Net profit, **BVB individual*** - 2019, -27%, from RON 9.49 mn to RON 6.96 mn, with 35% net margin. This includes intra-group transactions (for trading segment values, excluding intra-group transactions - see *Note 6 Segment reporting*)
  - Net profit, **DC individual*** - 2019, -30%, from RON 2.27 mn to RON 1.59 mn, with 11% net margin. This includes intra-group transactions (for post-trading and registry segments values, excluding intra-group transactions - see *Note 6 Segment reporting*)

** including intra-group transactions*

Financial highlights

Consolidated financial results – BVB Group (RON mn, unless otherwise stated)

	2019	2018	Change (%)
Operating revenue	34.96	39.82	-12%
Operating expenses	31.16	30.94	1%
Operating profit	**3.80**	**8.88**	**-57%**
Operating margin	*11%*	*22%*	
Net financial revenue/(expenses)	**4.19**	**3.63**	**15%**
Profit before tax	8.05	12.49	-36%
Profit from continuing operations	6.72	10.44	-36%
Profit from discontinued operation	-	(0.25)	-
Profit for the period	**6.72**	**10.19**	**-34%**
Net margin	*19%*	*26%*	
Total comprehensive income	**6.46**	**10.19**	**-37%**
EPS attributable to owners (RON/share)	0.7959	1.2111	-34%
Return on equity	*4%*	*8%*	

Consolidated financial position – BVB Group (RON mn, unless otherwise stated)

	31 Dec. 2019	31 Dec. 2018	Change (%)
Total assets, out of which:	**217.63**	**214.13**	**2%**
Cash & cash equivalents	*81.71*	*35.29*	*132%*
Financial assets at amortised cost	*37.12*	*53.50*	*-31%*
Restricted financial assets at amortised cost	*57.42*	*88.14*	*-35%*
Payables, out of which:	**67.68**	**93.71**	**-28%**
Trade and other payables	*41.33*	*71.17*	*-42%*
Equity, out of which:	**149.95**	**120.43**	**25%**
Total shareholders' equity attributable to the owners of the Company	*107.84*	*110.24*	*-2%*
Non-controlling interests	*42.11*	*10.19*	*313%*

Individual financial performance – BVB only, (RON mn, unless otherwise stated), including intra-group transactions

	2019	2018	Change (%)
Operating revenue	19.68	24.25	-19%
Operating expenses	16.62	17.09	-3%
Operating profit	**3.06**	**7.16**	**-57%**
Operating margin	*16%*	*30%*	
Net financial revenue/(expenses)	**4.95**	**4.03**	**23%**
Profit before tax	8.07	11.17	-28%
Profit for the period	**6.96**	**9.49**	**-27%**
Net margin	*35%*	*39%*	
Return on equity	*7%*	*9%*	

Individual financial position – BVB (RON mn, unless otherwise stated)

	31 Dec. 2019	31 Dec. 2018	Change (%)
Total assets, out of which:	**110.93**	**111.98**	**-1%**
Cash & cash equivalents	*1.99*	*34.90*	*-94%*
Financial assets at amortised cost	*25.19*	*40.53*	*-38%*
Investments in subsidiaries	*67.96*	*20.46*	*232%*
Payables, out of which:	**4.48**	**3.78**	**12%**
Trade and other payables	*2.60*	*2.82*	*-8%*
Equity, out of which:	**106.45**	**108.20**	**-2%**
Share capital	*80.49*	*80.49*	*0%*
Share premium	*6.30*	*6.30*	*0%*

Share statistics for BVB as parent company (RON, unless otherwise stated)

	2019	2018	Change (%)
Closing price (e-o-p)	25.80	21.00	23%
Weighted average price	24.06	25.87	-7%
High (intraday)	27.50	30.70	-10%
Low (intraday)	21.10	20.40	3%
Total trading value (RON mn)	20.50	32.54	-37%
Average trading value (RON mn)	0.08	0.13	-37%

Operating highlights, trading segment (RON mn, all markets)

Trading value	2019	2018	Change (%)
Shares, units, rights	9,956	11,682	-15%
Out of, Shares traded on regulated market, without offers	*9,378*	*9,680*	*-3%*
Certificates	186	336	-45%
Fixed-income	2,014	2,207	-9%
Total	**12.155**	**14.225**	**-15%**
Avg. daily value (shares, without offers)*	38.59	45.27	-15%
Avg. daily value (shares, including offers)*	38.59	46.02	-16%

*Value for the Regulated market

Operating indicators, post-trading and registry segments

	2019	2018	Change (%)
No. companies with registry contract at CSD	870	888	-2%
No. procedures resulted from issuers' corporate events	378	349	8%
Local settlement			
Value of trades settled on net basis (RON bn)	27.13	28.27	-4%
Value of trades settled on gross basis (RON bn)	3.31	4.09	-19%
Settlements through T2S platform (euro)			
Value of trades settled on gross basis (EUR mn)	116.31	672.42	-83%
Avg. monthly portfolio managed by custodians (RON bn)	42.98	41.02	5%

BVB Group information

Identification data

34-36 Carol I Blvd., floors 13-14, District 2, Bucharest
Address

J40/12328/2005
Trade Register No

17777754
Tax Identification Number

The Bucharest Stock Exchange (BVB) was established on 21 June 1995 as a public non-profit institution, based on the Decision of the National Securities Commission (NSC) no. 20/1995 and in July 2005 it became a joint stock company.

BVB is the leading exchange operator in Romania and operates several markets:

- The Regulated Market where financial instruments such as shares and rights issued by international and Romanian entities, debt instruments (corporate, municipality and government bonds issued by Romanian entities and international corporate bonds), UCITs (shares and fund units), structured products, tradable UCITS (ETFs) are traded;
- AeRO Shares Market, designed for start-ups and SMEs, launched on February 25, 2015;

Main activity

Administration of financial markets
NACE code 6611

BVB's operating revenues are generated mainly from the trading of all the listed financial instruments, from fees charged to issuers for the admittance and maintenance to the trading system, as well as from data vending to various users.

Share tickers

BVB
BVB RO (Bloomberg)
BBG000BBWMN3 (Bloomberg BBGID)
ROBVB.BX (Reuters)
ROBVBAACNOR0 (ISIN)

Since 8 June 2010, BVB is a listed company on its own spot regulated market and is included in the Premium Tier. The company's share capital consists of 7,674,198 shares with a nominal value of RON 10.

In accordance with the provisions of article 136 paragraph 5 of Law no. 126/2018 on financial instruments, no shareholder of a market operator can hold, directly or indirectly, more than 20% of the total voting rights. At the end of December 2019, there were no shareholders holding stakes exceeding this threshold.

As at 31 December 2019, the company's shareholders' structure was as follows: Romanian legal entities 73.07%, foreign legal entities 7.25%, Romanian individuals 17.39%, foreign individuals 1.99%, own shares held by BVB, 0.30%.

BVB is included in indices focused on listed exchanges and other trading venues (FTSE Mondo Visione Exchanges Index and Dow Jones Global Exchanges Index), as well as in local market indices: BET and its total return version BET-TR, BET-XT and BET-XT-TR, BET-BK, BET Plus, ROTX.

Subsidiaries

BVB is the parent company of BVB Group, which includes the following subsidiaries:

- Central Depository (Depozitarul Central), 69.04% owned by BVB, performs clearing / settlement operations for transactions with securities carried out at BVB and keeps the register of shareholders;
- Investors' Compensation Fund (Fondul de Compensare a Investitorilor), 62.45% owned by BVB, pays compensations when fund members fail to return the money or the financial instruments owed by or belonging to investors, which have been held on their behalf for the provision of financial investment or individual investment portfolio management services;
- Corporate Governance Institute (Institutul de Guvernanta Corporativa), fully owned by BVB, offers training services to listed companies and capital market participants, in corporate governance and sustainable development areas.
- CCP.RO Bucharest, 59.52% owned by BVB, was registered at the Trade Register on November 4, 2019 and aims to ensure the role of central counterparty in the derivative transactions market. The effective launch of the operations is estimated to last up to 24 months, taking into account the authorization process by the FSA in accordance with EMIR rules.

The consolidated financial statements of BVB for the financial year ended as at 31 December 2019 include the financial information of the Company and its subsidiaries, except for the Corporate Governance Institute, an entity considered by BVB management as insignificant for inclusion in the Group's consolidated financial statements.

Main events

The year 2019 brought to BVB a historic high in terms of the number of companies that have decided to attract financing through the capital market. A total of 17 companies attracted funding from investors via bond issues, the amount raised reaching over RON 4.8bn (over EUR 1bn). The amounts ranged from EUR 400,000 to EUR 500mn. Some of the entrepreneurial companies that came to the market were part of Made in Romania program: BVB League, BVB's flagship program dedicated to entrepreneurs and attracting new companies on the stock market.

Company	Ammount	Currency	Intrerest	Maturity	Market	Listing date
Alpha Bank	200,000,000	EUR	EURIBOR6M+ 1.50% p.a, half-yearly	5 yrs	Regulated Market	June
NE Property BV	500,000,000	EUR	2.625% p.a, annualy	4 yrs	Regulated Market	August
Autonom Services	20,000,000	EUR	4.45% p.a, annualy	5 yrs	Regulated Market	December
BCR	600,000,000	RON	5.35% p.a, annualy	7 yrs	Regulated Market	December
BT Leasing Transilvania IFN	21,500,000	EUR	EURIBOR6M+1,75% p.a., half-yearly	5 yrs	Regulated Market	December
BT Leasing Transilvania IFN	18,500,000	EUR	EURIBOR6M +2% p.a., half-yearly	6 yrs	Regulated Market	December
International Investment Bank	500,000,000	RON	3,98% p.a, annual	3 yrs	Regulated Market	November
Patria Bank	5,000,000	EUR	6.5% p.a, half-yearly	8 yrs	Regulated Market	November
Grup Sapte	2,000,000	RON	10% p.a, half-yearly	3 yrs	MTS	January
Bittnet	9,700,000	RON	9% p.a, half-yearly	5 yrs	MTS	February
Elefant	7,650,000	RON	9% p.a, half-yearly	3 yrs	MTS	February
Idea Bank	5,000,000	EUR	8.5% p.a, half-yearly	6 yrs	MTS	February
Bittnet	10,000,000	RON	9% p.a, half-yearly	4 yrs	MTS	April
Ascendia	3,000,000	RON	10% p.a, half-yearly	3 yrs	MTS	October
Capital Leasing IFN	3,700,000	RON	8.9% p.a, half-yearly	3 yrs	MTS	November
MW Green Power	3,040,000	RON	8% p.a, half-yearly	3 yrs	MTS	November
Impant Expert	10,000,000	RON	7.5% p.a, half-yearly	3 yrs	MTS	December
Golden Foods Snacks	4,700,000	RON	9% p.a, quarterly	3 yrs	MTS	December

Also, during 2019 there were other companies that carried out private placements for shares or bonds, and they will be listed in 2020. Some of those are Qualitance, Norofert, and Raiko Transilvania.

February 18 – Made in Romania: BVB League program continued in 2019, with the third edition. The number of registered companies increased by almost 50%, to 295.

The Bucharest Stock Exchange and the Ministry for Business Environment, Trade and Entrepreneurship carried out in 2019 the program "Invest for the future!" which consisted of monthly financial education workshops addressed to the business environment and to potential investors, a program that took place in Bucharest and 8 other important cities in Romania. Approx. 500 entrepreneurs participated to the events.

The financial education program Fluent in Finance continued in 2019. In total, we reached a cumulative audience of over 18,000 people at the 295 seminars organized during the first four and a half years of the program.

February 19 -The Inauguration of the Stock Exchange Year, already a tradition on the local capital market, was organized in 2019 in a wonderful location, the National Theatre of Bucharest which was host to more than 600 representatives of authorities, listed companies and other important entities from the Romanian stock market and from abroad.

February 27-28 – Bucharest Stock Exchange attended the Romania Investor Days conference, organized by Wood & Co and Fondul Proprietatea in London. This is the flagship event dedicated solely to the Romanian Capital Market in London and more than 20 Bucharest listed companies and 100 investors participated at the 2019 edition.

March 18 – Alro shares (ALR) were included in the BET and BET-TR indices, thus the two indices reached 16 constituent companies, which means an unprecedented diversification of the sectors represented, and Alro thus becomes the first company in the aluminum industry present in the two indices.

The Individual Investors Forum – the largest national event aimed at investors continued in 2019 with an event organized in Bucharest attended by a high number of participants, the highest since its beginnings and an event organized in Cluj-Napoca.

June 5 – Bucharest Stock Exchange co-organized the CEE Investors Conference in New York in partnership with the US based investment house Auerbach, the Romanian broker Swiss Capital and Warsaw Stock Exchange. This event targeted the US investors covering emerging and frontier markets.

June 14 – BVB hosted the international capital market conference of the Federation of Euro-Asian Stock Exchange (FEAS), ConFEAS 2019.

August 8 – A BVB premiere takes place, BRK Financial Group becomes the first Market Maker of an Issuer traded on BVB, the company AAGES (AAG), listed in 2017.

September 4-6 – Frontier Investor Day, the largest conference covering Romanian equities and dedicated to institutional investors, takes place in Bucharest, organised by Fondul Proprietatea and Wood & Co. BVB is among the local companies attending the event and presenting to a wide range of global asset-managers.

September 24 – Bucharest Stock Exchange organized in collaboration with PKO BP Securities, the largest Polish brokerage house, SEE Investor Day in Warsaw. The event aimed to attract the Polish institutional investor base, one of the fastest growing in Europe.

October 9 – Bucharest Stock Exchange attends the CEE Investors Conference, organized by Erste Group in Vienna, a major event in the agenda of the CEE and SEE companies and investors.

October 17 – the most liquid Romanian companies met with the northern investors at the second edition of the investor conference "Romania's Day in Stockholm", organized by Raiffeisen Centrobank (RCB) and the Bucharest Stock Exchange.

October 27 – One of the most important events of the year 2019 is BVB's upgrade to Secondary Emerging Market. The decision will enter into force with the semi-annual review of September 2020. According to the document released by FTSE Russell, for inclusion in the FTSE Global All Cap index, the companies that met the inclusion conditions are: Romgaz (SNG), BRD - Societe Genere Societe (BRD) and Banca Transilvania (TLV).

December 2 – BVB introduced the volatility interruption mechanism for the shares in the BET and BET-FI indices, as well as for the international shares listed on the Regulated Market, replacing the old volatility-based price management mechanism. on extending the limits of variation.

December 3-6 – Bucharest Stock Exchange participates at Wood's Winter Wonderland in Prague, the broadest investor event in Eastern Europe covering all CEE and SEE markets including Russia and Turkey and being attended by more than 150 international institutional investors.

Projects and accomplishments

The Bucharest Stock Exchange (BVB) continued to organize in 2019 projects dedicated to the development of the local capital market in order to achieve the upgrade to the emerging market status, to increase its attractiveness for the entrepreneurial environment and to expand the investor community, both institutional and retail, all with a direct impact on the liquidity of the stock exchange.

One of the most important events of the year 2019 was on October 27, when BVB was upgraded Frontier Market to Secondary Emerging Market status by FTSE Russell. The decision will enter into force with the semi-annual review of September 2020. According to the document submitted by FTSE Russell, for inclusion in the FTSE Global All Cap index, the companies that met the inclusion conditions are: Romgaz (SNG), BRD - Societe Genere Societe (BRD) and Banca Transilvania (TLV). Five other companies would be included in the FTSE Russell indices if they meet the liquidity criterion in the following assessments. The five companies are: Electrica (EL), Nuclearelectrica (SNN), OMV Petrom (SNP), Transelectrica (TEL) and Transgaz (TGN).

Bucharest Stock Exchange maintained its strategy to actively approach foreign institutional investors. In 2019 we attended investor conferences in New York, London, Stockholm, Vienna, Prague, Budapest, Warsaw and Bucharest. The main focus remained on US and Europe with the vast majority of our investors residing in these location. It is worth pointing out the increased interest and participation from the investors based in our region, particularly Poland, Czech Rep., Hungary and Croatia.

The Made in Romania Program: BVB League continued in 2019, with the third edition, launched on February 18th. The number of registered companies increased by almost 50%, to 295. The mentoring program was modified by BVB in the sense of organizing 4 regional workshops, in which all the companies that entered in all 3 editions of the year were invited to participate. The number of companies nominated in 2019 is almost double that of the first edition of the program (166). The third edition of Made in Romania has brought an improvement to the mentoring program so that it gets as close as possible to the Romanian entrepreneurs. In addition, the finalist companies could benefit from punctual seminars directly at their premises. The final stage of this edition is dedicated to all semi-finalist companies and involved free assistance in the areas of interest for companies through regional workshops (Cluj-Napoca, Iasi, Timisoara, Bucharest), as well as bilateral discussions at the finalist companies' headquarters.

The Bucharest Stock Exchange and the Ministry for the Business Environment, Trade and Entrepreneurship started in 2019 the program "Invest for the future!" which consisted of monthly workshops for information and dedicated to financial education of the business environment and of potential investors, a program that took place in Bucharest and 8 other important cities in Romania. Through the workshops, BVB and the intermediary partners at these workshops discussed with about 500 representatives of some entrepreneurial companies in the business environment.

The Fluent in Finance financial education program continued in 2019 with seminars in over 10 cities. In total, Fluent in Finance reached a cumulative audience of over 18,000 people at the 295 seminars organized during the first four and a half years of the program. So far, 100 seminars have been organized at 43 companies, 75 seminars within 20 universities in 11 cities (Alba-Iulia, Brasov, Bucharest, Cluj-Napoca, Constanta, Iasi, Oradea, Sibiu, Suceava, Tg. Mures, Timisoara), another 85 seminars were for students from various schools in Bucharest and other cities in the country, while 35 seminars dedicated

to natural persons were organized in Alba-Iulia, Brasov, Bucharest, Cluj-Napoca, Constanta, Iasi, Oradea, Ploiesti, Sibiu and Timisoara.

The 9th edition of the Individual Investors Forum was organized in Cluj-Napoca on May 2019, being for the first time in the last years when the event is organized outside Bucharest. Due to the positive reactions both from participants and partners, we are aiming to organize a new edition outside Bucharest in 2020 as well along the event in Bucharest. The dynamics of the Forum got bigger due to the large number of participants, the interactivity of the panels and the subjects approached during the event: the investors.

Central Depository

Depozitarul Central reauthorization according to the European Regulation no. 909/2014 on improving securities settlement in the European Union and on central securities depositories

Depozitarul Central has been authorized by the Financial Supervisory Authority, as competent authority, the National Bank of Romania and the European Central Bank as relevant authority, under the European Regulation no. 909/2014 by the Authorization no. 176/19.12.2019, being registered in the CSD Register maintained by ESMA.

The authorities involved in the authorization process confirmed that Depozitarul Central meets the requirements imposed by the CSDR and the delegated regulations issued in its application. Regulation 909/2014 (CSDR) is directly applicable to all CSDs in the European Union, without the need for its transposition into national legislation.

The regulation has a significant impact in creating a uniform post-trading framework in the Member States, by introducing a set of common rules and by reducing the complexity of the regulation in the European financial market, caused by different national rules. The benefits of alignment with the EU regulations result in the harmonization of the activities, procedures, practices and rules of Depozitarul Central, as a financial market infrastructure, with the new regulatory framework.

The new European regulations increase the transparency, safety and efficiency of the settlement operations and registry services of Depozitarul Central.

International cooperation

In order to harmonize its own activities with the new European regulatory tendencies, Depozitarul Central continued its collaboration with the European Central Depositary Association (ECSDA). Through the Public Policy Working Group WG2, the Settlement Working Group WG3, the Risk Management Working Group RMWG, the Compliance Working Group and the ECSDA Board of Governors, Depozitarul Central was also actively involved in 2019 in projects under the ECSDA analysis. In order to facilitate the adaptation of CSDs s to the new authorization requirements, Depozitarul Central representatives continued their work within ECSDA working groups, actively participating in both teleconferences and members' meetings.

The development of international cooperation was also supported by the work of Depozitarul Central as a national numbering agency, as a full member of ANNA (Association of National Numbering Agencies) and ISSA (International Securities Services Association).

ECSDA Annual General Assembly meeting organized in Bucharest by Depozitarul Central on 15th -16th of May 2019

Depozitarul Central hosted, on 15th -16th of May 2019 in Bucharest, the Annual General Assembly meeting of the members of the European Central Securities Depositories Association (ECSDA).

The event was attended by representatives of central securities depositaries in Europe, including: ATHEXCSD (Greece), Clearstream Banking AG (Germany), CDAD (Bulgaria), CRHoV (Serbia), CRHoV RS (Bosnia & Hercegovina), CSD Prague (Czech Republic), Iberclear (Spain), KDD (Slovenia), ID2S (France), Interbolsa (Portugal), Keler Ltd (Hungary), KDPW (Poland), Nasdaq CSD SE (Latvia/Estonia/Lithuania), NCSDI (Iceland), NSD (Russia), OEKB CSD (Austria), RVP (Bosnia Hercegovina), SIX SIS Ltd (Switzerland) and Depozitarul Central (Romania).

The meeting of the European Central Securities Depositories Association (ECSDA) is an important event that brings together central depositaries from Europe. It is an extremely valuable opportunity to relate and exchange information which Depozitarul Central was honoured to host in Romania. The organization of these meetings in Bucharest shows the involvement of Depozitarul Central in the ECSDA activity and the fact that our institution's membership in this association is an essential part of our activity, which ensures the connection and evolution of the Romanian capital market at the European pace, as well as the recognition of high standards of services offered by Depozitarul Central to its clients.

Communication and promotion

During 2019, Depozitarul Central participated at important events of the financial community, such as: CONFEAS – Federation of Euro-Asian Stock Exchanges, the conference "Future of the Romanian capital market", VIII edition, organized by Bursa Newspaper, "The Capital Market Forum", organized by Financial Intelligence.

Depozitarul Central joined the Financial Supervisory Authority's initiatives and supported the organization of the „World Investor Week 2019" event, by offering free of charge IBAN registration service in the period 30 September - 6 October 2019.

Involvement of Depozitarul Central in the steps to promote Romania to Emerging Market status

Depozitarul Central has actively supported the capital market initiatives in Romania's promotion to Emerging Market status. As a result of these joint efforts, in September 2019, Global index provider FTSE Russell promoted Romania to the Emerging Market from Frontier Market status. The decision was made three years after Romania was added to the Watch List. The reclassification of the status will enter into force in September 2020.

Investors Compensation Fund

During March 2019 the Investor Compensation Fund S.A. ("The Fund") has completed the payment period of the compensations due to the clients of Mobinvest S.A. The total amount of compensation paid by the Fund in this case was 2,605,187 lei.

The draft law on the Investor Compensation Fund, by which the current Fund is transformed into a legal person of public law, with the organization and functioning status approved by the Financial Supervisory Authority, was registered with the Chamber of Deputies applying the emergency procedure, for debate and adoption to the plenary session . Before this, the draft law received the approval of the Committee on Budget, Finance and Banks and the Committee on Economic Policy, Reform and Privatization.

Currently, the draft law is on the agenda of the Chamber of Deputies.

Analysis of financial results for 2019

Analysis of the consolidated financial results for 2019 and of the consolidated financial position of BVB

The operating revenues of the BVB Group recorded a level of RON 34.96 mn during 2019, -12% compared to the previous year (2018: RON 39.82 mn), a decrease determined by the trading segment (BVB individual) as well as the registry segment - Central Depository (DC).

The breakdown of BVB's operating revenues by business lines is presented below:

Operating revenues	2019	2018	Change (%)
Trading services	19,356,567	23,931,767	-19%
Post-trading services	10,251,963	10,112,662	1%
Registry services	4,618,741	5,257,019	-12%
FCI services and other services	736,460	523,439	-41%
Total operating revenues	**34,963,731**	**39,824,887**	**12%**

The main operational trading ratios registered by BVB during the reporting period, compared to the similar period of the previous year are mentioned below:

Trading value	2019	2018	Change (%)
Shares, units, rights	9,956	11,682	-15%
Out of, Shares traded on regulated market, without offers	*9,378*	*9,680*	*-3%*
Certificates	186	336	-45%
Fixed-income	2,014	2,207	-9%
Total	**12.155**	**14.225**	**-15%**
Avg. daily value (shares, without offers)*	38.59	45.27	-15%
Avg. daily value (shares, including offers)*	38.59	46.02	-16%

*Value for the Regulated market

As regards the operating results for the other companies in BVB Group that enter the consolidation process, the table below presents the main indicators registered by the Central Depository:

Indicatori segment post-tranzacționare și registru	2019	2018	Variație (%)
Registry activity			
No. companies with a registry contract at the Depository	870	888	-2%
No. procedures resulted from issuers' corporate events	378	349	8%
Settlement activity			
Local settlement			
Value of trades settled on net basis (RON bn)*	27.13	28.27	-4%
Value of trades settled on gross basis (RON bn)**	3.31	4.09	-19%
Settlements through T2S platform (euro)			
Value of trades settled on gross basis (EUR mn)	116.31	672.42	-83%
Avg. monthly portfolio managed by custodians (RON bn)	42.98	41.02	5%

* Trades executed at BVB as well as allocation transactions. Value presented on a single-counted basis.

** Trades executed outside trading systems and deal-type trades executed at BVB and settled on gross basis. Value presented on a single-counted basis.

The incomes of the Investor Compensation Fund (FCI) are represented by the interest income related to the investments of the Fund, classified as operational revenues, i.e. those remaining at the disposal of the FCI to cover the administrative expenses or to increase the Fund's resources. They have a small share in the total operating income of the BVB Group and come to cover only a fraction of FCI's expenses.

The consolidated operating expenses of the BVB Group - 2019, increased by 1%, from RON 30.94 mn to RON 31.16 mn

- Consolidated personnel expenses - 2019, +1% or RON 0.20 mn, from RON 16.93 mn to RON 17.13 mn as a result of the increase in salary costs, due to the pressure of rising labor costs in the labor market and the increase in staff turnover in 2019 compared to previous years, while the estimated expenses with the benefits granted in shares to the management and BVB' employees have decreased compared to the year 2018.
- Consolidated expenditure with services provided by third parties - 2019, -19%, from RON 4.09 mn to 3.32 mn as a base effect considering the expenses with consultancy services, of RON 0.98 mn lei, recorded in 2018 for the project of setting up the central counterparty (the "CCP" project). In 2019, the CCP project also generated expenses with consulting services worth RON 0.28 mn.
- The category of consolidated other operating expenses - 2019, +8% or RON 0.79 mn,from RON 9.92 mn to RON 10.71 mn, influenced by:
  - The advance of expenses with the amortization and depreciation of the tangible and intangible assets, determined by the investments carried out at the Group level in 2018 and 2019 and by the impact of IFRS16 which mainly resulted in the capitalization of the right of use of the headquarters and its depreciation
  - The decrease of the expenses with the rents and the utilities, mainly due to the impact of IFRS16 which also determined the increase of depreciation expenses
  - The advance of the promoting expenses, which are recorded in the protocol and marketing & advertising expenses as a result of the intensified efforts to promote the capital market in 2019 compared to the previous year, efforts materialized within the announce made by FTSI announcement to include the Romanian capital market in the list of emerging markets
  - The advance of the expenses with the IT maintenance services, due to the increasing requirements of providing a technical infrastructure according to the regulations in force
  - Reduction of the expenses with the postal services at the level of the Central Depository, as a base effect, considering the expenses registered the previous year which had also an impact in increasing the revenues from the registry
  - Reduction of net expenses with uncertain clients

The consolidated operating profit of the BVB Group - 2019, -57%, from RON 8.88 mn to RON 3.80 mn result of the combined effect of the decrease of the operating revenues by 12% and the increase of the operating expenses by 1%

A breakdown of the operating profit by main business segments of BVB Group is presented below:

Operating profit	2019	2018	Change (%)
Trading services	2,737,109	6,851,086	-60%
Post-trading services	884,818	1,567,379	-44%
Registry services	450,486	747,869	-40%
FCI services and other services	(270,717)	(283,774)	-5%
Total operating profit	**3,801,695**	**8,882,560**	**-57%**

Net financial income - 2019, + 15%, from RON 3.63 mn to RON 4.19 mn, mainly determined by the advance of the unrealized exchange rate differences from the revaluation of the financial instruments in foreign currency that generated a gain of RON 1.02 mn vs. RON 0.68 mn in 2018, but also as a result of the sale of financial assets (government securities) that generated a gain of RON 0.54 mn. Also, the application of IFRS16 generated a financial expense (interest related to operating lease) of RON 0.2 mn.

The consolidated net profit of the BVB Group - 2019, -34%, from RON 10.19 mn to RON 6.72 mn, 78% being generated by the Group's trading segment, while the **profit attributable to the shareholders of the parent** company is RON 6.41 mn (2018: RON 9.75 mn)

Review of the consolidated financial position as of end-December 2019

- **Total assets** as at December 31, 2019, +2% or RON 3.50 mn vs. the value from December 31, 2018, up to RON 217.63 mn lei, influenced by the decrease of the non-current assets at a lower level than the increase in current assets
- **Non-current assets**, -12% compared to the beginning of the year, from RON 75.29 mn to RON 66.12 mn, mainly due to the maturity and the sale of financial assets (government securities) that generated the increase in cash, exceptional sale in order to finance the investment in the new CCP.RO subsidiary
- **Current assets**, + 9% compared to the beginning of the year, from RON 138.84 mn to RON 151.50 mn, mainly as a result of the increase in cash, influenced by the consolidation of the new subsidiary (CCP.RO Bucharest SA - CCP. RO) whose liquidities of RON 79.8 million lei were placed at the end of 2019 in bank deposits with maturities below 90 days.
- Also the current assets of the group were influenced by the decrease of the current assets represented by funds available for dividend payments to be made by the Central Depository to the shareholders of the listed companies, clients of the Central Depository, from RON 66.69 mn to RON 37.00 mn.

- The **total payables** of the Group are mainly short term, as at December 31, 2019, amounting to RON 67.68 mn, -28% compared to the value as of December 31, 2018 of RON 93.71 mn, mainly as a result of the reduction of payables related to dividend payments held by the Central Depository with the amount of RON 29.70 mm.

  57% of the total debts are represented by dividends to be paid by the Central Depository on behalf of its clients amounting to, amounting to RON 37.00 mn, and 31% represent guarantee, clearing and margin funds for settlement of transactions, amounting to RON 20.29 mn
- **Shareholder's equity**, + 25% compared to the beginning of the year, up to RON 149.95 mn, influenced by the increase of the non-controlling interests by RON 31.92 mn, mainly determined by the contribution to the share capital of the CCP.RO by the minority shareholders with the amount of RON 32.30 mn.

  The result of the year 2019, lower than the result of the year 2018 distributed in the form of dividends in Q2 2019, resulted in the reduction of the retained earnings by RON 3.36 mn, from RON 10.02 mn to RON 6.66 mn.

Perspectives

In 2020, BVB will continue to strengthen its international exposure. It will organize several events and conferences in Europe and the United States in partnership with brokers and, at the same time, will increase efforts to attract new investors.

Another goal for 2020 is to strengthen partnerships with different categories of financial service providers. In the last decade, we have witnessed a change in the business model of the global stock exchanges. Traditional sources of income: trading and listing fees have decreased gradually, as a proportion of total revenues and new sources have emerged, mainly determined by technological products and IT services. We aim to increase our income generation capabilities to the best of our ability and hope to find new opportunities that are appropriate to our current structure and to the particularities of the Romanian capital market.

Some of the projects considered for year 2020 need the granting of resources for new developments and upgrades of the current platforms, and the market infrastructure projects could need significant capital allocation, as results from the table below:

Investments envisaged for BVB in 2020 (thousand RON)	**Budget 2020**	**% total**
Update and replacement of the current IT systems	1,037	47%
Acquisition of new software	75	3%
Software licenses renewal	864	39%
Other investments, including derivative market license	225	10%
Total IT & Operational projects	**2,209**	**100%**
Other fixed assets for the BVB head office	262	
Total investments in tangible and intangible assets	**2,470**	
BVB share buy-back program (max. value)	**2,112**	

Other information

Subsequent events

On February 13, 2020 the new Board of Directors of the Bucharest Stock Exchange S.A., elected within the Ordinary General Meeting of Shareholders by Decision no. 2 of November 20, 2019, was authorized by the Financial Supervisory Authority.

According to the Decision no. 174 / 13.02.2020 issued by the Financial Supervisory Authority it was authorized the modification of the operating authorization of the market operator Bursa de Valori Bucuresti S.A., following the modification of the Board of Directors component, in accordance with the provisions of the GSM Decision no. 2 / 20.11.2019.

Thus, the Board of Directors of the Bucharest Stock Exchange S.A. has the following component:

- Radu Hanga - President
- Dan Viorel Paul - Vice President
- Robert Cosmin Pana - Vice President
- Mihaela Ioana Biciu
- Claudia Gabriela Ionescu
- Octavian Molnar
- Dragons Valentin Neacșu
- Razvan Legian Rat
- Stefan Szitas.

There are no other events to report.

Statistics for BVB shares

BVB shares ended 2019 at a price of RON 25.80 per share, while the weighted average price registered during the year was RON 24.06.

(RON, unless otherwise stated)

	2019	2018	Change (%)
Closing price (e-o-p, RON)	25.80	21.00	23%
Weighted average price (RON)	24.06	25.87	-7%
High – intraday (RON)	27.50	30.70	-10%
Low – intraday (RON)	21.10	20.40	3%
Total trading value (RON mn)	20.50	32.54	-37%
Average trading value (RON mn)	0.08	0.13	-37%

Dividend policy

The Bucharest Stock Exchange distributed 100% of the net profit, after the legal reserves are deducted. Detailed information regarding the dividends paid during the last 3 years, including those to be approved for distribution in 2020, is presented in the table below:

Year	Gross dividend/share (RON)	Total dividends (RON)	GMS date	Registration date	Payment date
2019	0.81491	6,559,457	29/30 April 2020	19 mai 2019	05 June 2020
2018	1.12079	9.021.531	24/25 April 2019	7 June 2019	27 June 2019
2017	1.68348	13,550,791	16/17 April 2018	22 May 2018	11 June 2018

By distributing in full the amount of RON 6,559,457 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 0.81491. If, at the proposed and approved registration date, the BVB will own treasury shares, the gross dividend / share will be recalculated (the treasury shares held will not be taken into account in the final dividend / share calculation).

The Dividend Policy of BVB is available on the Company's website at http://bvb.ro/info/BVB%20politica%20dividend_decembrie%202015.pdf.

Assessment of details regarding employees

The change of the number of employees is presented in the table below:

	2019		2018	
	End-year	Average	End-year	Average
Bucharest Stock Exchange	45	41	45	44
Central Depository	50	51	51	51
Investors Compensation Fund	4	4	4	4
Bucharest Clearing House	-	-	3	3
CCP.RO Bucharest SA	2	-	-	-
Total number of employees	**101**	**96**	**103**	**102**

Investments in subsidiaries

On 31 December 2019, the Bucharest Stock Exchange was a shareholder in other entities, as follows:

Value of share	31 December 2019	31 December 2018
Central Depository	20,243,735	20,243,735
Bucharest Clearing House	-	125,674
Investors Compensation Fund	215,040	215,040
Foundation Corporate Governance Institute	50,000	50,000
CCP.RO Bucharest SA	47,500,000	-
Total	**68,008,775**	**20,634,449**

The General Meeting of the Shareholders of the Casa de Compensare Bucuresti SA held on May 24, 2018 decided the liquidation and cancellation of the company and in the General Meeting of the Shareholders held on April 19, 2019 the report of the designated liquidator and the operation of payment to the shareholders the share capital remaining after covering the recorded losses has been approved.

Use of financial investments. Financial risk management

The Company's activities expose it to various risks such as market risk, which in its turn includes currency risk and interest rate risk, credit risk, liquidity risk. The management of BVB aims at reducing the potential adverse effects associated with these risk factors upon the Company's financial performance.

Market risk. The market risk is the risk that changes in market prices, such as the foreign exchange rate, interest rate and price of equity instruments, to affect the Company's revenues or the value of the financial instruments held. The company operates in a developing economy, with fluctuant exchange rates, which may lead to value losses for assets denominated in foreign currencies.

The objective of the market risk management is to manage and control exposures to market risk in acceptable parameters and at the same time to optimize the return on investment.

The company is exposed to the market risk through its cash denominated in foreign currencies and through investments in bank deposits and treasury certificates. However, based on the analysis of the net assets and sensitivities to changes EUR and USD exchange rates, BVB management does not expect significant losses.

Credit risk. The financial assets that lead to potential concentrations of credit risk mainly relate to receivables from the core activity and financial investments. Receivables are presented at their net value, after the provision for doubtful receivables. The credit risk is limited due to a low number of clients from the Company's portfolio of clients. Thus, management considers that the company has no significant concentration of credit risk.

As regards financial investments, BVB limits its exposure to credit risk by investing only in liquid instruments issued by counterparties who have a satisfactory credit quality. The Company's management constantly monitors the credit quality and, given that the Company has invested only in instruments with high credit quality, its management does not expect the counterparties to fail to meet their contractual obligations.

Liquidity risk. A prudent liquidity risk management implies keeping enough cash to cover working capital needs to run the business. The Company's cash & equivalents policy is to maintain sufficient resources in order to fulfill its obligations as they become due.

More details regarding the Company's exposure to each of the above-mentioned risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's procedures for managing of capital, are available in the financial statements.

Corporate Governance

In 2019, BSE shareholders met in four general meetings:

Extraordinary General Shareholders Meeting (EGSM) of January 29, 2019 in order to approve for the Bucharest Stock Exchange (BSE) to participate, as a founding shareholder, in the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (CCP), according to the provisions of the Financial Supervisory Authority (FSA) Regulation no. 3/2013 and Regulation (EU) No. No 648/2012, under specific conditions, and empower the BSE CEO to coordinate the operational aspects related to the selection of the co-shareholders in CCP, CCP's establishment and authorization as a central counterparty under FSA Regulation No. 3/2013;

Ordinary General Shareholders Meeting (OGSM) of April 24, 2019 for the approval of the annual separated and consolidated financial statements of the Company for the financial year of 2018 and the distribution of Company profit, the discharge of liability of the Company administrators for their activity carried out during the financial year 2018, the Budget and business plan for 2019, the remunerations of the Company administrators, the general limits of the additional remunerations for Company administrators and their recompensation for 2018;

Extraordinary General Shareholders Meeting of April 24, 2019 for the approval of the buy-back of its own shares by the Company from the market where the shares are listed or by running public offers in accordance with the legal provisions applicable, under certain conditions, in order to implement a program for allocation of own shares to the Company's employees and managers, as well as members of the Board of Governors, and granting a mandate for the fulfilment of this resolution to the Board of Governors.

Ordinary General Shareholders Meeting of November 20, 2019 for approval of the procedure for election of the members and President of the Board of Governors, the election through cumulative voting method of the members of the Board of Governors for a 4 year mandate starting with the date of their individual validation by the Financial Supervisory Authority and the conclusion of a professional liability insurance, and the election of the President of the Board of Governors.

The documents related to the General Shareholders Meetings of BSE are available on BSE website, Investor Relations/ General Shareholders' Meetings section.

The Constitutive Act of the Company was not amended during 2019, the form in force being available on the Company's website at http://www.bvb.ro/InvestorRelations/Overview.

Regarding the compliance with the principles defined by the BSE Code of Corporate Governance, the Company fulfills them entirely, as presented in the Declaration within Annex.

Also, BSE observes the corporate governance principles provided by FSA Regulation no. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the FSA.

Board of Governors

The management of the Company is performed in the unitary system and entrusted to a Board of Directors (Board of Governors), elected by the General Meeting of Shareholders, made out of 9 members, individual persons, for a mandate of 4 years.

During 2019, the composition of the Board of Governors remained unchanged, as follows:

- Lucian-Claudiu Anghel, President, independent
- Valerian Ionescu, Vice President, independent
- Robert-Cosmin Pană, Vice President
- Claudia–Gabriela Ionescu, Secretary General, independent
- Radu Hanga, Member, independent

- Gabriel Marica, Member, independent
- Octavian Molnăr, Member
- Otto Emil Naegeli, Member, independent
- Dan-Viorel Paul, Member

Brief presentation of the professional experience of the members of the Board of Governors:

Mr. Lucian Anghel – President

Date of birth: 1972
Nationality: Romanian
Education:

- Post-graduate studies: similar MBA, HEC Montreal Canada
- Post-graduate studies: Bank Risk Management, Georgetown University Washington
- PhD in Economy, Academy of Economic Studies, Bucharest
- Advanced studies (Master), Academy of Economic Studies, Bucharest
- Degree in Economic Informatics, Academy of Economic Studies, Bucharest

Professional Experience:

- 2016-Jan. 2020: President of the Board of Governors, Bucharest Stock Exchange
- 2018–present: Member in the Federation of Euro Asian Stock Exchanges Audit Committee
- 2013-present: Professor, Scoala Nationala de Studii Politice si Administrative
- 2015-2019: President of the Executive Committee, CEO BCR Banca pentru Locuințe
- 2012-2016: President of the Board of Governors, Bucharest Stock Exchange
- 2012-2015: President of the Management Board & CEO, BCR Pensii
- 2009-2010: Member of the Board of Directors, Erste Asset Management
- 2007-2012: Chief Economist and executive director of Strategy and Research Division, BCR
- 2005-2009: Member of the Board of Directors, BCR Asset Management
- 2005-2007: Deputy Treasurer, BCR
- 2003-2005: Deputy Director of BCR Structuring Plan Implementation Team together with the EBRD and IFC
- 2002-2003: Advisor to the BCR President, financial analyst

Other professional commitments: -

Other positions in the BSE Committees:

- Chairman, Index Commission
- Member, Audit Committee
- Chairman, Nomination Committee

Relationship with BSE shareholders owning more than 5%: -

Mr. Valerian Ionescu – Vice-President, independent

Year of birth: 1972

Nationality: Romanian

Education:

- Executive Development Program Diploma, HEC Montreal Canada and BCR University
- Degree in Economics, ASE Bucharest

Professional experience:

- 2016-Jan. 2020: Vice President of the Board of Governors, Bucharest Stock Exchange
- 2017-present: Head of Investment Product Management, BCR
- 2013-2017: Regulated Markets Sales Expert, BCR
- 2012-2016: Member of the Board of Directors, Bucharest Stock Exchange
- 2007-2013: Head of Trading and Sales of Financial Instruments Traded on Regulated Markets, BCR
- 1995-2007: Trading Director/ Interim General Manager/ Member of the Board of Directors, SSIF UniCredit CAIB Securities

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Member, Audit Committee

Relationship with BSE shareholders owning more than 5%: -

Mr. Robert Cosmin Pană – Vice-President

Year of birth: 1979

Nationality: Romanian

Education:

- EU's Markets in Financial Instruments Directive – MiFID program, OMX – Nordic Exchange
- Financial Derivatives Training, Wiener Borse & CAPMEX
- Investments and Operations of US Derivatives Markets program, Georgetown University
- Nis/Cee Disclosure and Corporate Governance Conference, SEC & UNSAID
- Capital Market Role in Emerging Markets Economic Development program, Thessaloniki Stock Exchange Center
- Degree in Law

Professional experience:

- 2016-Jan. 2020: Vice President of the Board of Governors, Bucharest Stock Exchange
- 2019-present: Vice President of the Board of Directors, Depozitarul Central
- 2011-present: Legal Advisor, Swiss Capital SA
- 2016-2017: Member of the Supervisory Board, SPEEH Hidroelectrica
- 2012-2016: Secretary General of the Board of Directors, Bucharest Stock Exchange
- 2008-2011: Legal Adviser, Central Depository SA
- 2002-2008: Legal Adviser, Bucharest Stock Exchange

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Vice-Chairman, Appeal Commission

Relationship with BSE shareholders owning more than 5%: -

Mrs. Claudia – Gabriela Ionescu – Secretary General, independent

Year of birth: 1967

Nationality: Romanian

Education:

- Trainings and certifications in capital markets, custody & registry, management: INSEAD, Societe Generale, IBR, The Oxford Group
- Bachelor degree in Banks and Stock Exchanges, ASE Bucharest
- Bachelor degree in Calculus and Automatization Equipment, University Politehnica of Bucharest

Professional experience:

- 2017-Jan. 2020: Secretary General of the Board of Governors, Bucharest Stock Exchange
- 2019-present: Secretary General of the Board of Directors, Depozitarul Central
- 2012-present: Member of the Board of Directors, Romanian Pension Funds Association
- 2008-present: Director of Securities Division, BRD-Groupe Societe Generale
- 2005-2008: Deputy Director of Securities Division, BRD-Groupe Societe Generale
- 2000-2005: Head of Market Operations Division, BRD-Groupe Societe Generale
- 1997-2000: Analyst, Privatization Department, BRD-Groupe Societe Generale
- 1994-1997: Analyst, Strategy Division, BRD
- 1991-1994: Evaluation Inspector, Division for Expertise, Evaluation and Consulting, BRD

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Chairperson, Remuneration Committee

Relationship with BSE shareholders owning more than 5%: -

Mr. Radu Hanga – Member, independent

Date of birth: 1971

Nationality: Romanian

Education:

- Strategy Execution Programme, INSEAD
- MBA Program, INDE
- Postgraduate studies in Business Administration, European Institute for Business Administration UBB
- Specialization in International Financial System, IBR in partnership with Chartered Institute of Bankers Scotland
- Erasmus Program, University of East London
- Postgraduate studies, School of Academic Postgraduate Studies UTCN
- Licensed in engineering, Faculty of Electrical Engineering UTCN

Professional Experience:

- 2017-Jan. 2020: Member of the Board of Governors, Bucharest Stock Exchange
- 2017-present: Senior Advisor for the Board of Directors, Banca Transilvania
- 2017-present: Member of the Board of Directors, SIF Oltenia

- 2015-present: President of the Executive Committee, AAFR
- 2013-present: President of the Board of Directors of BT Leasing Transilvania IFN
- 2013-2019: President of the Board of Directors of BT Direct IFN
- 2013-2018: Member of the Board of Directors of BT Operational Leasing
- 2013-2018: Member of the Board of Directors of BT Leasing Moldova
- 2013-2017: Strategy Executive Officer-Group Coordination, Banca Transilvania
- 2013-2017: Member of the Board of Directors, Boromir Prod SA
- 2013-2017: Member of the Board of Directors, SIF Moldova
- 2005-2013: CEO, SAI BT Asset Management
- 2002-2013: Head of Capital market Department, Banca Transilvania
- 2001-2005: Vice-President of the Board of Directors, BT Securities
- 1999-2002: Capital market officer, Banca Transilvania
- 1997-1998: Analyst, SSIF Broker SA

Other professional commitments: Sole administrator, Metis Advisory SRL

Other positions in the BSE Committees:

- Chairman, Listing Commission

Relationship with BSE shareholders owning more than 5%: -

Mr. Gabriel Marica – Member, independent

Year of birth: 1965

Nationality: Romanian

Education:

- Master in Finance and Banking, University "Transilvania", Brasov
- Degree in Financial - Accounting Management, University "Spiru Haret", Bucharest

Professional experience:

- 2016-Jan. 2020: Member of the Board of Governors, Bucharest Stock Exchange
- 2014-present: Administrator, SI ROMINTRADE SRL, Brasov
- 1997-2013: financial investments services agent/ internal control representative/ CEO & President of the Board of Directors, SSIF ROMINTRADE, Brasov

Other professional commitments:

- Sole administrator, Cioplea SA, Predeal
- Administrator, Norvea SA, Brasov

Other positions in the BSE Special Commissions/ Advisory Committees:

- Chairman, Appeal Commission

Relationship with BSE shareholders owning more than 5%: -

Mr. Octavian Molnăr – Member

Year of birth: 1966

Nationality: Romanian

Education:

- Degree in Economics, University "Aurel Vlaicu", Arad
- Degree in Mechanical Engineering, Polytechnic Institute "Traian Vuia", Timisoara

Professional experience:

- 2011- Jan. 2020: Member of the Board of Governors, Bucharest Stock Exchange
- 2012-present: CEO & President of the Board of Directors, SSIF IFB Finwest SA, Arad
- 2003-present: Sole Administrator, AGEVAR CONSULTING SRL
- 2009-2017: Member of the Board of Directors, Regia Autonoma „Administratia Zonei Libere Curtici", Arad
- 2004-2012: Deputy CEO, SSIF IFB Finwest SA, Arad
- 1999-2004: CEO, SSIF IFB Finwest SA, Arad
- 1997-1999: CEO, COMTEX SA, Arad
- 1994-1997: Reviewer/ Chief of Feasibility Studies Unit, New Investments Compartiment, Financing Department, FPP I Banat Crisana
- 1991-1994: Process engineer/ Design engineer/ Engineer, Marketing Department, ARIS SA, Arad
- 1990-1991: Engineer, Process Design Unit, SEVAM SA, Drobeta Tr.Severin

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Vice Chairman, Listing Commission

Relationship with BSE shareholders owning more than 5%: -

Mr. Otto Emil Naegeli – Member, independent

Year of birth: 1949

Nationality: Swiss

Education:

- Swiss Federal Bankers Diploma
- Swiss Federal Diploma of Commerce

Professional experience:

- 2016-Jan. 2020: Member of the Board of Directors, Bucharest Stock Exchange
- 2019-present: Member of the Board of Directors, CCP.RO Bucharest
- 2003-present: Sole Managing Partner, OEN Consulting
- 2009-2017: Non-Executive Independent Chairman of the Board of Directors, CME Clearing Europe Ltd., UK
- 2011-2014: Chairperson of the Board of Directors, SFOA- Swiss Futures and Options Association, Switzerland
- 2007-2012: Non-Executive Independent Member of the Board of Directors, Swlssgrid AG, Switzerland

- 2004-2009: Non-Executive Independent Member of the Board of Directors, ShareCommService AG, Switzerland
- 2003-2007: Non-Executive Independent Member of the Board of Directors, Swissquote Group Holding, Swissquote Bank, Switzerland
- 2002-2006: Non-Executive Chairman of the Board of Directors, Zurich-Swiss Value AG, Switzerland
- 2001-2003: CEO, Riid, Blass & Cie. AG, Private Bankers, Switzerland
- 1999-2001: Non-Executive Chairman of the Board of Directors, EEX-European Energy Exchange AG, Germany
- 1998-2001: Deputy CEO, Eurex Zurich AG/ Eurex Frankfurt AG/ Eurex Clearing AG, Switzerland and Germany
- 1994-1998: Member of the Executive Management, SWX-Swiss Exchange, Switzerland
- 1987-1998: CEO, SOFFEX-Swiss Options and Financial Futures Exchange Ltd, Switzerland
- 1976-1987: Member of the Executive Management, Bank of Tokyo (Switzerland) Ltd., Switzerland
- 1973-1976: Branch Manager, Credit Suisse, Zurich-Affoltern Agency, Switzerland
- 1970-1972: employee, Office Manager, Credit Swisse (Canada) Ltd., Canada

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Chairman, Audit Committee
- Member, Nomination Committee
- Member, Remuneration Committee

Relationship with BSE shareholders owning more than 5%: -

Mr. Dan Viorel Paul – Member

Year of birth: 1968

Nationality: Romanian

Education:

- PhD. student in Commercial Law, Law Faculty, University of Bucharest
- Master's in business law, Law Faculty, University of Bucharest
- Member of the advisory working group of the Investor Protection and Intermediaries Standing Committee, ESMA
- Capital Markets Specialist, BVB in collaboration with University of Wisconsin (USA)
- Degree in Economics, Academy of Economic Studies, Bucharest

Professional Experience:

- 2016-Jan. 2020: Member of the Board of Directors, Bucharest Stock Exchange
- 2005-present: President, Brokers Association
- 1997-present: President & CEO, SSIF Finaco Securities SA
- 2017-2018: interim Member of Supervisory Board, SIF Transilvania
- 2012-2016: Vice-President of the Board of Directors, Bucharest Stock Exchange
- 2006-2010: Vice-President of the Board of Directors, Bucharest Stock Exchange
- 2010-present: Corporate governance experience as non-executive member in various Boards

Other professional commitments: -

Other positions in the BSE Special Commissions/ Advisory Committees:

- Member, Remuneration Committee

Relationship with BSE shareholders owning more than 5%: -

Considering that on January 28, 2020, the term of office of the members of the Board of Governors was to end, it was organized on November 20, 2019 the Ordinary General Meeting of the Shareholders for the election by the method of cumulative vote of the members of the Board of Governors, for a term of 4 years, starting with the date of individual validation by the Financial Supervisory Authority and the contracting of insurance for professional liability, as well as the election of the President of the Board of Governors. Thus, the new members of the Board of Governors were elected, namely:

Mr. Radu HANGA
Mrs. Mihaela Ioana BÎCIU
Mrs. Claudia Gabriela IONESCU
Mr. Octavian MOLNĂR
Mr. Dragoș Valentin NEACȘU
Mr. Robert Cosmin PANĂ
Mr. Dan Viorel PAUL
Mr. Răzvan Legian RAȚ
Mr. Ștefan SZITAS

Also, in the Ordinary General Meeting of Shareholders on 20.11.2019 Mr. Radu HANGA was elected as President of the Board of Governors.

Information on the professional experience of the Board of Governors members can be found on the Company's website http://www.bvb.ro/AboutUs/ManagementStructure.

Members are elected by the Ordinary General Meeting of Shareholders, by the vote of shareholders in compliance with legal requirements regarding quorum and majority. BSE is not aware of agreements, arrangements or family connections between members of the Board of Governors and others, due to which those members were appointed directors of the Company. Also, the members of the Board of Governors have an obligation to submit an annual declaration of conflict of interest.

The members of the new Board of Governors have been individually validated by the Financial Supervisory Authority according to the authorizations no. 15 – 23 of 13.02.2020.

In the meeting of February 2020, the Board of Governors elected among its members the Vice Presidents and the Secretary General of the Board, namely: Mr. Robert Cosmin Pana – Vice President, Mr. Dan Viorel Paul – Vice President and Mrs. Claudia Gabriela Ionescu – Secretary General.

The activity framework for the Board of Governors is regulated by the Constitutive Act, as well as by the BSE Regulation on the Organization and Operation, documents which can be found on the BSE website http://www.bvb.ro/InvestorRelations/Overview.

In exercising its prerogatives, during 2019, the Board of Governors met in 36 meetings – out of which 29 were organized exclusively by the remote participation of its members-, with an average participation of 92%.

The secretariat for the meetings of the Board of Governors was ensured Mrs. Mariana Ciurel, Director of General Secretariat Department and Mrs. Corina Mocanu, Head of General Secretariat.

During 2019, the Board of Governors took into discussion the following main topics:

- The CCP project: constant monitoring of the status of the CCP project - identification of potential investors interested in participating in the establishment of the CCP, organizing meetings with those who have expressed their interest, discussions with the identified partners on the governance and strategy of the company, selecting the co-shareholders in the CCP, organizing working meetings with the financial authorities involved in the

authorization process (NBR, FSA); the appointment of two candidates from the BSE for two member positions on the Board of Directors of the company; approval of its Constitutive Act; registration at the Trade Register of the new company, CCP.RO Bucharest;

- Development of the activity segment related to stock indices and their licensing: changes to the methodology of total return indices (BET-TR and BET-XT-TR); application of facilities for licensing BSE indices for the operation of Exchange Traded Funds (ETFs); participation of BSE in a regional cooperation project for a common index;
- Establishing the trading fees applied to the Participants who register as the Issuer's Market Maker, as well as the delegation to the CEO of the other prerogatives regarding the framework terms of the Issuer's Market Maker program;
- The evolution of OTC transactions since the liberalization of the mechanism;
- Promoting the local capital market to the emerging market status;
- Proposals to modify the fiscal framework applicable to the individual investors;
- Capital market strategy project;

- Admission or withdrawal of financial instruments to / from trading;
- Withdrawal of participants from trading;
- Granting the quality of Market Maker on the BSE spot regulated market of certain participants;

- Evaluation of the internal control, internal audit and risk management activity, analysis of the status of implementation of the recommendations made in the related reports;
- Review and update the risk management framework;
- Appointment of the compliance officer in the matter of preventing and combating money laundering and terrorist financing;
- Implementation of the measures plan imposed by the FSA following the periodic control at the BSE;
- Evaluation of the implementation of the competences' delegations granted to the executive management;

- Buy-back by the Company of its own shares in accordance with applicable laws, to implement a program for allocating of shares to employees, executives and directors;
- Implementation of the Share Options Plan (SOP), updated, for 2018 for the members of the Board of Governors, CEOs and employees of the BSE and the granting of options on shares the related to 2019 to the BSE employees and CEOs, according to the SOP;
- Evaluating the activity for 2018 and setting the objectives for 2019 for the CEO;
- Establishing the key performance indicators for 2019 for the Deputy CEO and updating the financial terms of his mandate contract;
- Updating the internal regulatory framework following the entry into force of the FSA Regulation no. 1/2019, as well as the assessment of the adequacy of the management structure in accordance with its provisions;
- Amendments to the BSE Code - market and system operator;
- Amendments to the Rules of Organization and Operations of the BSE;
- Proposals for amending the Articles of Incorporation of the Company;

- The activity of advisory committees and special commissions;
- Exercising the rights of the Company as shareholder in the entities in which it holds shareholdings;

- BSE's preliminary report and financial statements for 2018;
- The report and the individual and consolidated financial statements of the BSE for 2018;
- The report of the BSE financial auditor for 2018;
- The report and the simplified interim consolidated financial statements of the BSE for 2019;
- Periodic analysis of the operational and financial indicators and their classification in the budget;
- The annual report of the BSE as a market operator and the self-evaluation annual report of the market operator for 2018, prepared according to the provisions of the FSA Regulation no. 13/2018;

- Convening the Ordinary and Extraordinary General Shareholders Meetings of 24/25.04.2019 for approving the 2018 financial statements and profit distribution, 2019 budget and business plan, the remunerations of the Company administrators, the general limits of the additional remunerations and recompensation for 2018 of the Company administrators, the buy-back by the Company of its own shares in order to implement of a program for the allocation of own shares held by the Company, to the employees and managers of the Company and the members of the Board of Governors;
- Convening the Ordinary General Shareholders Meeting of 20/21.11.2019 for approval of the procedure for election of the members and President of the Board of Governors, the election through cumulative voting method of the members of the Board of Governors for a 4 year mandate starting with the date of their individual validation by the Financial Supervisory Authority and the conclusion of a professional liability insurance, and the election of the President of the Board of Governors;

- Evaluation of the individual suitability of the proposed candidates and the collective evaluation of those elected for the positions of member of the Board of Governors by the Ordinary General Meeting of Shareholders dated 20.11.2019, according to the FSA Regulation no. 1/2019;
- Annual assessment of the suitability of the management structure.

With the support of the Nomination Committee, the Board of Governors performed the self-evaluation of the collective adequacy, which showed that the members of the Board of Governors collectively have the competences, knowledge and experience necessary for the management structure of a market operator, having an appropriate size, diversity of competences and responsibility in the sustainable development of the Company..

In order to comply with the requirements of FSA Rule no. 39/2015, the Board of BSE, the parent company of BSE Group, has the obligation to prepare the consolidated administrators report that presents the development and performance as well as the financial position of the entities included in the consolidation process. BSE shall not prepare an administrator report for the parent company and shall include all relevant information in the consolidated administrators report, in accordance with art. 30, par. (4) of FSA Rule no. 39/2015.

Activity of the Special Commissions and the Advisory Committees

Special Commissions

By the decision of the Board of Governors were created the BSE Special Commissions – with no legal status and having a consultative role for the activity of the Board of Governors, which perform their activity as per the terms of reference stipulated in the BSE Regulation on the Organization and Operation.

Listing Commission provides consultancy in order to ensure conformity, order and efficiency in the process of admission, upgrading, downgrading and withdrawal to/ from the regulated market and the alternative trading systems operated by BSE.

During 2019, the Commission met in 11 sessions in which, for the regulated market, it analyzed and gave favorable recommendation for admission to trading of 8 bond issues, admission in principle of structured products following to be issued and withdrawal from trading of 3 bond issues reaching maturity, and for the alternative trading system it gave favorable recommendation for admission to trading of one share issue and 9 corporate bond issues.

Appeal Commission provides consultancy in solving the appeals introduced by the Participants on the BSE trading system and by stock / derivatives agents against the penalizations or the preventive measures issued by the BSE CEO or Deputy CEO, as the case may be.

During 2019, the Commission was not met, with no complaints incident to its activity.

Index Commission provides consultancy for the development of new BSE indices and administrative support for the necessary index adjustments.

During 2019, the Commission met in 5 sessions (out of which 4 regular sessions and one extraordinary session), both for current indices management and for decisions on the development of this segment activity, in line with the strategic objectives assumed.

As regards the steps to improve the regulatory framework specific to the administered indices, a number of changes have been proposed to some of the index manuals, in order to ensure better operational management. One of the updates targeted the correction factors applied to the BET-TR and BET-XT-TR indices as a result of corporate events of the nature of dividends and other cash distributions. Other proposals for adjusting the manuals, for the BET and BET-TR indices, aimed at better management of particular situations, such as the scenario in which a company, although it has a weight of at least 0.2% (minimum threshold for presence in BET) is outside the TOP 20 liquidity, depending on the liquidity coefficient, in order to facilitate the unequivocal interpretation of the maintenance rules and to allow the correct management of such a scenario.

The operational decisions of the Index Commission of reviewing, modifying and / or adjusting the composition of the indices according to the provisions of the manuals of these indices, made it possible to extend the BET index to over 15 companies, for the first time in the history of the BSE, allowing the degree of diversification of the sectors represented to be increased, based on the confirmation of the fulfillment of the quantitative and qualitative criteria by a company present on the short list of issuers eligible for inclusion (watchlist) in BET and BET-TR ever since September 2018.

At the end of 2019, the number of companies included in the BET index basket was 16 companies. In addition to the decisions on the composition of the BET and BET-TR indices, revisions of the BET-XT and BET-XT-TR, BET-BK, BET Plus indices were brought to the regular meetings. For the first time since the establishment of the watchlist at the level of the BET-XT, BET-XT-TR and BET-BK indices, two other companies were included in the short list. During the year, the BET-FI and BET-NG indices did not undergo changes in composition.

In order to develop this sector of activity, the Index Commission has initiated some steps, such as the analysis regarding the opportunity to revise the level from which the holdings of other categories of investors are considered non-free float, given that this level is currently established by the index methodology at 5%, recommending that the current rules be maintained; the opportunity to launch NET TOTAL RETURN versions at BET and BET-XT level, considering that it is appropriate to launch BET TR NET and BET-XT TR NET versions; organizing meetings with representatives of investment fund managers and those of pension funds in order to identify new possibilities for improving / developing the functioning framework of stock exchange indices, as well as to explore new ways of collaboration in this field of activity; tracking the status of BSE compliance with the requirements of EU Regulation 1011/2016 regarding benchmarks (BMR) for the registration of BSE as administrator of non-significant benchmarks indices..

During 2019, the composition of the Special Commissions remained unchanged, as following:

Listing Commission	Composition
	Radu Hanga – Chairman
	Octavian Molnar – Vice Chairman
	Liviu George Avram - Member
	Șerban Valentin Marin - Member
	Mircea Ștefan Solovăstru – Member

Appeal Commission	Composition
	Gabriel Marica – Chairman Robert-Cosmin Pană – Vice-Chairman Mirela Lenuța Buduroiu – Member Ionuț Gutis – Member Chiriac Marcel Murgoci – Member

Index Commission	Composition
	Lucian Anghel – BSE President Adrian Tănase – BSE CEO Dorin Alexandru Badea – Member, member of CFA Association Romania Bogdan Câmpianu – Member, Participants' representative Mihai Lazar – Member, Participants' representative

In its meeting of February 2020, the Board of Governors appointed among its members the new members of the BSE Special Commissions, the new composition of the Special Commissions being as follows:

Listing Commission:

Octavian Molnăr – Chairman

Răzvan Legian Rat – Vice Chairman

Liviu George Avram - Member

Șerban Valentin Marin - Member

Mircea Ștefan Solovăstru – Member

Appeal Commission:

Dragoș Valentin Neacșu – Chairman

Mihaela Ioana Bîciu – Vice Chairman

Mirela Lenuța Buduroiu – Member

Ionuț Gutis – Member

Chiriac Marcel Murgoci – Member

Index Commission:

Radu Hanga – BSE President

Adrian Tănase – BSE CEO

Dorin Alexandru Badea – Member, member of CFA Association Romania

Bogdan Câmpianu – Member, Participants' representative

Mihai Lazar – Member, Participants' representative

Advisory Committees

According to Companies Law no. 31/1990, within BSE Board of Governors operate Advisory Committees made out of two or more Board members, which are bodies having an advisory role for the Board of Governors in areas such as audit, remuneration of administrators, directors as defined by the Law 31/1990, or nomination of candidates for various management positions.

The Advisory Committees are organized and function based on the stipulations of the Regulation on the Organization and Operation of BSE, which are complemented by the stipulations of the regulations/ terms of reference for each committee (the specific terms of reference for each advisory committee are available on BSE website http://www.bvb.ro/AboutUs/ManagementStructure).

The Audit Committee assists the Board of Governors in evaluation of the efficiency and functionality of Company's management, resources allocation efficiency, the way the risks facing the Company are mitigated, including the organization and functioning framework of the internal control, the implementation of corporate governance rules and the way the Company audit is performed.

During 2019, the composition of the Audit Committee remained unchanged, being as follows:

- Otto Emil Naegeli – Chairman
- Lucian-Claudiu Anghel – Member
- Valerian Ionescu – Member

All Audit Committee members are non-executive, independent administrators.

In the Board of Governors meeting of February 2020, the new members of the Audit Committee (non-executive directors, independent majority) were elected, the new composition being as follows: Stefan Szitas – Chairman, Octavian Molnăr – Member and Dragoș Valentin Neacșu – Member.

During 2019, the Audit Committee met in 15 sessions, in which it analyzed the following main topics, making recommendations to the Board of Governors where necessary:

- The report on the BSE preliminary simplified consolidated financial results, drafted as of December 31, 2018;
- BSE individual and consolidated financial statements for the financial year 2018;
- BSE Financial Auditor's Report for 2018;
- 2018 Annual Report of BSE Directors;
- Budget and Business Plan for 2019;
- 2018 Annual Report of BSE as market operator;
- The annual self-evaluation report of the market operator, prepared according to the provisions of the FSA Regulation no. 13/2018 regarding trading places;
- The 2018 Activity Report and the 2019 Investigation Plan of the Internal Control Department;
- Designation of the compliance officer in the matter of preventing and combating money laundering and terrorist financing, based on the provisions of Law no. 129/2019 and of the FSA Regulation no. 13/2019;
- Internal Auditor Report for 2018 and the status of implementation of the recommendations made in the internal auditor report;

- 2018 Risk Management Report, the status of implementation of the recommendations made in the risk management report, as well as the quarterly risk management reports for 2019;
- Implementation status of the recommendations made in the internal auditor's report for 2017 and risk management report for 2017;
- The minutes concluded after the periodic control of the FSA and the status of the implementation of the actions ordered by the measures plan;
- Succession plan;

- The Procedure for the identification and management of conflicts of interests, updated;
- The Procedure regarding transactions of the BoG members with financial instruments issued by BSE, updated;
- The Procedure regarding the transactions of the BSE officers with financial instruments admitted to trading on the regulated markets or on the multilateral trading systems administered by the BSE, updated;
- Risk Policy, updated;

- The BSE quarterly and semi-annual financial statements for 2019, individual and / or consolidated;
- Operational and financial periodical reporting;
- The annual self-evaluation of the Audit Committee for the activity carried out;
- Annual Report of the Audit Committee.

Besides the positive recommendation for approval of the topics proposed by the executives, submitted to the Board, the Audit Committee formulated also several specific recommendations, among which the following:

- implementation of all recommendations made in the internal auditor's report and risk management report; to include in the reporting regarding the status of implementation of the recommendations contained in the two reports the responsible persons, deadlines and concrete actions for implementation;

- presentation of a more detailed analysis of operational costs in the periodic reports on operational and financial activity;

- the executive to come up to the Board with proposals to increase the liquidity of the transactions with shares on BSE;

- inclusion in the Procedure for identifying and managing conflicts of interests, updated, following the entry into force of the FSA Regulation no. 1/2019, of a provision regarding the reporting incident to the Share Allocation Plan (SOP);

- completion of the Report on the IFRS simplified interim consolidated financial statements of March 31, 2019 with mentions regarding the organization in international financial centers of roadshows throughout the year 2019 and on the implementation of the decision of the Extraordinary General Meeting of Shareholders on April 24, 2019 regarding the SOP;

- inclusion in the Risk Policy, in the Strategic Risks category, also the risk generated by the legislative changes;

- presentation at each meeting of the Audit Committee and the Board of Governors of the status of implementation of the actions adopted by the Board, namely the remaining open topics, the deadlines, the responsible persons and the stage of their implementation.;

- organizing a meeting with FSA representatives for further clarification on the Procedure regarding the transactions of the Board members of the BSE with shares issued by the BSE, these to be included in the procedure; after approval, FSA to be informed about the modification of the procedure, this being also a notification for the members of the Board of Governors for transactions of over 5,000 EUR in 2019 (also due to the share allocation plan implemented in 2019);

- reconfirmation of the succession plan with the new Board of Governors, after its authorization by the FSA;

- the registration by the new entity CCP.RO Bucharest of the expenses related to this project, incurred prior to the establishment of the company, in the financial statements concluded for 2019.

The Audit Committee performed the self - evaluation of the activity carried out in 2019, concluding that overall, the Committee was effective as regards its composition, activities running, overseeing the financial reporting, audit, internal control, risk management and corporate governance systems and their efficiency, and provided effective support to the Board in fulfilling its responsibilities.

The **Nomination Committee** is a consultative committee created within the Board of Governors, which provides support in connection with identification, selection and evaluation of candidates recommended to the Board for a position as member of executive management, make recommendations to the Board regarding the filling of the vacancies within the Board, elaborates the requirements regarding the filling in of positions as members of the Board, Advisory Committees / Special Commissions and executive management.

In 2019, the composition of the Nomination Committee remained unchanged, being as following:

- Lucian -Claudiu Anghel – Chairman
- Robert-Cosmin Pana – Member
- Otto Emil Naegeli – Member

All members of the Nomination Committee are non-executive directors, the majority being independent.

In the Board of Governors meeting of February 2020, the new members of the Nomination Committee (non-executive, independent directors) were elected, the new composition being as follows: Mihaela Ioana Bîciu – Chairperson, Radu Hanga – Member and Robert Cosmin Pană – Member.

During 2019, Nomination Committee met in 8 sessions, in which it analyzed the following main topics, making recommendations to the Board of Governors where necessary:

- Approval of the Regulation of the Nomination Committee, updated, following the entry into force of the FSA Regulation no. 1/2019;
- Approval of the Procedure regarding the assessment of the prior and continuous adequacy of the persons subject to the approval or notification of the Financial Supervisory Authority, updated, following the entry into force of the FSA Regulation no. 1/2019;
- Evaluation of the adequacy of the management structure, according to the FSA Regulation no. 1/2019;
- Appointment of two candidates from BSE for two member positions on the Board of Directors of the company that will act as CCP (CCP.RO BUCHAREST S.A.)
- Proposal of the Procedure for the election of the members and the President of the Board of Governors at the BSE Ordinary General Meeting of Shareholders of 20 / 21.11.2019;
- The Note to the shareholders regarding the election of the members and the President of the Board of Governors related to the Ordinary General Meeting of Shareholders of 20 / 21.11.2019;
- Evaluation of the individual adequacy, according to the provisions of the FSA Regulation no. 1/2019, of the candidates proposed for the positions of member of the Board of Governors within the Ordinary General Meeting of Shareholders of 20 / 21.11.2019;
- The list of the candidates for the positions of member or member and President of the Board of Governors related to the Ordinary General Meeting of Shareholders of 20 / 21.11.2019;
- Evaluation of the collective adequacy, according to the provisions of the FSA Regulation no. 1/2019, of the members of the Board of Governors elected by the Ordinary General Meeting of Shareholders of 20.11.2019;
- Designation of the compliance officer in the matter of preventing and combating money laundering and terrorist financing, based on the provisions of Law no. 129/2019 and of the FSA Regulation no. 13/2019;
- The status of implementation of the measures plan imposed by the FSA following the periodic control at the BSE;
- The succession plan;
- Annual Report of the Nomination Committee.

The Remuneration Committee is an advisory committee created within the Board of Governors, which formulates proposals with regard to the policy of remuneration for the executive and non-executive members of BSE management structure.

In 2019, the composition of the Remuneration Committee remained unchanged, being as following:

- Claudia-Gabriela Ionescu – Chairperson
- Otto Emil Naegeli – Member
- Dan Viorel Paul – Member

All members of the Remuneration Committee are non-executive directors, the majority being also independent.

In the Board of Governors meeting of February 2020, the new members of the Remuneration Committee (non-executive directors, independent majority) were elected, the new composition being as follows: Claudia Gabriela Ionescu – Chairperson, Dan Viorel Paul – Member and Răzvan Legian Rață – Member.

During 2019, the Remuneration Committee met in 4 sessions, in which discussed and made recommendations to the Board of Governors, where the case, the following topics:

- the remuneration of the Company administrators for 2019, the general limits of the additional remunerations for Company administrators and their recompensation for 2018, proposals submitted to the Ordinary General Shareholders Meeting of April 24/25, 2019;
- Buy-back of the Company of its own shares, in accordance with the applicable legal provisions, in order to implement a program for the allocation of shares to employees, executives and directors of the Company, proposal submitted to the Ordinary General Meeting of Shareholders of April 24/25, 2019;
- Evaluation the activity for 2018 and setting the objectives for 2019 for the CEO;
- Updating the financial terms of the mandate of the Deputy CEO;
- Granting of the shares related to 2018 and the options on shares related 2019 to the employees and the officers of BSE, according to the SOP, updated;
- Annual Report of the Remuneration Committee.

Executive management

During 2019 the executive management of BSE was assured as follows:

Person	Position
Adrian Tănase	CEO, officer as per Law no. 31/1990, contract for 4 years, Jan. 2018 – Jan. 2022
Marius - Alin Barbu	Deputy CEO, officer as per Law no. 31/1990, contract for unlimited period

BSE is not aware of any agreements, understandings or family relations between members of executive management and others, due to which the respective persons have been appointed to the executive management, also, the members of the executive management have the obligation to submit annual statement on conflict of interest.

Moreover, at the date when preparing this report, BSE is not aware of the existence in 2019 of any litigation or administrative proceedings against members of the Board of Governors or the executive management directly related to their activities concerning the Company or their ability to perform their duties within the Company.

The holdings in BSE shares as of December 31, 2019 of the members of the Board of Governors and the executive management are presented below:

Lucian Anghel	5652 BSE shares
Valerian Ionescu	4715 BSE shares
Robert Pană	4731 BSE shares
Claudia-Gabriela Ionescu	2130 BSE shares
Radu Hanga	5220 BSE shares
Gabriel Marica	3576 BSE shares

Octavian Molnăr	3708	BSE shares
Otto Emil Naegeli	1523	BSE shares
Dan Viorel Paul	5797	BSE shares
Adrian Tănase	2908	BSE shares
Marius-Alin Barbu	2885	BSE shares

Remuneration for the members of the Board and executives

The remuneration for the members of the Board and executives was made based on the Remuneration Policy for BSE Management Structure and the mandate contracts, respectively the resolution of the BSE OGMS no. 4/24.04.2019, which approved the remuneration of the directors for the 2019, the general limits of the additional remuneration for the Company's administrators and their recompensation for 2019.

For consulting the Remuneration Policy for BSE Management Structure, please visit BSE website http://www.bvb.ro/InvestorRelations/Overview.

Internal control and risk management systems

The compliance function at the BSE level is organized in the form of procedures aimed at detecting and minimizing any risk of the BSE not fulfilling its obligations according to the provisions of the FSA Regulation no. 13/2018, of Regulation (EU) no. 600/2014 and of the European regulations issued in application of Directive 2014/65 / EU. The compliance function is performed independently and operatively, based on written procedures and an annual investigation plan approved by the Board of Governors.

The risk management function at BSE level is organized in the form of procedures that establish the necessary framework for identifying, evaluating, monitoring, managing and reporting the risks faced by the market operator, in a controlled and efficient way, in order to achieve the specific BSE objectives. To achieve the proposed purpose, through the risk management procedures, the limits of risk tolerance, the activities necessary to identify and evaluate the risks as well as the specific type of risk response are established.

The internal audit function is outsourced and is carried out in accordance with the regulations in force.

President,

Radu Hanga

CEO,

Adrian Tanase

Annex 1 – Statement with regard to BVB's compliance with the Corporate Governance Code

Principle	Requirement	Status at 31 December 2019	If does not comply, action towards compliance
A1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	Comply	
A2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Comply	
A3	The Board of Directors should have at least five members.	Comply	
A4	The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment in practice and according to the criteria from the BVB Corporate Governance Code.	Comply	
A5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Comply	
A6	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Comply	
A7	The company should appoint a Board secretary responsible for supporting the work of the Board.	Comply	
A8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting	Comply	

	from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	
A9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Comply
A10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	Comply
A11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	Comply
B1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	Comply
B2	The audit committee should be chaired by an independent non-executive member.	Comply
B3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Comply
B4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	Comply
B5	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Comply
B6	The audit committee should evaluate the efficiency of the internal control system and risk management system.	Comply

B7	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Comply
B8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	Comply
B9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Comply
B10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	Comply
B11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Comply
B12	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	Comply
C1	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	Comply

D1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code; D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Comply
D2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	Comply
D3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Comply
D4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Comply

D5	The external auditors should attend the shareholders' meetings when their reports are presented there.	Comply
D6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Comply
D7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Comply
D8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	Comply
D9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	Comply
D10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Comply

Anexa 2 – Raportul anual în privința mediului înconjurător și cel social / *Annual Environmental & Social Report*

Istoricul operatorului de piață / *Background on the Stock Exchange*

Numele operatorului de piață / *Name of Stock Exchange*: Bursa de Valori București (BVB)

Adresă / *Address*: Blvd Carol I nr. 34-36, etaj 13-14, București, 020922

Țară / *Country*: România

Reprezentantul companiei / *Company representative*: Radu Hanga, Președinte al Consiliului de Administrație/ *President of the Board of Governors*

Certific faptul că datele conținute în acest raport reflectă complet și corect activitatea desfășurată în această perioadă de raportare. / *I certify that the data contained in this report completely and accurately represents operations during this reporting period*.

Semnătura / *Signature*:

Funcția / *Title*: Data / *Date*: 16 March 2020

Președinte al Consiliului de Administrație/ *President of the Board of Governors*

Detalii de contact / *Contact Details*:

Telefon / *Telephone*: +40 21 307 95 00

Mobil / *Mobile*: -

E-mail: secretariat@bvb.ro

Data raportului / *Date of Report*: 31.12.2019

Perioada de raportare / *Reporting Period*: 2019

Operatorul de piață activează la nivel internațional? / *Does the Stock exchange operate internationally?*	☐ Activează în mai mult de o țară / *Operates in more than one country*		☒ Activează doar în această țară / *Operates only in this country*	
Numărul angajaților din țară / *Number of employees in country*	☒ <50	☐ 51-100	☐ 101-500	☐ >500
Alți IFI / MDBs / donatori care asigură finanțarea operatorului de piață / *Other IFIs / MDBs / Donors providing financing to the Stock exchange*		☐ IFC	☐ EIB	☐ EU
		☐ World Bank	☐ ADB	☐ FMO
		☐ KFW/DEG	☐ Altele (vă rog specificați / *Other (please specify)*	☒ N/A

Natura relației de afaceri cu BERD acoperită în acest raport / *Nature of business relationship(s) with EBRD covered in this report*

Operațiune / *Operation*	☐ Împrumut / *Loan* ☒ Participație la capital / *Equity*	☐ Fond / *Fund*	☐ *IMM* / SME ☐ MSME	☐ TFP	☐ Leasing / *Leasing* ☐ Ipotecă / *Mortgage*

Secțiunea 1: Conformarea cu prevederea BERD PR9 Capacitatea și suportul pentru mediu /

Section 1: Compliance with EBRD PR9 Environmental Capacity and Support

Operatorul de piață are politici și proceduri privind mediul înconjurător și cel social adoptate în mod formal? / *Does the stock exchange have a formally adopted Environmental and Social Policy or Procedures?*	☐ Da / *Yes* ☒ Nu, BVB nu are o Politică sau Procedură integrată de guvernanță privind mediul înconjurator și cel social, dar acoperă aspectele relevante în acest domeniu în diferite documente corporative./ *No, BVB does not have an integrated ESG Policy or Procedure, but it has covered the ESG relevant aspects in various corporate documents.*
Ce aspecte acopera Politica privind mediul înconjurător și cel social? / *What aspects does the Environmental and Social (E&S) Policy cover?*	☒ Mediul înconjurător / *Environment* ☒ Mediul social (ex. aspecte de muncă) / *Social (eg labour issues)* ☒ Sănătate și siguranță la locul de muncă / *Health and Safety* ☒ Aspecte privind mediul înconjurător și cel social specifice operatorului de piață / *E&S issues associated with the stock exchange* ☐ Aspecte privind mediul înconjurător și cel social specifice companiilor (care vor fi) listate și instrumentelor tranzacționate / *E&S issues associated with companies (to be) listed and papers traded* ☐ Nu se aplică / *Not Applicable* ☐ Nu / *No*
Operatorul de piață participă în The Sustainable Stock Exchanges Initiative? http://www.sseinitiative.org / *Does the Exchange participate in The Sustainable Stock Exchanges Initiative? http://www.sseinitiative.org*	☒ Da / *Yes* ☐ Nu / *No* ☐ Nu știu / *Don't know*

Există companii ale căror instrumente sunt listate pe piețele administrate de operatorul de piață implicate în activitățile cuprinse în Lista activităților excluse a BERD (disponibilă aici)?/ *Are any of the companies whose papers are listed on the Exchange involved in activities on the EBRD's Environmental and Social Exclusion List (available here)?*	☐Da / *Yes* ☐ Nu / *No* ☒ Nu știu / *Don't know*
Operatorul de piață admite și permite tranzacționarea instrumentelor financiare ale companiilor încadrate în categoria clienților cu risc ridicat, clasificați astfel în lista categoriilor de risc în ceea ce privește mediul înconjurător și cel social a BERD (http://www.ebrd.com/downloads/about/sustainability/ebrd-risk-english.pdf)?/ *Does the stock exchange list and trade papers of companies with high E&S risk clients according to EBRD's environmental and social risk categorisation list (see* *http://www.ebrd.com/downloads/about/sustainability/ebrd-risk-english.pdf)*	Da, în sensul că BVB nu are criterii de eligibilitate în privința mediului înconjurător și cel social pentru admiterea și tranzacționarea companiilor pe piețele pe care le administrează. Totuși, companiile care doresc să se listeze dezvăluie în prospectul de admitere riscurile cu care compania se confrunta și modul în care le atenuează. După listare, companiile din anumite sectoare recunoscute de legislația națională în vigoare ca fiind cu risc în privința mediului înconjurător și cel social sunt în general preocupate de riscurile în privința mediului înconjurător și cel social și de modalitățile de atenuare a acestora. / *Yes, in the sense that BVB does not have an ESG eligibility criteria for admitting companies to list/trade on the markets it operates. But, the companies wanting to list disclose in their admission prospectus the risks the companies faces and the way it mitigates these risks. After listing, companies from certain sectors recognised with ESG risk by national legislation in place are generally concerned about ESG risks and how they mitigate against them*
Furnizați un eșantion al companiilor listate din ultimul trimestru împărțite pe sectoare de industrie. / *Provide a sample breakdown by industry sector of listed companies dating from the last quarter.*	Pe piața principală și sistemul alternativ de tranzacționare administrate de BVB sunt disponibile la tranzacționare instrumente financiare ale emițentilor provenind din următoarele sectoare: agricultura, păduri și pescuit (8); industria extractivă (11); industria prelucrătoare (180); furnizare de energie electrică și termică, gaze și aer condiționat (3); alimentare cu apă, canalizare, gestionarea deșeurilor, activități de decontaminare (2); construcții (35); comerț en-gros și en-detail; reparații autovehicule și motociclete (39); transport și depozitare (17); hoteluri şi restaurante (28); IT&C (5); intermediere financiară și de asigurări (15); tranzacții imobiliare (24); activități profesionale, științifice și tehnice (14); activități de servicii administrative și suport (5); administrație publică și apărare, asigurări sociale obligatorii (0); sănătate şi asistență socială (1); alte activități de servicii (1) / *On the BVB main market and alternative trading system are available for trading financial instruments of issuers coming from the following sectors: agriculture, forestry and fishing (8); mining and quarrying (11); manufacturing (180); electricity, gas, steam and air conditioning supply (3); water supply, sewerage, waste management and remediation activities (2); construction (35); wholesale and retail trade; repair of motor vehicles and motorcycles (39); transportation and storage (17); hotels and restaurants (28); information and communication (5); financial and insurance activities (15); real estate activities (24); professional, scientific and technical activities (14); administrative and support service activities (5); public administration and defence, compulsory social security (0); human health and social work activities (1); other service activities (1).*

Reglementările pentru admiterea la tranzacționare a companiilor prevăd în mod specific dezvăluirea riscurilor și obligațiilor semnificative în privința mediului înconjurător și cel social, precum și a modului în care sunt abordate de companie? / *Do listing rules for issuing companies specifically cover disclosure of material E&S risks and liabilities, and how they are being addressed by the company?*	☐ Da (vă rugăm să oferiți detalii și să arătați unde sunt prevăzute aceste cerințe, ex. în legea societăților, reglementarile operatorului de piață, statutul și politicile operatorului de piață etc) / *Yes (please give details and state where the requirement is located, e.g. company law, Stock Exchange regulations, Stock exchange's own statues/policies etc.)* ☒ Nu / *No*
Operatorul de piață oferă consultanță și/sau cursuri pe aspecte legate de sustenabilitate companiilor și/sau investitorilor? / *Does the stock exchange offer sustainability-related guidance and/or training companies and/or investors?*	☒Da / *Yes* ☐ Nu / *No* ☐ Nu știu / *Don't know*
Vă rugăm să furnizați detalii despre orice inițiativă a operatorului de piață, avută sau planificată, pentru creșterea conștientizării emitenților și/sau pentru promovarea sau solicitarea unei mai bune transparențe și informări în ceea ce privește realizările și factorii de risc legate de mediul înconjurător și cel social. / *Please provide details of any initiatives taken or planned by the Exchange to raise issuing companies' awareness and/or to promote or require better transparency and disclosure on E&S-related performance and risk factors.*	BVB a devenit membru al UN SSE în 2015, in 2016 a organizat evenimente pentru emitenti şi investitori, si în 2017 a continuat organizărea de întâlniri pentru stakeholderii pieței de capital în domeniul guvernanței, în privința mediului înconjurător și cel social. / *BVB became member of the UN SSE in 2015, in 2016 organized events for issuers and investors, and in 2017 continued the series of workshops for capital market stakeholders in the ESG area.*
Operatorul de piață administrează sau are în plan să administreze indici de sustenabilitate? / *Does the Exchange operate or plan to operate any sustainability indices?*	☒ Da (are în vedere crearea unui indice de guvernanță corporativă, cu un criteriu de eligibilitate din punct de vedere al mediului înconjurător și cel social) / *Yes (has in plan to design a corporate governance index, with an ESG eligibility criteria)* ☐ Nu / *No*
Operatorul de piață a semnat acorduri sau declarații la nivel național, internațional sau pe industrii în privința mediului înconjurător sau cel social? / *Has the Stock exchange signed any national, international or industry agreements or declarations concerning environmental and social issues?*	☒ Da (a aderat la standardele UN SEE în privința mediului înconjurător și cel social)/ *Yes (adhered to the UN SEE standards on ESG)* ☐ Nu / *No*

Angajamentul stakeholderilor / *Stakeholder Engagement*

Există un punct de contact pentru solicitările sau preocupările publice legate de mediul înconjurător și cel social? / *Is there a point of contact for dealing with public enquiries and concerns related to environmental and social matters?*	Nume / *Name*: Marian Pavel Titlu / *Title*: Economic Specialist Telefon/mobil / *Phone/mobile*: +40 21 307 95 00 E-mail: marian.pavel@bvb.ro
Operatorul de piață dezvăluie informații despre proiecte/ mediu înconjurător/ social către stakeholderi (ex. pe website, în ziare locale, discuții cu emitenții sau investitorii pe aspecte de mediu înconjurător și cel social etc)? / *Does*	☒ Da (prin secțiunea CSR de pe website, discuții cu stakeholderii pieței de capital) / *Yes (via web site on CSR section, via dialog with capital market stakeholders)*

the Stock exchange disclose project / environmental/social information to stakeholders (eg via web site, local newspapers, dialogue with issuing companies or investors on environmental and social matters, etc)?	☐ Nu / *No*

Secțiunea 2: Conformarea cu prevederile BERD PR2 Munca și condițiile de muncă /

Section 2: Compliance with EBRD's PR2 Labour and Working Conditions

2.1 Care este numele angajatului având în principal responsabilități generale de managementul resurselor umane din cadrul operatorului de piață? /

2.1 What is the name of the employee with primary overall responsibility for Human Resource Management in the Stock exchange?

Nume / *Name*: Tatiana Simulescu

Titlu / *Title*: HR Director

Telefon/Mobil / *Phone/Mobile*: +40 21 307 95 00

E-mail: tatiana.simulescu@bvb.ro

2.2 Managementul Resurselor Umane / *Human Resources Management*

2.2.1 Au suferit vreo schimbare, în cursul perioadei de raportare, următoarele politici sau termene și condiții / *Have there been any changes to the following policies or terms and conditions during the reporting period*: • Tratament nediscriminatoriu și sanse egale / *Non-discrimination and equal opportunity policy* • Angajarea de persoane sub 18 ani / *Employment of young persons under age 18* • Salarii (nivel, timp de lucru normal și ore suplimentare) / *Wages (wage level, normal and overtime)* • Ore suplimentare / *Overtime* • Programul de lucru / *Working hours* • Mecanismul de realizare a reclamațiilor de către angajați / *Grievance mechanism for workers* • Dreptul de a constitui și adera la un sindicat sau de negociere colectivă / *Union recognition or negotiation* • Sănătatea și siguranța la locul de muncă / *Health & safety*	☒ Da / *Yes* ☐ Nu / *No*	*Daca da, vă rugăm să oferiți detalii/ If yes, please give details:* Da, revizuirea Codului de Edică a adus modificări asupra mecanismului de realizare a reclamațiilor de către angajați; *Yes, the revision of the Ethics Code brought updates on the grievance mechanism for workers.*

2.2.2 Compania are politici și/sau proceduri pentru oricare dintre următoarele / *Does the company have policies and/or procedures for any of the following*: • Egalitate de gen / *Gender equality* • Recompensă egală pentru munca egală / *Equal pay for work of equal value* • Împotriva hărțuirii și intimidării / *Anti-harassment/bullying* • Promovarea echilibrului între muncă și viața personală / *Promoting family friendly work and the work/life balance*	☒ Da / *Yes* ☐ Nu / *No* ☒ Da / *Yes* ☐ Nu / *No* ☒ Da / *Yes* ☐ Nu / *No* ☒ Da / *Yes* ☐ Nu / *No*	Dacă da, vă rugam să dați detalii / *If yes, please give details:* BVB nu are o politică sau procedură integrată în privința mediului înconjurător și cel social sau politici și proceduri individuale pentru fiecare din cele 4 subiecte menționate, dar toate aspectele relevante pentru aceste 4 subiecte se regăsesc în diferite documente corporative interne. / *BVB does not have an integrated ESG Policy or Procedure, or an individual Policy or Procedure for each of the 4 topics mentioned, but all the aspects relevant for these 4 topics are present in various internal corporate documents.*
2.2.3 A avut loc vreo concediere colectivă în perioada de raportare?/ *Were there any collective redundancies during the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să descrieți planul de concediere colectivă, inclusiv motivele concedierilor, numărul angajaților afectați, modul de selecție a acestora și consultările avute. / *If yes, please describe the redundancy plan, including reasons for redundancies, number of workers involved, how they were selected, and consultation undertaken.*
2.2.4 Există un plan de concedieri sau de suplimentare a forței de muncă pentru anul următor? / *Are there any planned redundancies or additions to the workforce in the next year?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să descrieți planul de concedieri, inclusiv motivele concedierilor, numărul de angajați afectați și procesul de selecție și consultare. / *If yes, please describe the redundancy plan, including reasons for redundancies, number of workers involved, and selection and consultation process.*
2.2.5 Au făcut angajații vreo reclamație în cadrul operatorului de piață în perioada de raportare? / *Have employees raised any grievances with the stock exchange during the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să specificați numărul reclamațiilor, sumarul aspectelor semnalate în reclamații (diferențiate pe gen) și să explicați cum au fost tratate de operatorul de piață. / *If yes, please state how many, summarise the issues raised in grievances (disaggregated by gender) and explain how the Stock exchange has addressed them.*

2.2.6 Au existat greve sau dispute colective referitoare la muncă și condițiile de muncă în cadrul operatorului de piață în perioada de raportare? / *Have there been any strikes or other collective disputes related to labour and working conditions at the Stock exchange in the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să sumarizați natura disputelor și modul în care au fost acestea rezolvate. / *If yes, please summarise nature of disputes and how they were resolved.*
2.2.7 Au existat litigii de muncă în perioada de raportare? / *Have there been any court cases related to labour issues during the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să sumarizați aspectele contestate și rezultatele. / *If yes, please summarise the issues contested and outcome.*

Abrevieri/ Abbreviations:

ADB – Asian Development Bank

EBRD – European Bank for Reconstruction and Development

EIB – European Investment Bank

FMO – Netherlands Development Finance Company

IFC – International Finance Corporation

IFI – International Finance Stock exchange

KFW/DEG – KFW Banking Group Germany Development Corporation

MDB – Multilateral Development Bank

Statement

The statement herein concerns the extent to which the financial report of Bursa de Valori Bucuresti SA, prepared on 31 December 2019, contains an accurate presentation of all significant matters related to the financial position of Bursa de Valori Bucuresti SA as of 31 December 2019, and of the results of its operations ended on this date according to the accounting standards required by Romanian legal framework, namely the Accounting Law no. 82/1991, republished, and the Rule of the Financial Supervisory Authority no. 39/2015, for the approval of accounting regulations compliant with the International Financial Reporting Standards, applicable to entities regulated, authorized and/or supervised by the FSA, from the Financial Instruments and Investments Sector.

We undertake responsibility for the accurate presentation of the financial reports according to the above-mentioned lawful regulations. We confirm with full knowledge of the facts that the yearly financial and accounting report was drawn up according to the Accounting Regulations in compliance with the International Financial Reporting Standards, the accountancy policies used observing the same and providing an accurate and true to reality image of the assets, liabilities, financial position, profit and loss account and that the report of the Board of Governors includes an accurate analysis of the company development and performance, as well as a description of the main risks and uncertainties specific to the activity carried out.

Chairman,

Radu Hanga

CEO,

Adrian Tanase

Financial Manager

Virgil Adrian Stroia

Contact us

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Financial reports availability

Financial reports are available in our Investor Relations section on our corporate website at this link

Conference calls for results

The recording of our conference calls to present financial results and related presentations is available here

The conference call will be streamed live over the web here

Upcoming corporate events

29/30 Apr 2020	General Meeting of the Shareholders
29/30 Apr 2020	Release of the 2019 Annual Report
14 May 2020	Release of the Quarterly report for the 1st Quarter of 2020 & conference call
13 Aug 2020	Release of the Half-yearly report for the 1st Half of 2020 & conference call
12 Nov 2020	Release of the Quarterly report for the 3rd Quarter of 2020 & conference call

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BURSA DE VALORI BUCURESTI SA

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

31 DECEMBER 2019

CONTENTS

BURSA DE VALORI BUCURESTI SA
CONSOLIDATED PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 (RON)

	Note	2019	2018
Revenues from services		34,182,240	39,224,104
Other revenues		781,492	600,783
Operating revenue	7	34,963,731	39,824,887
Staff costs and benefits of the members of Board of Governors	8	(17,134,418)	(16,930,347)
Expenses with services provided by third parties	8	(3,320,406)	(4,092,131)
Other operational expenses	8	(10,707,212)	(9,919,849)
Operating profit		3,801,695	**8,882,560**
Net financial income	9	4,187,451	3,628,878
(Loss) / gain from impairment in associates		56,204	(24,728)
Profit before tax		8,045,351	12,486,710
Corporate income tax (expense) / revenue	10	(1,326,830)	(2,047,817)
Profit from continuing operations		6,718,520	10,438,893
Profit from discontinued operation		-	(251,665)
Profit for the year		6,718,520	10,187,228
Profit attributable to:			
Non-controlling interests		312,399	438,806
Owners of the Company		6,406,121	9,748,422
Profit for the year		6,718,520	10.187.228
Reserves from the reevaluation of tangible assets	9	(258,786)	-
Total comprehensive income for the year		6,459,734	10,187,228
Attributable amounts:			
Non-controlling interests		312,399	438,806
Owners of the Company		6,147,335	9,748,422
Total comprehensive income for the year		6,459,734	10,187,228
Basic/ diluted earnings per share		0,7959	1.2111

The consolidated financial statements were approved by the Board of Directors on 16 March 2020 and were signed by:

President,	General Manager,	Financial Manager,
Radu Hanga	Adrian Tănase	Virgil Adrian Stroia

The explanatory notes to the financial consolidated statements on pages 8 to 74 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 (RON)

	Note	31 December 2019	31 December 2018
Assets			
Tangible assets	11	7,095,733	7,850,199
Intangible assets	12	3,281,002	3,357,115
Right-of-use assets	13	5,029,913	-
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	14	17,046,415	14,751,612
Financial assets at amortised cost	14	33,670,059	49,329,673
Total non-current assets		66,123,122	75,288,599
Trade and other receivables	15	3,101,107	5,145,718
Prepayments	16	460,106	500,877
Bank deposits	14	22,408,681	20,176,232
Restricted bank deposits covering the guarantee fund and the margin at amortised cost	14	3,326,358	2,814,314
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	14	50,561	3,889,184
Other financial assets at amortised cost	14	3,449,485	4,173,054
Cash and cash equivalents	18	81,712,611	35,292,005
Other restricted assets at amortised cost	17	36,996,156	66,692,122
Assets classified as held for sale		-	160,292
Total current assets		**151,505,066**	138,843,798
Total assets		**217,628,188**	214,132,397
Equity			
Share capital	23	80,492,460	80,492,460
Treasury shares and and Share-base benefits	23	54,429	(683,716)
Share Premiums	23	6,303,263	6,303,263
Legal reserve	23	10,942,276	10,458,721
Revaluation reserve	23	3,385,355	3,644,141
Retained earnings	23	6,662,611	10,021,138
Total equity attributable to the owners of the Company		107,840,393	110,236,007
Non-controlling interests		42,108,675	10,190,477
Total shareholders' equity		149,949,068	120,426,484

The explanatory notes to the financial consolidated statements on pages 8 to 74 are an integral part of these consolidated financial statements.

	Note	31 December 2019	31 December 2018
Liabilities			
Operating lease liabilities	20	3,244,072	-
Total non-current liabilities		**3,244,072**	-
Trade and other payables	19	41,334,305	71,173,266
Deferred income	21	901,104	892,490
Operating lease liabilities	20	1,899,667	-
Current corporate income tax payables		14,940	277,907
Guarantee and clearing funds and settlement operation margin	22	20,285,032	21,361,970
Liabilities directly associated with assets classified as held for sale		-	280
Total current liabilities		64,435,048	93,705,913
Total liabilities		67,679,120	93.705.913
Total liabilities and equity		217,628,188	214,132,397

The consolidated financial statements were approved by the Board of Directors on 16 March 2020 and were signed by:

President,	General Manager,	Financial Manager,
Radu Hanga	Adrian Tănase	Virgil Adrian Stroia

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 **(RON)**

	Share capital	Own shares	Share premium	Retained earnings	Revaluation reserve	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 01 january 2019	80,492,460	6,303,263	(683,716)	10,021,138	3,644,141	10,458,721	110,236,007	10,190,477	120,426,484
Comprehensive income for the year									
Profit or loss	-	-	-	6,406,121	-	-	6,406,121	312,399	6,718,520
Other items of comprehensive income									
Legal reserve increase	-	-	-	(495,518)	-	495,518	-	-	-
Other reserves (revaluation reserve)					(258,786)	-	(258,786)	-	(258,786)
Total items of comprehensive income	-	-	-	**(495,518)**	**(258,786)**	**495,518**	**(258,786)**	-	**(258,786)**
Total comprehensive income for the year	-	-	-	**5,910,603**	**(258,786)**	**495,518**	**6,147,335**	**312,399**	**6,459,734**
Contributions by and distributions to owners of the Company									
Benefits granted to employees settled in shares	-	-	562,536	-	-	-	562,536	-	562,536
Losses as effect of granting shares for free within SOP			175,609	(175,609)	-	-	-	-	-
Dividend paid to BVB shareholders	-	-	-	(9,021,420)	-	-	(9,021,420)	-	(9,021,420)
Total contributions by and distributions to owners of the Company	**-**	**-**	**738,144**	**(9,197,029)**	**-**	**-**	**(8,458,884)**	**-**	**(8,458,884)**
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(618,255)	(618,255)
Variation of interests in subsidiaries	-	-	-	(72,102)	-	(11,963)	(84,065)	32,224,054	32,139,989
Total changes in interests in subsidiaries	-	-	-	**(72,102)**	-	**(11,963)**	**(84,065)**	**31,605,799**	**31,521,734**
Total transactions with owners	-	-	**738,144**	**(9,269,131)**	-	**(11,963)**	**(8,542,949)**	**31,605,799**	**23,062,850**
Balance as at 31 December 2019	**80,492,460**	**6,303,263**	**54,429**	**6,662,611**	**3,385,355**	**10,942,276**	**107,840,393**	**42,108,675**	**149,949,068**

The explanatory notes to the financial consolidated statements on pages 8 to 74 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 **(RON)**

	Share capital	Own shares	Share premium	Retained earnings	Revaluation reserve	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 31 December 2017, restated	80,492,460	6,303,263	834,705	14,841,507	3,644,141	9,858,111	114,304,777	10,695,922	125,000,699
Impact Opening balances –IFRS9	-	-	-	(344,153)	-	-	(344,153)	(59,798)	(403,951)
Balance as at 31 December 2017, restated	80,492,460	6,303,263	834,705	14,497,354	3,644,141	9,858,111	113,960,624	10,636,124	124,596,748
Comprehensive income for the year									
Profit or loss	-	-	-	9,748,422	-	-	9,748,422	438,806	10,187,228
Other items of comprehensive income									
Legal reserve increase	-	-	-	(600,611)	-	600,611	-	-	-
Total items of comprehensive income	-	-	-	**(600,611)**	-	**600,611**	-	-	-
Total comprehensive income for the year	-	-	-	**9,147,811**	-	**600,611**	**9,748,422**	**438,806**	**10,187,228**
Contributions by and distributions to owners of the Company									
Acquisition of treasury shares	-	-	(997,995)	-	-	-	(997,995)	-	(997,995)
Benefits granted to employees settled in shares	-	-	1,036,530	-	-	-	1,036,530	-	1,036,530
Losses as effect of granting shares for free within SOP			112,454	(112,454)					
Dividend paid to BVB shareholders	-	-	-	(13,550,791)	-	-	(13,550,791)	-	(13,550,791)
Total contributions by and distributions to owners of the Company	**-**	**-**	**150,989**	**(13,663,245)**	**-**	**-**	**(13,512,256)**	**-**	**(13,512,256)**
Change in interests in subsidiaries that do not result in a loss of control									
Dividend paid to minority shareholders	-	-	-	-	-	-	-	(419,780)	(419,780)
Reduction of non controlling interests								(304,180)	(304,180)
Reclassification of NCI to parent company				114,952			114,952	(114,952)	
Change in retained earnings -subsidiaries	-	-	-	(75,733)	-	-	(75,733)	(45,541)	(121,274)
Total changes in interests in subsidiaries	-	-	-	**39,219**	-	-	**39,219**	**(884,453)**	**(845,234)**
Total transactions with owners	-	-	**150,989**	**(13,624,026)**	-	-	**(13,473,037)**	**(884,453)**	**(14,357,490)**
Balance as at 31 December 2018	**80,492,460**	**6,303,263**	**(683,716)**	**10,021,138**	**3,644,141**	**10,458,721**	**110,236,007**	**10,190,477**	**120,426,484**

The explanatory notes to the financial consolidated statements on pages 8 to 74 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 (RON)

	Note	2019	2018
Cash flows from operating activities			
Profit for the year		6,718,520	10,187,228
Adjustment for the elimination of non-monetary items and re-classifications:			
Amortisation of tangible and intangible non-current assets	11,12, 13	4,126,892	2,278,239
Net interest income and amortisation of premiums for government bonds	9	(2,959,587)	(3,072,508)
(Gain) / loss from the sale financial assets	9	(541,219)	-
Loss from writing off receivables		293,056	283,096
Expense / (revenue) from impairment of uncollected receivables	15	(178,433)	24,749
Corporate income tax expense - re-classifications	10	1,326,830	2,047,817
Loss from impairment in associates		(56,204)	24,728
Income from the production of intangible assets		(501,595)	(302,708)
Net provision for holiday not-taken	8	-	(196,000)
Expected credit losses IFRS 9	9	129,526	114,992
Other non- cash adjustments		-	(281,289)
Expense with employees' benefits settled in shares	8	562,536	1,036,530
Net cash from operating activities before changes in working capital		**8,920,322**	**12.144.874**
Changes in working capital:			
Change in trade and other receivables		31,625,515	(17,370,121)
Change in prepayments	16	40,770	(112,594)
Change in trade and other payables		(32,680,291)	14,513,537
Change in deferred income	21	8,614	(6,899)
Change in the guarantee and clearing funds and the margin	22	1,528,249	675,101
Corporate income tax paid		(1,594,857)	(297,455)
Net cash from operating activities		**7,848,321**	**9,546,443**

The explanatory notes to the financial consolidated statements on pages 8 to 74 are an integral part of these consolidated financial statements.

Cash flows from investing activities			
Interest received		3,878,690	3,206,005
Interest received from assets covering the guarantee and clearing funds and margin		662,661	35,517
Payments for acquisitions of financial assets	14	(29,294,608)	(18,229,832)
Proceeds from sales/maturation of financial assets	14	46,048,395	27,492,038
Change of deposits balance	14	(2,735,849)	11,136,779
Acquisition of tangible and intangible assets	11,12	(1,658,945)	(1,830,640)
Change in held for sale assets		160,292	803,338
Net cash from investing activities		17,060,636	22,613,205
Cash flows from financing activities			
Dividends paid shareholders of the parent		(8,785,401)	(13,173,276)
Dividends paid to minority interests		(618,127)	(419,721)
Principal elements of operating lease payments, including interests	20	(1,280,734)	-
Released share capital of CCB's to minor shareholders		(104,088)	(901,587)
Acquisition of treasury shares	23	-	(997,995)
Cash contribution in subsidiaries equity by minority shareholders		32,300,000	-
Net cash used in financing activities		21,511,650	(15,492,579)
Net (decrease)/increase of cash and cash equivalents		46,420,606	16,667,069
Cash and cash equivalents at the beginning of the financial year	18	35,292,005	18,624,936
Cash and cash equivalents at the end of the financial year	18	81,712,611	35,292,005

Cash and cash equivalents as at 31 December 2019 presents the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 82,094,727 (2018: RON 35,467,440) and the expected credit losses is RON 382,116 (2018: RON 175,435).

1. REPORTING ENTITY

The Bucharest Stock Exchange was established as a public and independent institution on 21 June 1995, based on the Decision D20 of the Romanian National Securities Commission, under the Law No 52/1994 on securities and stock exchanges.

Until it became a joint stock company, the Bucharest Stock Exchange operated according to Law no 52/1994 and Government Emergency Ordinance no 28/2002 on securities, financial investment services and regulated markets, as a self-financed non-profit institution of public interest.

On July 15, 2005 the Bucharest Stock Exchange, by closing no 12270/SC/2005 pronounced in case no. 531497/SC/2005, was reorganized by changing the legal form to a joint stock company, without liquidating the assets and without interrupting the activity of the former public institution. The assets of the Bucharest Stock Exchange became according to Article 285 paragraph 1 of Law No 297/2004 on capital market the assets of Bursa de Valori Bucuresti S.A. (hereinafter referred to "BVB" or "the Company"). Upon the change of the legal form, the share capital of the new joint stock company was composed of cumulative earnings of the public institution. This share capital was distributed equally and free between securities companies (current financial investment service companies) which were active at that time.

On 31 August 2005 (reference date), BVB, as absorbing company, merged by absorption with S.C. Bursa Electronica Rasdaq S.A., as absorbed company, the latter conveying the universal right on own property to the absorbing company.

On 29 December 2017 (the effective date) BVB, as absorbing company, merged by absorption with SIBEX-Sibiu Stock Exchange S.A. Sibiu, as absorbed company, the latter conveying the universal right on its own property to the absorbing company.

The registered office of BVB is in Bucharest, at 34-36 Carol I Boulevard, 13th-14th Floor, 2nd District, Romania. BVB has no subsidiaries in other cities.

BVB has as main line of business the "Management of the financial markets". The shares of BVB have been listed on the Romanian spot regulated market managed by the Bucharest Stock Exchange under the symbol "BVB", since 8 June 2010.

The consolidated statements of the Company for the year ended 31 December 2019 comprise the financial information of the Company and its subsidiaries (hereinafter referred to as the "Group").

1 REPORTING ENTITY (CONTINUED)

The following entities are subsidiaries of BVB:

Subsidiary	Line of business	Percentage of ownership at 31 December 2019	Percentage of ownership at 31 December 2018
Depozitarul Central SA	Clearing / settlement operations for transactions with securities carried out on the Bucharest Stock Exchange and keeping the register of shareholders	69.0421%	69.0421%
Fondul de Compensare a Investitorilor SA	Paying compensation when the fund members fail to return the money or the financial instruments owed by or belonging to investors, which have been held on their behalf for the provision of financial investment or individual investment portfolio management services	62.4481%	62.4481%
Casa de Compensare Bucuresti SA	The General Meeting of the Shareholders of the Casa de Compensare Bucuresti SA held on May 24, 2018 decided the liquidation and cancellation of the company and in the General Meeting of the Shareholders held on April 19, 2019 the report of the designated liquidator and the operation of payment to the shareholders the share capital remaining after covering the recorded losses has been approved	0.00%	52.5280%
Institutul de Guvernanta Corporativa	Providing vocational training to the listed companies and the capital market participants, in corporate governance and sustainable development area	100%	100%
CCP.RO Bucharest SA	It was registered at the Trade Register on November 4, 2019 and aims to ensure the role of central counterparty in the derivative transactions market. The effective launch of the operations is estimated to last up to 24 months, taking into account the authorization process by the FSA in accordance with EMIR rules	59.5238%	-

1 REPORTING ENTITY (CONTINUED)

The Corporate Governance Institute had on 31 December 2019 a total of net assets amounting to RON 2,060 (31 December 2018: RON 2,060) and a result for 2019 which amounted to RON 0 (2018: profit of RON 0). This entity was considered to be insignificant by the BVB management for inclusion in the Group's consolidated financial statements.

The General Shareholders' Meeting of the Casa de Compensare Bucuresti held on May 24, 2018 decided liquidate the company and thus the financial information for this subsidiary is presented separately, as discontinued operations, as per IFRS 5 provisions for year 2018. Within the General Meeting of the Shareholders held on April 19, 2019 the report of the designated liquidator and the operation of payment to the shareholders the share capital remaining after covering the recorded losses has been approved.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU IFRS") and in compliance with Norm 39/2015 of the Financial Supervision Authority („ASF") „to approve accounting regulations compliant with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervision Authority in the sector of financial instruments and investments" as further amended („Norm 39/2015"), applicable on the annual reporting date for the Group, i.e. 31 December 2018. The Company has prepared these consolidated financial statements in order to meet the requirements of Instruction no. 2/2014 regarding the application of International Financial Reporting Standards adopted by the European Union by authorized entities, regulated and supervised by the Financial Supervisory Authority, as amended.

The consolidated financial statements include the consolidated statement of financial position, the consolidated profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the explanatory notes.

(b) Bases of measurement

The financial statements have been prepared on the historical or amortised cost basis, except for financial assets at fair value through other comprehensive income and land which are measured at fair value.

The methods used to determine the fair value are given in Note 4.

2. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

The items included in the financial statements of each entity of the Group are measured using the currency corresponding to the economic environment in which the entity operates ("functional currency"), i.e. leu (or "RON"). These consolidated financial statements are presented in RON, which is the Group's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with EU IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, payables, income and expenses. Estimates and underlying judgements are based on historical data and other factors deemed to be relevant in these circumstances, and the result of these factors forms the basis of judgments used to determine the carrying amount of assets and liabilities for which there are no other measurement sources available. Actual results may differ from these estimates.

Estimates and underlying judgements are revised on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision is performed only for that period or in the current period, and in the future periods, if the revision affects both current and future periods.

The most significant accounting methods and policies have been consistently applied by the entities in the Group over the financial years presented in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Business combinations

All business combinations that have occurred are accounted using the acquisition method. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. Acquisition date is the date on which control is transferred to the buyer. Professional judgment is applied in determining the acquisition date and whether the control transfer took place between the parties.

The Group assesses the goodwill at fair value of the consideration transferred including the recognised value of the non-controlling interests in the acquired entity minus the recognised net value (fair value) of the identifiable assets acquired and the payables assumed, all measured at the acquisition date. If the Group obtained a gain from a bargain purchase, that gain is recognized in profit or loss after the management has reanalyzed if all of the purchased assets have been identified and all liabilities and contingent liabilities have been accepted and their value assumed.

The consideration transferred includes the fair value of the assets transferred, the payables incurred by the Group to the previous shareholders of the acquired entity and the equity instruments issued by the Group. The consideration transferred includes also the fair value of the contingent consideration.

Any contingent payable of the acquired entity is assumed in a business combination only if such a payable represents a current liability resulting from a previous event and its value may be measured in a reliable manner.
The Group assesses non-controlling interests as part owned by minority shareholders in the identifiable net assets of the acquired entity.

The Group's transaction costs related to a business combinations, such as commissions for transaction brokerage, fees for legal services, fees for due diligence services and other fees for professional and consulting services are recognised in profit or loss.

(ii) Changes in the parent company's share in subsidiaries without loss of control
Changes in the parent company's share in a subsidiary that does not result in loss of control must be accounted for as equity transactions. The acquisitions of non-controlling interests are accounted for as transactions with shareholders in their capacity as owners and therefore no goodwill is recognised as a result. The result of these transactions is recognized by the Group in Equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to harmonise with the policies adopted by the Group. List of Group's subsidiaries is given in Note 1.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, as well as any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment in the associate entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Reflection of legal mergers by absorption

The Company applies the provisions of IFRS 3 “Business combinations” to register merger by absorption operations in the stand alone financial statements of the absorbing entity. By applying this policy, the stand alone financial statements of the absorbing company after the merger are a continuation of the consolidated financial statements drafted starting with the absorbed company purchase date.
In absence of the specific requirements of the International Financial Reporting Standards for the legal mergers by absorption, the Company opted to present the book value of the acquired identifiable assets and of the taken over assumed debts, in the stand alone financial statements on the legal merger date, after their initial recognition at fair value on the date when control was obtained.

(b) Foreign currency

Transactions in foreign currencies are recorded in RON using the official exchange rate on the transaction settlement date. Monetary assets and payables, denominated in foreign currencies on the date on which the consolidated statement of financial position are prepared, are translated in RON at the exchange rate of the National Bank of Romania from the reporting day. The gains or losses originating from their settlement and from the translation of monetary assets and payables denominated in foreign currency using the exchange rate at the end of the financial year are recognised in the year profit and loss account. Non-monetary assets and payables in a foreign currency that are measured based on historical cost are translated in Ron using the exchange rate at the date of the transaction and are not revalued at the end of the financial year based on the exchange rate published by the National Bank of Romania. Non-monetary assets and payables denominated in foreign currencies that are measured at fair value are retranslated in RON at the exchange rate at the date that the fair value was determined.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency differences are recognised in profit or loss, except for the differences arising on the retranslation of the financial assets at fair value through other comprehensive income included in the reserve resulting from the change in fair value of these financial instruments (non-monetary elements). The exchange rates of the main foreign currencies are as follows:

Currency	Spot exchange rate 31 December 2019	Spot exchange rate 31 December 2018	Average exchange rate 2019	Average exchange rate 2018
EUR	4.7793	4.6639	4.7452	4.6535
USD	4.2608	4.0736	4.2379	3.9416

(c) Going concern

These consolidated financial statements are prepared on a going concern basis which assumes that the Group will carry on its activity in the future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.

(d) Accounting for effects of hyperinflation

According to IAS 29 ("Financial Reporting in Hyperinflationary Economies"), the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy should be presented in terms of current purchasing power of that currency on the date on which the consolidated statement of the financial position is prepared, i.e. the non-monetary items are retranslated by applying the general price index on the acquisition or contribution date.

According to IAS 29 an economy is considered hyperinflationary if, among other factors, the accumulated inflation index exceeds 100% over a period of three years.
The steady decrease in the inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary affecting the financial periods starting from 1 January 2004. The provisions of IAS 29 were adopted in preparing the financial statements only for those holdings older than 1 January 2004. Amounts expressed in the current measuring unit used at 31 December 2003 are considered as basis for the reported accounting amounts included in these consolidated financial statements and are not measured values, replacement cost or any other measurement of the current value of assets or prices at which transactions would take place at present.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and liabilities

Financial assets

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are initially recognised on the trade date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when their contractual rights over the cash flows from the asset expire, or their the rights to receive the contractual cash flows of the financial asset are transformed by a transaction by which all the risks and rewards of ownership of the financial asset are substantially transformed. Any interest in such transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability .

Financial assets and payables are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the payable simultaneously.

As per IFRS 9 “Financial Instruments” the recognition and measurement of financial assets is based on the evaluation of the business model and the contractual cash flows and implements a new model for the recognition of impairment adjustments based on expected credit losses.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI), and measured at fair value through profit or loss (FVPL).

Classification for debt instruments is determined by the entity business model for the financial asset class and if the contractual cash flows represent solely the payment of principal and interest (SPPI). If debt instruments are held to be cashed, they can be recorded at amortized cost if they also meet the SPPI requirement.

The Group's financial investment business model is to held-to-collect of the contractual cash-flows and the types of financial assets held (government securities and bank deposits) give rise, at certain dates, to cash flows that are solely payments of principal and interests on the balance due. Thus, all Group financial investments are measured at amortised cost.

Investments in equity instruments are always measured at fair value. However, management may make an irrevocable choice to present fair value changes in other items

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. As at December 31, 2019, the Group does not own equity instruments.

Receivables and cash and cash equivalents

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method, less the impairment provision.

Cash and cash equivalents comprise cash in hand, amounts available in current bank accounts, other highly liquid short-term investments and with initial maturity terms of up to three months and bank overdraft less the expected credit losses.

Financial liabilities

The Group does not hold financial liabilities designated to be recorded at fair value through the profit and loss account in accordance with the provisions of IFRS 9 so all the Company's liabilities are measured at amortized cost.

(f) Financial assets and payables which cover the guarantee and clearing funds and the margin , restricted

Financial assets and payables from the guarantee and clearing funds and the margin refer to the services provided by following subsidiaries: Casa de Compensare Bucuresti SA, Depozitarul Central SA and Fondul de Compensare a Investitorilor SA.

Clearing fund managed by Fondul de Compensare a Investitorilor SA
Fondul de Compensare a Investitorilor SA (Investors Compensation Fund) („FCI") aims at providing financial services to the investors in case the intermediaries which provide financial services for an investment management Group is not able to meet its obligations towards their customers. All intermediaries authorised to provide financial investment services and investment management companies managing individual investment portfolios must be members of the Fund.

The compensation fund consists of non-reimbursable contributions from its members (financial investment companies, asset management companies, banks). FCI does not distribute dividends.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FCI registers in the balance or a payable equal to the compensation fund established by its members, along with the registration of the corresponding asset (cash deposited as a contribution by the Fund's members). As a result, the assets and payables resulted from the FCI activity, have similar sizes. The income from the investment of the Fund resources is disclosed in the profit or loss account as operating income and may be used to cover the expenses related to the administration and the operation of FCI or to increase the resources of the Compensation Fund.

Guarantee fund and margin managed by the Depozitarul Central SA

Depozitarul Central SA (The Central Depository) provides depository, registry, clearing and settlement of transactions in financial instruments (stocks, fixed income securities, bonds, funds, etc.) carried out on the Bucharest Stock Exchange.

The clearing participants are required to contribute to the setting up of a guarantee fund with the Central Depository. The interests related to the guarantee fund administration shall be quarterly distributed to the participants in the clearing and settlement and registry system, after retaining of the management fee of the funds, which is carried in the profit or loss under Service revenue, in terms of their capitalisation in the guarantee fund contributions and of updating participants' contributions.

The contributions to the guarantee fund of any participant in the clearing and settlement and registry system shall be returned to that participant in case the quality of participant to the clearing and settlement and registry system of the Central Depository ceases, after the deduction of any of its payment obligations to the Central Depository.

The guarantee fund shall be dissolved in case of dissolution of the Central Depository and the contributions to the guarantee fund of the participants in the clearing and settlement and registry system shall be returned to them.

The margins of the participants in the clearing and settlement and registry system are established by depositing the initial and the additional margins by each participant in the clearing, settlement and registry system. The interests related to the margin administration shall be quarterly distributed to the participants in the clearing and settlement and registry system, after retaining of the management fee of the funds, which is carried in the profit or loss under Service revenue, in terms of their capitalisation in the initial margin and of updating participants' contributions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The margin of any participant in the clearing and settlement and registry system shall be returned to that participant in case the quality of participant to the clearing and settlement and registry system of the Central Depository ceases, after the deduction of any of its payment obligations to the Central Depository. The amounts related to margins of the participants in the clearing and settlement and registry system shall be returned to them in case of dissolution of the Central Depository.

The Central Depository recorded in the balance or a payable equal to guarantee fund and the margin set up by participants, along with the registration of the corresponding asset (cash deposited by participants).

The accounting treatment for specific transactions of Fondul de Compensare a Investitorilor SA (the Investors Compensation Fund) and the Depozitarul Central SA (Central Depository) is as follows:

- the current receivables and payables in relation to the participants in the Central Depository and Investors Compensation Fund represents amounts receivable or payable for settlement and margin calls and are recorded initially at fair value and subsequently recognised at amortised cost.
- collaterals, guarantee fund and investors compensation fund are amounts received from participants for setting up the margins and the financial guarantees or contributions to the guarantee fund and, respectively, the investors compensation fund and are initially recognised at fair value; subsequently such amounts are recognised at amortised cost.
- the interest related to guarantees, the guarantee fund and the investment compensation fund are capitalized or carried in the profit or loss according to the accounting policy described above.
- assets covering the collaterals, the guarantee fund and the compensation fund consist of cash at banks, deposits at banks or securities; they are divided into long-term assets and short-term assets by maturity on balance sheet date; they are recognised initially at fair value and subsequently at amortised cost.

(g) Assets classified as held for sale and discontinued operations

The Group classifies an asset (or disposal group) as held for sale when its carrying amount is recovered principally through a sale (or an exchange) rather than through its continued use.
A fixed asset (or disposal group) is (are) classified as held for sale as soon as the following criteria are met: - the asset (or disposal group) must be available for immediate sale current; - the sale must be very probable.

For the sale to be considered probable, the following criteria must be met:
- management has developed a plan to sell the asset (or disposal group);
- a plan to identify a buyer has been initiated;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the asset (or disposal group) must be actively promoted for sale at a reasonable price and in relation to its current fair value;
- it is expected that the sale will be completed within one year from the date of classification in the category of assets held for sale;
- the sale plan is unlikely to change significantly or be canceled.

If the above classification criteria are no longer satisfied, the immobilized asset in question (the disposal group) ceases to be classified as held for sale.

Assets held for sale must be recognized at the minimum between the carrying amount and the fair value, less the costs of the sale.
Assets held for sale are not depreciated even if they are still used by the company. If the fair value less costs to sell is less than the carrying amount, the difference between the two should be treated as an impairment loss and the asset's value will be reduced by this loss.

In accordance with IFRS 5, the Group presents a non-current asset classified as held for sale and the assets belonging to a disposal group classified as held for sale separately from the other assets on the balance sheet under current assets.

(h) Tangible and intangible fixed assets

Tangible fixed assets

(i) Recognition and measurement

Tangible fixed assets are initially recognised at cost. Thereafter, they are assessed according to their category, namely:

- Land is carried at fair value, determined based on annual assessments by external independent assessors. The re-assessments are carried out at sufficient intervals to ensure that the fair value of a re-assessed asset does not differ significantly from carrying amount.
- All the other tangible assets are stated at restated, less accumulated depreciation and impairment.

(ii) Subsequent expenditure

The Group recognises in the carrying amount of a tangible asset the cost of its replacement when such cost is incurred or the economic benefits included in that tangible asset are likely to be transferred to the Group and the cost of this tangible asset may be measured in a reliable manner. All other costs are recognised as expense in profit or loss since they are incurred.

The costs incurred to replace a component of tangible assets reflected separately, including inspections or overhauls, are capitalised. Other subsequent expenditure is capitalized to

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the extent that it enhances the future performance of those tangible assets. All other repair and maintenance costs are included in profit or loss account as incurred.

(iii) Tangible asset depreciation

Depreciation is calculated using the straight-line method over the estimated useful life of each tangible asset. Land is not subject to depreciation.

The useful lives for the current and comparative years are as follows:

Building arrangement	8-16 years
Plant and equipment	3-20 years
Fixtures and fittings	2-15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurements of goodwill at initial recognition, see Note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment.

Other intangible assets

Other intangible assets (including IT licenses) that are acquired by the Group and have finite useful lives are measured at cost, less accumulated amortisation and accumulated impairment losses.
Intangible assets (including software) purchased and with determined useful lives are measured at their cost or revalued cost, less accumulated depreciation and accumulated impairment losses.

(i) (i) Subsequent expenditure

The expenses allowing intangible fixed assets to generate future economic benefits above the initially estimated performance are added to their original cost. These expenditures are capitalized as intangible assets if they are not part of tangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- Technical ability to complete the software product so that it will be available for use;
- Management intends to complete the software and use it or sell it;
- There is the ability to use or sell the software product;
- It can be demonstrated how the software product will generate future economic benefits;
  There are technical resources available, financial and otherwise appropriate to complete the development and to use or sell the software product; and
- Costs attributable to the software product during its development can be measured reliably.

Directly attributable costs that are capitalized as part of the software include employee costs involved in the software development and an appropriate portion of relevant overheads.

Other development costs that do not meet these criteria are recognized as expenses. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.
Development costs of computer software recognized as assets are amortized over the estimated useful life, not exceeding three years.

(ii) Intangible asset amortisation

Amortisation is recorded in profit or loss using the straight-line method over the estimated useful lives of intangible assets. Intangible assets are depreciated starting from the date when the asset is ready to be used. The estimated useful life for software and licences is between 1 and 5 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

IFRS 16 establishes new requirements for accounting of the leasing contracts so that the operating or financial leasing classifications from IAS 17 are eliminated, with only one model for registering leasing contracts. By applying this model, the lessee is obliged to register the right of use the assets and liabilities related to the leasing contracts according to IFRS 16 provisions. The right of use the assets is amortized using the linear method for the shortest period between the useful life of the asset and the duration lease agreement. For more details, see Note 13.

(i) Prepayd expenses and deferred revenues

The costs incurred and the incomes achieved during the current period, but which concern the next periods, are included in the consolidated financial statement as prepaid expenses or revenues, as appropriate. Each month, the share of the prepaid expenses or revenues related to that month is included in expenses or revenues.

(j) Impairment

(i) Financial assets

IFRS 9 "Financial Instruments" requires the application of the model for estimated credit losses and thus the earlier recognition of losses on financial assets that lead to increased impairment for the relevant items. Impairment losses are calculated on a three-step model using the credit risk swap, the internal or external counterparty assessments and the related default probability. According to IFRS9, an asset moves from Stage 1 (12 months expected credit losses) to Stage 2 (lifetime expected credit losses) at the time when the associated credit risk increase significantly. The Group assessed as a significant increase in the credit risk, the downgrade of the rating of the debt' issuer in the "non-investment" grade category..

For some financial instruments, such as trade receivables, impairment losses are estimated based on a simplified approach, recognising of the expected credit losses on receivables over their lifetime.

The interest for an asset accounted for at amortized cost and moved to Stage 2 (lifetime expected credit losses) is recognized hereafter. When a subsequent event determines the decrease in the impairment loss, it is reversed through the profit or loss account.

Impairment losses on financial assets at fair value through other comprehensive income are recognized by transferring the loss accumulated recognized in other comprehensive income items and reflected in the fair value reserve in equity to the profit or loss account. The cumulated loss that is transferred from other comprehensive income items to the profit or loss account is the difference between the acquisition cost, net of any principal

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

repayments and depreciation, and the current fair value, less any impairment loss recognized previously in the profit or loss account. Changes in provisions for impairment attributable to the time value of money are reflected as a component of interest income.

If, in a subsequent period, the fair value an impaired financial assets at fair value through other comprehensive income increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss account, then the impairment loss is reversed, and the amount of the reversal is recognized in the profit or loss account.

However, any subsequent recovery in the fair value of an impaired financial assets at fair value through other comprehensive income equity instrument is recognized in other comprehensive income items

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value, less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash-generating unit").

In order to test the goodwill impairment and subject to an operating segment ceiling, the cash-generating units to which goodwill has been allocated are monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are used first of all for reducing the carrying amount of any goodwill allocated to units, as the case may be, and then for reducing the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro-rata basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss in respect of goodwill is not reversed in profit or loss. In respect to other assets, impairment losses recognised during prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed in profit or loss if there has been changes in the estimates used to determine the recoverable amount. An impairment loss is reversed in profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of impairment or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits include salaries, compensations and social security contributions. Short-time employee benefits are recognised as expenses as the services are provided.

(ii) Defined contribution plans

The Group's entities make payments on behalf of their own employees to the Romanian state pension, health insurance and unemployment funds, during the performance of their usual activities. All Group's members and employees are also legally bound to contribute (through social contributions) to the Romanian state pension fund (a state defined contribution plan). All contributions are recognised in the income for the period they are incurred.

(iii) Other benefits

The fixed and variable remuneration may also be gratnted through a stock option plan agreement, in shares. The variable component of the total remuneration is the remuneration which may be granted by the Group in addition to fixed remuneration, conditioned upon meeting cetain performance indicators. The variable remuneration may be granted either in cash or in BVB shares. In case of the identified personnel, when establishing the variable part of the annual remuneration, the limitation of excessively taking risks shall be considered.

Based on the mandate granted through shareholder resolutions, the Group's Board of Directors shall decide on the number of shares included in the employees' loyalty program.
The fair value on the date of offering the shares to employees as a premium shall be recognized in the category of personnel expenses.
See also Note 8.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Other long-term employee benefits

The Group may grant, but it is not obliged to grant, post-pensioning benefits without creating a legal or constructive obligation. That is why the Group did not recognize any debt in these financial statements for this purpose.

(l) Trade payables and other payables

Trade payables and other payables are obligations to pay for goods or services that were purchased during the course of normal activity from suppliers and other creditors. Trade payables and other payables are classified as current debt if the payment is due in one year or less. Otherwise they will be presented as long-term debt. Trade payables and other debt are initially recognized at fair value and subsequently at amortized cost based on the effective interest method.

(m) Operating lease liabilities

By applying IFRS 16 the lessee is obliged to register the right of use the assets and liabilities related to the leasing contracts in the statement of financial position.
The lease liabilities are updated using the implicit interest rate in the lease contract. If this rate cannot be easily determined, which is generally the case for group leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee should pay to borrow the necessary funds to obtain an asset of similar value to the right of use the asset in a similar economic environment, with similar terms and conditions.

(n) Provisions

A provision is recognised in consolidated statement of the financial position if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market conditions and the risks specific to that payable. The unwinding of the discount is recognised as financial cost.

(o) Revenues

(i) Revenues from services

Revenues from services rendered are recognised in the profit or loss account for the period during which such services are provided.
The main sources of revenues are:

- revenues from fees for transactions in shares and fixed income instruments - revenues are recognised as services are rendered;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- fees charged for admission to trading – revenues are recognised at the date of admission to trading;
- fees charged for maintaining to trading – revenues are recognised on a straight-line basis over the period to which it relates;
- sales of exchange information – revenues are recognised as services are rendered;
- revenues from charges for storage operations for issuers of financial instruments – revenues are recognised as services are rendered;
- revenues from registry operations for issuers of financial instruments – revenues are recognised as services are rendered;
- revenues from clearing and settlement operations of the financial instrument transactions (shares and fixed-income instruments) – revenues are recognised as services are rendered.

(p) Financial income and financial costs

Financial income includes interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the re-measurement of assets and payables in other currencies and gains on the disposal of available-for-sale financial assets.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which is the cum-dividend date in the case of listed securities.

Financial costs comprise losses on disposal of financial assets, losses on the re-measurement of assets and liabilities in other currencies and interest expenses related to lease liabilities.

(q) Net income from interests related to assets covering the guarantee and clearing funds and the margin

During their specific activities, the Group's subsidiaries obtain interest income from the investment of financial resources made available through the guarantee and clearing funds and margin accounts.

The accounting treatment for interest income from the investment of these financial resources is detailed below:

- Income from the investment of the compensation fund's resources managed by the Investors Compensation Fund (FCI) may be used to cover the expenses related to the administration and functioning of FCI and/or for increasing the compensation fund's resources, which are not returned to the fund participants. Therefore, the Group recognises the interest income from the investment of the compensation fund's resources in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Interests related to the guarantee fund managed by the Central Depository are distributed quarterly to the participants through their capitalisation in guarantee fund and margin, after retaining the management fee presented in the profit or loss for service revenue. Furthermore, the margin and the guarantee fund shall be distributed to participants after the membership ceases or the Central Depository is dissolved. They are capitalised and included in the total resources of the guarantee fund and are not available to the Central Depository.

(r) Current and deferred corporate income tax

Corporate income tax for the year comprises current tax and deferred tax. Corporate income tax is recognized in the income of the year, unless it is related to items recognized in other comprehensive income or directly in equity. In such a case, the related income is also recognized directly in equity or in other comprehensive income.

The current tax expense is calculated as provided under fiscal provisions enacted or substantively enacted at the balance sheet date, in countries in which the Group and its subsidiaries are operational and generate taxable profits. The management considers the fiscal statements items which are open to interpretation on a regular basis. Whenever needed, it sets up provisions based on the estimated amounts payable to the authorities.

Deferred tax is determined in respect of temporary differences arising between the tax base for calculating the tax on assets and liabilities and their carrying value used for reporting in the financial statements. Deferred tax is not recognized for initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not business combinations and that affects neither the accounting nor tax income and differences. Deferred tax is calculated based on tax rates (and laws) enacted in full or to a large extent at the statement of financial position date and that would be applied during the period when receivables (obligations) related to deferred tax will be realized (settled).

Under local tax law, the tax loss recorded by the company that ceases to exist as a result of a legal merger by absorption can be taken over and recovered by the entity that takes over the assets of the company being absorbed. The annual tax loss achieved as of 2011, as determined by the profit tax statement, is recovered from the taxable profits obtained over the next 7 consecutive years. In order to carry forward unused tax losses, the deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available in the future after offsetting the tax loss of previous years and the corporation tax to be recovered. The deferred tax asset is diminished to the extent that the related tax benefit is unlikely to occur.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be deducted from which the temporary differences will be deducted.
Deferred tax assets are recognized only to the extent that it is likely to obtain a taxable profit in the future, from which the temporary differences will be deducted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are calculated for the deductible temporary differences resulting from investments in subsidiaries, affiliated entities and joint agreements, only where it is likely that the temporary difference will be reversed in the future, and there is sufficient taxable income available to use the temporary difference.

Deferred tax receivables and obligations are offset when there is a legal basis for offsetting current tax receivables with current tax obligations, and when receivables and obligations related to deferred tax refer to income tax levied by the same fiscal authority, either to the same taxable entity or to different taxable entities if there is an intent of compensating the balances on a net basis.

Tax rate used to calculate current and deferred tax at 31 December 2019 was of 16% (31 December 2019: 16%).

(s) Share capital

Ordinary shares are classified as shareholders' equity.

Additional costs directly attributable to the issuance of new ordinary shares or options are included in shareholders' equity as deductions, net of tax, from amounts raised.

(t) Own shares

The necessary equity instruments (own shares) are deducted from equity. The gain or loss from purchases, sales or cancelations of BVB capital instruments are not recognized in the year income.

(u) Earnings per share

The Group presents basic earnings per share ("EPS") for its ordinary shares. The basic EPS are calculated by dividing profit or loss attributable to ordinary shareholders of the parent-Group by a weighted average number of ordinary shares outstanding during that period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and by adjusting a weighted average number of ordinary shares outstanding to the effects of all potential ordinary shares, including preferred shares. Until now it was not necessary to calculate the diluted CPA because there is no potential ordinary shares, all issued shares having equal rights to dividends.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Legal reserve

In accordance with the legislation in Romania, companies must distribute an amount equal to at least 5% of profit before tax, in legal reserves, until it reaches 20% of the share capital. When this stage has been reached, the Group can make additional allocations of net profit only. Legal reserve is deductible within the limit of 5% applied to the accounting profit before establishing the corporate income tax.

(w) Dividends

Dividends are considered as a profit distribution for the period during which they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the annual profit recorded in the individual accounts, which is different from the profit from these consolidated financial statements prepared in accordance with EU IFRSs, due to the provisions of the Romanian accounting law.

(x) Segment reporting

An operating segment is a distinct component of the Group that involves in activities following which it could obtain revenues and incur expenses, including revenues and expenses relating to transactions with any of the other components of the Group and is subject to risks and rewards different from those of other segments. The primary format for segment reporting of the Group is the activity segmentation.

The segment reporting is consistent with the internal reporting to the operational decision making body, i.e. the Group's Board of Governors.

(y) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2019

In the current year, the Group has applied ***IFRS 16 "Leasing Contracts"*** - adopted by the EU on October 31, 2017 (applicable for annual periods beginning on or after January 1, 2019)
According to IFRS 16, the lessee of a lease contract recognizes a right of use in the statement of financial position. Assets with right of use are treated in the same way as other non-financial assets and are dprectiated accordingly. The lease liability is initially measured at the present value of the lease payments due during the lease agreement, discounted at the implicit rate of the lease agreement, if it can be easily determined. If the rate cannot be easily determined, the lessee will use the incremental interest rate of the loan. As in the case of the predecessor of IFRS 16, ie IAS 17, the lessors classify the lease contracts in

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

operating and financial. A lease is classified as a financial lease if substantially all the risks and benefits arising from the ownership right on the respective asset are transferred. Otherwise, a lease contract is classified as an operating lease. For financial leases, a lessor recognizes the financial income during the lease, based on a calculation method that periodically reflects a rate of return on the constant net investment. A lessor recognizes the operating leasing payments as income, having a linear basis of calculation or, in the case of a calculation mode in which the profit from the use of the respective asset is diminished, another systematic basis.

Considering the value of the leasing contracts signed as a lessee for the headquarters and for the cars used, the Group registered a low impact on the statement of financial position and on the statement of comprehensive income following the adoption of the new standard.

The most important impact for the Group relates to the recognition of new assets and liabilities in releted to the operating lease contracts. The change in the presentation of the expenses with the operating leasing has resulted in an improvement of the result before depreciation and amortization (EBITDA), the expenses with the rents paid being now recognized as expenses with the depreciation and with interest expense related to the lease contracts.

At the date of initial application, the assets related to the right of use for the lease contracts previously classified as operating leases were measured at the value of the liability arising from the lease contracts, adjusted with the value of any rent payments recorded in advance or of the accumulated lease payments related to them.

The duration of the lease contract was considered the irrevocable period of the lease, without considering the option of extension.

The Group used a discount rate for the lease agreements of the premises equal to the cost of financing an asset with a duration equal to the remaining period of the lease for a similar class of support-asstes in a similar economic environment.

The initial application of IFRS 16 had the effect of recognizing fixed assets representing rights of use in the amount of RON 1,788,990 and of leasing liability related to operating leases in a similar amount.

Amendments to ***IFRS 9 "Financial Instruments"*** - Advance payments with negative compensation - Adopted by the EU on 22 March 2018 (*applicable for annual periods beginning on or after 1 January 2019*)
The amendments amend the existing IFRS 9 requirements on termination rights to allow the amortized cost assessment (or, depending on the business model, to fair value through other comprehensive income), even in the case of negative netting payments. Under these amendments, the sign in advance is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

may be made to the contracting party making the early repayment. The method of calculating this compensation must be the same, both in the case of a penalty for early repayment, and in the case of an income deriving from an early repayment.

Amendments to ***IAS 19 "Employee Benefits"*** - Changes, reductions or disposals of defined benefit plans (*applicable for annual periods beginning on or after January 1, 2019*),

Amendments to ***IAS 28 "Investments in Associates and Joint Ventures"*** - Long-term interests in associates and joint ventures (*applicable for annual periods beginning on or after 1 January 2019*),

Amendments to different standards due to **"IFRS Improvements (Between 2015-2017)"** as a result of the IFRS 3 (IFRS 11, IAS 12 and IAS 23) Improvements Project, with the primary aim of eliminating inconsistencies and clarifying (*applicable for annual periods beginning on or after January 1, 2019*),

The adoption of these amendments to the existing standards did not lead to significant changes in the Group's financial statements.

(z) Standards and amendments to existing standards issued by the IASB and adopted by the EU, but which are not yet in force

At the date of approval of these financial statements, the following new standards, amendments to existing standards and interpretations issued by the IASB and adopted by the EU are not yet in force:

Amendments to ***IAS 1 "Presentation of Financial Statements"*** and ***IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error Correction"*** - Definition of materiality (*applicable for annual periods beginning on or after January 1, 2020*)

Amendments to ***IFRS 9 "Financial Instruments"***, ***IAS 39 "Financial Instruments: Recognition and Measurement"*** and ***IFRS 7 "Financial Instruments: Presentation"*** - Interest Rate Benchmark Reform - adopted by the EU on January 15, 2020 (effective for annual periods beginning on or after January 1, 2020),

Changes to the references to the conceptual framework of the **IFRS Standards** adopted by the EU on November 29, 2019 (in force for annual periods beginning on or after January 1, 2020).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has decided not to adopt new standards, amendments to existing standards and interpretations before the date of their entry into force. The Group examines the impact that these new standards may have on the Group's financial statements.

(aa) New standards and amendments to existing IASB standards that have not yet been adopted by the EU

At present, IFRSs in the EU-approved formula do not differ greatly from the IASB regulations except for the following standards and amendments to existing standards that had not yet been approved by the EU on 31 December 2019 to be applied (the entry into force below applies to IFRS issued by the IASB):

IFRS 14 "Regulatory Deferral Accounts" (*applicable for annual periods beginning on or after 1 January 2016*) - The European Commission has decided not to launch the process of approval of this interim standard and to wait for the final standard.

IFRS 17 "Insurance Contracts" (*applicable for annual periods beginning on or after 1 January 2021*);

Amendments to ***IFRS 3 "Business combinations"*** - Business definition (*applicable to business combinations where the acquisition date is at or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and acquisitions of assets that are recorded at or after the beginning of that period*).

Amendments to ***IFRS 10 "Consolidated Financial Statements"*** and ***IAS 28 "Investments in Associates and Joint Ventures"*** - Sale or contribution of assets between an investor and its associate or joint venture and future amendments (*the entry into force has been postponed indefinitely, until the research project on the capital method has been completed*),

Amendments to ***IAS 1 "Presentation of Financial Statements"*** and ***IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error Correction"*** - Definition of materiality (*applicable for annual periods beginning on or after January 1, 2020*)

Amendments to the references to the conceptual framework of IFRS (applicable for annual periods beginning on or after January 1, 2020).

The Group analyzes the impact this new standard might have on the financial statements of the Group.

4. DETERMINATION OF FAIR VALUES

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and payables. Fair values have been determined for measurements and/or disclosures purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

(a) Investments in equity and debt securities

The fair value of the financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of investments is determined for disclosure purposes only.

(b) Trade and other receivables and liabilities

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only. For financial instruments such as short-term receivables and liabilities, the management believes that the carrying amount is a reasonable approximation of fair value.

(c) Fair value hierarchy

The Group measures the fair value of financial instruments using one of the following hierarchy methods:

- Level 1: Quoted prices in active markets for similar instruments.

- Level 2: Measurement techniques based on observable market data. This category includes instruments measured using: quoted prices in active markets for similar instruments; market quotations for similar instruments in markets that are considered less active; or other measurement techniques where all significant inputs are directly or indirectly observable in market inputs.

- Level 3: Measurements techniques that are not based on observable market data. This category includes all instruments whose valuation method is not based on observable and unobservable inputs and have a significant influence on the instrument measurement. This category includes instruments that are measured based on market quotations for similar instruments where unobservable adjustments or assumptions are required to reflect differences between the instruments.

4 DETERMINATION OF FAIR VALUES (CONTINUED)

Fair values of financial assets and financial liabilities together with the carrying amounts included in the statement of financial position are as follows:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost				
Financial assets with a maturity longer than one year	33,670,059	34,240,530	49,329,673	50,626,195
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	17,046,415	17,046,415	14,751,612	14,751,612
Bank deposits	22,408,681	22,408,681	20,176,232	20,176,232
Bank deposits restricted in order to cover the guarantee and clearing fund and the margin	3,326,358	3,326,358	2,814,314	2,814,314
Trade and other receivables	3,101,107	3,101,107	4,770,111	4,770,111
Other financial assets with a maturity under one year	3,449,485	3,416,868	4,173,054	4,173,054
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	50,561	50,561	3,889,184	3,889,184
Other assets, including restricted assets	36,996,156	36,996,156	66,692,122	66,692,122
Held for sale assets	-	-	160,292	160,292
Cash and cash equivalents	81,712,611	81,712,611	35,292,005	35,292,005
Total	201,761,433	202,299,288	202,048,599	203,345,121
Liabilities carried at amortized cost				
Guarantee and clearing funds and margin	20,285,032	20,285,032	21,361,970	21,361,970
Dividends to be distributed on behalf of customers	36,995,468	36,995,468	66,625,467	66,625,467
Financial liabilities	2,696,960	2,696,960	2,644,732	2,644,732
Operating lease liabilities	5,143,738	5,143,738	-	-
Total	65,121,198	65,121,198	90,632,169	90,632,169

Financial instruments at fair value through other comprehensive income representing shares quoted on different markets, as well as financial assets at amortized cost (restricted or not) representing mainly government securities are classified at Level 1, quoted prices in active markets. Bank deposits cash and cash equivalent as well as restricted cash (please see note 17) are clasified as level 2. Trade and other receivables are clasified as level 3.

5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from the use of financial instruments:

- Credit risk
- Liquidity risk;
- Market risk, including interest risk and currency risk;
- Tax risk;
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Group's management of capital.

(a) The general risk management framework

BVB's Board of Governors has overall responsibility for the establishment and oversight of the Group's risk management framework. BVB's Board of Governors is assisted in this endeavour by special committees which have an advisory role.

The activity of BVB's special committees is governed by the following principles:

a. principle of objectivity;
b. principle of investor protection;
c. principle of promoting stock market development;
d. principle of active role.

The Board of Governors is also responsible for examining and approving the strategic, operational and financial plan of BVB, as well as the corporate structure of the Group. The Group's risk management policies are defined to ensure the identification and analysis of risks facing the Group, setting appropriate limits and controls, and monitoring of risks and compliance with the limits established. Risk management systems and policies are reviewed regularly to reflect the changes in market conditions and in Group's activities. The Group, through its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations. The Internal audit of the Group's entities oversees how the management monitors compliance with management risk policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the entities.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of a possible financial loss the Group can bear if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities as well as from compensation and settlement activities carried out by the Group branches.

(i) Commercial liabilities and other liabilities

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country where it operates. Most of the Group's clients operate in Romania. The Group's customer base is comprised of issuers of securities, companies of investment services and other financial institutions participating in the Bucharest Stock Exchange. The Group has as clients for registry activity of shareholders all the companies that have been listed on the Rasdaq Electronic Stock Exchange. Currently, although some of these companies are in a process of legal reorganisation or in default, however there is a legal requirement for registry services to be invoiced to delisting. For these customers the receivables are completely impaired. The Group calculates an impairment loss on trade receivables using the simplified approach in accordance with IFRS 9, recognizing expected credit losses from receivables over their lifetime. The Group also calculates a specific impairment adjustment related to the uncertain clients for whom the debt recovery process has begun.

(ii) Financial investments

The Group limits its exposure to credit risk by investing only in liquid instruments issued by counterparties who have a satisfactory credit quality. The Group's management constantly monitors the credit quality and, given that the Group has invested only in instruments with high credit quality, its management does not expect the counterparties to fail to meet their contractual obligations. The table below shows the ratings given by rating agencies to banks in which the Group has cash and deposits or bank accounts opened at the end of financial reporting periods:

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2019	31 December 2018	Rating agency
BRD - Groupe Societe Generale S.A.	BBB+	BBB+	Fitch Ratings
Banca Transilvania S.A.	BB+	BB	Fitch Ratings
ING Bank NV, Bucharest branch	A+	A+	Fitch Ratings
RAIFFEISEN BANK S.A.	Baa3	Baa2	Moody's
Banca Comerciala Romana S.A.	BBB+	BBB+	Fitch Ratings
UniCredit Bank S.A.	BBB	BBB-	Fitch Ratings
Citibank Europe Plc, Bucharest branch	A1	A1	Moody's
Libra Bank	No rating	No rating	No rating
CEC Bank	No rating	No rating	No rating
Romania for treasury bonds	BAA3	BAA3	Moody's

Exposure to credit risk

The maximum exposure to credit risk is equal to the exposure in the balance sheet at the reporting date and it was:

	31 December 2019	31 December 2018
Other financial assets carried at amortized cost	33,670,059	49,329,673
Financial assets at amortized cost restricted in order to cover the guarantee and clearing funds and the margin	17,046,415	14,751,612
Bank deposits carried at amortized cost	22,408,681	20,176,232
Bank deposits carried at amortized cost covering the guarantee and clearing funds and the margin	3,326,358	2,814,314
Financial receivables	3,101,107	4,770,111
Prepayments	460,106	500,876
Other financial assets with a maturity less than one year	3,449,485	4,173,054
Financial assets carried at amortized cost restricted in order to cover the guarantee and clearing funds and the margin, with a maturity less than one year	50,561	3,889,184
Other financial assets carried at amortized cost restricted	36,996,156	66,692,122
Cash and cash equivalents	81,712,611	35,292,005
Total	**202,221,540**	**202,389,183**

The Group monitors credit risk exposure by analyzing the age of liabilities it owns, as reflected in the table below:

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Financial receivables		Financial assets at amortized cost		Cash and cash equivalents and other restricted assets		Bank deposits	
	2019	2018	2019	2018	2019	2018	2019	2018
Individually impaired								
Significant risk	1,095,705	1,273,788	-	-	-	-	-	-
Gross amount	1,095,705	1,273,788	-	-	-	-	-	-
Adjustment for impairment	(1,095,705)	(1,273,788)	-	-	-	-	-	-
Net amount	-	-	-	-	-	-	-	-
Outstanding, individually non-impaired								
Outstanding less than 90 days	276,474	280,221	-	-	-	-	-	-
Outstanding between 90 and 180 days	83,767	130,661	-	-	-	-	-	-
Outstanding between 180 and 360 days	110,236	85,424	-	-	-	-	-	-
Gross amount	470,477	496,406	-	-	-	-	-	-
Expected credit losses- IFRS 9	(6,535)	(4,167)	-	-	-	-	-	-
Net value	463,943	492,139	-	-	-	-	-	-
Current, non-impaired								
Without a significant risk	2,670,421	4,308,097	54,396,588	72,394,675	119,090,884	102,159,562	25,736,076	22,999,746
Gross amount	2,670,421	4,308,097	54,396,588	72,394,675	119,090,884	102,159,562	25,736,076	22,999,746
Expected credit losses- IFRS 9	(33,256)	(30,125)	(180,068)	(251,152)	(382,116)	(175,435)	(1,036)	(9,200)
Net amount	2,637,164	4,277,972	54,216,520	72,143,523	118,708,767	101,984,127	25,735,040	22,990,546
Total gross amount	4,236,603	6,078,191	54,396,588	72,394,675	119,090,884	102,159,562	25,736,076	22,999,746
Total net amount	3,101,107	4,770,111	54,216,520	72,143,523	118,708,767	101,984,127	25,735,040	22,990,546

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group is exposed to credit risk through the activity carried out by its subsidiaries such as the Casa de Compensare Bucuresti SA, Fondul de Compensare a Investitorilor SA and Depozitarul Central SA.

Fondul de Compensare a Investitorilor (Investors Compensation Fund)
Fondul de Compensare a Investitorilor SA („FCI") is intended to pay compensations to investors when a member fails to return the money and/or the financial instruments owed by or belonging to investors, which have been held on their behalf for the provision of financial investment or individual investment portfolio management services.
The investors compensation is made in the limit established according to the C.N.V.M./FSA regulations.

To ensure financial resources necessary to pay compensation and to operate the Fund, its members are required to pay to the Fund an initial contribution and an annual contribution.

If the Fund's resources are insufficient to meet obligations to pay compensations, each member shall pay a special contribution equal to twice the maximum annual contribution corresponding to that financial year. If not in this case the Fund's resources are not sufficient to fully cover its actual obligations, the Fund may borrow short-term to cover exclusively the obligations arising from the payment of compensations.

Depozitarul Central SA (The Central Depository)
Depozitarul Central SA ("DC") provides clearing and settlement of transactions in financial instruments (stocks, fixed income securities, bonds, funds, etc.) carried out on the Bucharest Stock Exchange on the spot regulated market. The clearing participants are required to contribute to the setting up of a guarantee fund with the Depozitarul Central SA.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

In order to limit exposure to the risk of default of obligations arising from transactions concluded in trading systems and recorded in the Central Depository system, a trading limit is established for each participant.

If it is found that, on the settlement date, the participant in the clearing and settlement and registry system does not have sufficient funds in the settlement account to cover the payment obligation, it may require a loan either from the compensation participant with whom the latter has concluded a settlement agreement or from any other credit institution under a contractual relationship or require to the market operator making special sale transactions to cover his/her position.
If the participant does not obtain the necessary resources necessary for settlement, the Central Depository shall use the following financial resources in this order:

a) margin of that participant in the clearing and settlement and registry system;

b) guarantee fund corresponding to the participant in the clearing and settlement and registry system;

c) guarantee fund established by other participants in the clearing and settlement and registry system;

d) margins posted by the other participants in the clearing and settlement and registry system.

If the application of the above mentioned measures results in transactions whose settlement cannot be performed successfully, they shall be excluded from the settlement based on the net value of the current day, and will be postponed for later settlement.

On 31 December 2019, the value of transactions having as trading date the end of the year 2019 and paid during 2020, was of RON 152,572 thousand (31 December 2019: there were transactions amounting to RON 107,687 thousand at the end of 2018 and paid in 2019).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial payables that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payables when due, under both normal and stressed conditions, without incurring unacceptable losses and risking damage to the Group's reputation.

The Group has no committed any loans and needs liquid assets only to cover the current operating expenses and deductions made within the clearing and settlement systems the

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group operate. Given that a significant percentage of the Group's assets consist of investments with high liquidity, the liquidity risk faced by the Group is low.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2019	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**More than 12 months**
Non-derivative financial liabilities				
Guarantee and clearing funds and margin	20,285,032	20,285,032	20,285,032	-
Financial liabilities	2,696,960	2,696,960	2,696,960	-
Dividends to be distributed on behalf of customers	36,995,468	36,995,468	36,995,468	-
Operating lease liabilities	5,143,738	5,143,738	1,899,667	3,244,072
Total	65,121,198	65,121,198	61,877,127	3,244,072

31 December 2018	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**More than 12 months**
Non-derivative financial liabilities				
Guarantee and clearing funds and margin	21,361,970	21,361,970	21,361,970	-
Financial liabilities	2,578,290	2,578,290	2,578,290	-
Dividends to be distributed on behalf of customers	66,691,435	66,691,435	66,691,435	-
Total	90,631,695	90,631,695	90,631,695	-

The Group presented the gouaranty and compensation found of FCI with maturity less then 12 months even if there are no indicators that the payment will be made in this time frame.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The cash flows included in the maturity analysis are not expected to occur significantly earlier or at significantly different values. The Group keeps sufficient liquid assets (residual maturity less than 3 months) to cover all outstanding payables.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable payments, while optimising the return.

Exposure to currency risk
The Group's exposure to currency risk is presented below, based on notional amounts in RON equivalent:

31 December 2019	EUR	USD	RON	Total
Financial assets				
Financial receivables	197,482	440	2,903,185	3,101,107
Securities (government securities, bank deposits, cash and cash equivalents)*	8,217,509	8,705,092	181,737,726	198,660,327
Total financial assets	8,414,990	8,705,532	184,640,911	201,761,434
Financial liabilities				
Guarantee and clearing funds and margin	-	-	20,285,032	20,285,032
Financial liabilities	183,901	2,738	2,510,321	2,696,960
Dividends to be distributed on behalf of customers	14,348	-107	36,981,227	36,995,468
Operating lease liabilities	5,143,738	-	-	5,143,738
Total financial liabilities	5,341,987	2,631	59,776,580	65,121,198
Net financial assets/(liabilities)	3,073,003	8,702,902	124,864,331	136,640,235

* It contains balance sheet positions: Other financial assets at amortised cost (non-curent assets), Financial assets covering the guarantee and clearing funds and the margin at amortised cost (non-curent assets), Other financial assets at amortised cost (current assets), Financial assets covering the guarantee and clearing funds and the margin at amortised cost (current assets), Bank deposits (current assets), Bank deposits covering the guarantee and clearing funds and the margin (current assets), Cash and cash equivalents, Other restricted assets.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2018	EUR	USD	RON	Total
Financial assets				
Financial receivables	181,882	2,902	4,585,326	4,770,111
Securities (government securities, bank deposits, cash and cash equivalents)*	12,480,720	15,210,685	169,426,791	197,118,196
Total financial assets	12,662,602	15,213,587	174,012,118	201,888,307
Financial liabilities				
Guarantee and clearing funds and margin	-	-	21,361,970	21,361,970
Financial liabilities	781,081	7,543	1,789,666	2,578,289
Dividends to be distributed on behalf of customers	-	-	66,691,435	66,691,435
Total financial liabilities	781,081	7,543	89,843,071	90,631,694
Net financial assets/(liabilities)	11,881,522	15,206,045	84,169,046	111,256,613

* It contains balance sheet positions: Other financial assets at amortised cost (non-curent assets), Financial assets covering the guarantee and clearing funds and the margin at amortised cost (non-curent assets), Other financial assets at amortised cost (current assets), Financial assets covering the guarantee and clearing funds and the margin at amortised cost (current assets), Bank deposits (current assets), Bank deposits covering the guarantee and clearing funds and the margin (current assets), Cash and cash equivalents, Other restricted assets.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A depreciation of the RON on 31 December 2019 versus 31 December 2018 as indicated below against EUR and USD would have caused an increase in the Company's income, with values listed below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2019	31 December 2018
RON depreciation by 10% against EUR	307,300	1,188,152
RON depreciation by 10 % against USD	870,290	1,520,604
Total	1,177,590	2,708,756

An appreciation of the RON on 31 December 2019 versus 31 December 2018 against other currencies would have the same effect, but opposite, on the amounts shown above, assuming that all other variables remain constant.

Exposure to interest rate risk

The Group does not have financial instruments with variable interest rates. Financial instruments at amortised cost are not affected by the variation in interest rate. Therefore, a change in interest rates at the reporting date would not affect profit or loss nor equity.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated to Group's processes, staff, technology and infrastructure, and from external factors other than credit, market and liquidity risk, such as the loss arising from legal and regulatory requirements and generally accepted standards concerning organisational behaviour.

Operational risks come from all the Group's operations and arise in all entities. The main responsibility of the management of each institution is to develop and implement operational risk-related controls. Such responsibility is complemented by the development of the Group's general standards of operational risk management in the following areas:

- Segregation of duties requirements;
- Reconciliation requirements and monitoring of transactions;
- Alignment with regulatory requirements;
- Documentation of controls and procedures;

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Requirements for periodic review of operational risk faced by the Group and the adequacy of controls and procedures to prevent the risks identified;
- Reporting requirements for operational losses and proposals to remedy the causes that generated them;
- Development of business continuity plans;
- Vocational development and training;
- Development of ethical standards;
- Prevention of risk of litigation, including insurance where applicable;
- Risk mitigation, including efficient use of insurances where appropriate.

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Board of Governors monitors the return on equity, defined by the Group as net operational profit divided by total equity, less non-controlling interests.
The Group's debts-equity ratio at the end of the reporting date was as follows:

	2019	2018
Total liabilities	67,679,120	93,705,913
Cash and cash equivalents and other assets retricted	118,708,767	101,984,127
Net debt	51,029,648	(8,278,214)
Total equity	120,426,484	120,426,484
Gearing ratio	34%	7%

(g) Economic environment risk

Last year, the European financial sector faced a public debt crisis, triggered by major fiscal imbalances and high public debts in several European countries. Current fears, such as deterioration of financial conditions that could contribute in a later stage to further reduce

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

investor's confidence, led to a joint effort of governments and central banks to adopt special measures to counter the vicious circle of rising risk aversion and to ensure normal functioning of the market.

Identification and assessment of the influence of market liquidity shortages, analysis of compliance with loan agreements and other contractual obligations, evaluation of significant uncertainties, including uncertainties related to the ability of an entity to continue to operate for a reasonable period of time, all bringing their own challenges.

Their effects on the financial market in Romania were decreases in prices and liquidity in the capital markets and increases in long-term interest rates due to international liquidity conditions.

The Group's borrowers may also be influenced by the liquidity crisis that might affect their ability to meet their current payables. The deterioration of operating conditions for creditors also affects the management of the cash flow forecasts and the assessment of the impairment of financial and non-financial assets. To the extent that information is available, the Group's management has included revised estimates of future cash flows in its impairment policy.

The Group's management cannot estimate in a reliable manner the effects on the Group's financial statements resulting from the financial market liquidity deterioration, the depreciation of financial assets influenced by non-liquid market conditions and by a high volatility of national currency and financial markets. The Group's management believes that it takes all necessary measures to support the Group's business growth under the current market conditions through:

- development of the liquidity management strategies and the establishment specific measures of liquidity management under crisis situations;
- forecasts of current liquidity;
- daily monitoring of the treasury flows and the estimation of their effects on Group's borrowers, due to a limited access to financing and a limited possibility to support business growth in Romania;
- careful examination of conditions and clauses included in the clearing and settlement commitments, at present and in the near future.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Tax risk

Interpretation of texts and practical implementation of new tax regulation procedures applicable and harmonized with European legislation may vary from entity to entity and there is a risk that in some cases the tax authorities to adopt a different position from that of the Company.

In addition, there are several agencies subordinated to the Romanian Government that are authorised to conduct controls over companies operating in Romania. These controls are similar to tax audits in other countries and may cover not only tax issues but also other legal and regulatory issues of interest to these agencies. It is possible that the Company continues to be subject to tax audits as the issue of new tax regulations, the remaining fiscal control period is open for 5 years.

6. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

In 2013, 52 shares were purchased in Fondul de Compensare a Investitorilor SA, with the BVB thus holding 62.4481% of the net assets of the subsidiary. The Group already controlled FCI since 2006.

The Group took over the control on the Investors Compensation Fund during the year ended 31 December 2006, by subscribing cash to the subsidiary's share capital increase. As a result of this transaction by which BVB has won 56.9% of the net assets of the subsidiary, the Group recognised a goodwill amounting to RON 27,000, represented by the difference between the fair value of the consideration transferred amounting to RON 196,000 and a percentage of fair value of net assets acquired amounting to RON 169,000. The goodwill is included under the intangible assets of these financial statements (see Note 12).

The General Meeting of the Shareholders of the Casa de Compensare Bucuresti SA held on May 24, 2018 decided the liquidation and cancellation of the company and on 22.04.2019 the payment to the shareholders the share capital remaining after covering the recorded losses.

On November 4, 2019, the company CCP.RO Bucharest SA (CCP.RO) was established, with a share capital of RON 79,800,000, of which BVB holds 59.52% representing RON 47,500,000. The contribution to the share capital of CCP.RO by the non-controlling interests is RON 32,300,000.

7. SEGMENT REPORTING

The segment information is reported by the Group's activities. Transactions between business segments are conducted under normal market conditions. Segment assets and payables include both items directly attributable to these segments and items that may be allocated using a reasonable basis.

The Group consists of the following main business segments:

- Capital markets - trading (securities and financial instruments transactions on regulated markets);
- Post-trading services (services provided after a transaction is completed and the bank account is debited and the securities are transferred to the portfolio);
- Registry services (storage and updating of the registry of stakeholders for the listed companies);
- FCI services and other services.

The companies in the Group have been organised by segments as follows: BVB is the segment of "trading", the activity of the Central Depository is divided between the "post-trading services" segment and the "registry services" segment according to the share of the related revenues, while the Investors

7. SEGMENT REPORTING (CONTINUED)

Compensation Fund (FCI) and the new subsidiary CCP.RO Bucharest are part of the services segment "FCI services and other services". For the services rendered within the business segments described above the income is obtained mainly from fees charged to the capital market participants and other revenues from services related to the activity provided.

The Group's revenues, expenses and gross income for the financial year 2019 are shown below by the segments described:

2019

	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from external clients	19,356,567	10,251,963	4,618,741	736,460	34,963,731
Revenues from transactions with other segments (eliminated on consolidation)	*324,395*	*69,406*	*33,206*	-	*427,007*
Operating expenses	(16,619,458)	(9,367,145)	(4,168,256)	(1,007,177)	(31,162,036)
- out of which personnel and members of the Board of Governors expenses	*(8,911,432)*	*(5,218,349)*	*(2,334,419)*	*(670,218)*	*(17,134,418)*
Operating profit	**2,737,109**	**884,818**	**450,486**	**(270,717)**	**3,801,695**
Net financial income	3,570,235	486,798	208,100	(77,682)	4,187,451
(Loss) / gain from impairment in associates	56,204	-	-	-	56,204
Pre-tax profit	6,363,548	1,371,616	658,586	(348,399)	8,045,351
Corporate income tax	(1,103,886)	(145,062)	(72,521)	(5,361)	(1,326,830)
Profit from continuing operations	5,259,662	1,226,554	586,065	(353,760)	6,718,520
Profit from discontinued operation	-	-	-		
Net profit	**5,259,662**	**1,226,554**	**586,065**	**(353,760)**	**6,718,520**

7. SEGMENT REPORTING (CONTINUED)

The Group's revenues, expenses and gross income for the financial year 2018 are shown below by the segments described:

2018	**Trading services**	**Post-trading services**	**Registry services**	**FCI services and other services**	**Group**
Revenues from external clients	23,931,767	10,112,662	5,257,019	523,439	39,824,887
Revenues from transactions with other segments (eliminated on consolidation)	*323,170*	*69,669*	*36,763*	-	*429,602*
Operating expenses	(17,080,681)	(8,545,283)	(4,509,150)	(807,213)	(30,942,327)
- out of which personnel and members of the Board of Governors expenses	*(9,000,573)*	*(4,735,831)*	*(2,498,990)*	*(694,953)*	*(16,930,347)*
Operating profit	**6,851,086**	**1,567,379**	**747,869**	**(283,774)**	**8,882,560**
Net financial income	3,094,654	348,854	184,082	1,288	3,628,878
(Loss) / gain from impairment in associates	(24,728)	-	-	-	(24,728)
Pre-tax profit	9,921,012	1,916,233	931,951	(282,486)	12,486,710
Corporate income tax	1,679,731	(240,945)	(127,141)	-	(2,047,817)
Profit from continuing operations	8,241,281	1,675,288	804,810	(282,486)	10,438,893
Profit from discontinued operation	-	-	-	(251,665)	(251,665)
Net profit	**8,241,281**	**1,675,288**	**804,810**	**(534,151)**	**10,187,228**

7. SEGMENT REPORTING (CONTINUED)

The Group's assets and payables and capital expense are presented below by the segments described:

	Trading services	Post-trading services	Registry services	FCI services and other services	Group
31 December 2019					
Assets	42,617,613	27,512,305	49,408,146	98,090,124	217,628,188
Liabilities	4,484,045	5,722,293	39,577,186	17,895,596	67,679,120
Capital expenditure	1,096,038	1,005,721	453,749	3,890	2,559,398
31 December 2018					
Assets	91,484,208	25,017,938	78,311,479	19,318,772	214,132,397
Liabilities	3,713,345	3,253,101	68,408,022	18,331,445	93,705,913
Capital expenditure	921,976	412,659	217,751	-	1,552,386

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and benefits of the Board of Governors

	2019	2018
Staff costs	14,203,120	13.452.005
Benefits of the members of the Board of Governors	1,878,248	2.016.458
Other personnel-related debts	-	(196.000)
Other staff and Board expenses (estimated for SOP and bonuses)	641,207	1.134.060
Contributions and taxes related to personnel and benefits	411,843	523.824
Total	17,134,418	16.930.347

8. OPERATING EXPENSES (CONTINUED)

The number of the Group's employees, including part-time contracts and managers with mandate contracts, was as follows:

	2019		2018	
	At the end of the year	Annual average	At the end of the year	Annual average
Bucharest Stock Exchange	45	41	45	44
Depozitarul Central SA	50	51	51	51
Fondul de Compensare a Investitorilor SA	4	4	4	4
Casa de Compensare Bucuresti SA	-	-	3	3
CCP.RO Bucharest SA	2	-	-	-
Total number of employees	101	96	103	102

Share-based payments (SOP)
The employer's expense for share-based payments is presented separately and for 2019 amounted to RON 562,536 (2018: RON 1,036,530).

In 2019, a total of 28,808, shares, worth a market value at the granting date of RON 684,018 mn, were transferred free of charge to the Board of Governors, Management and employees, according to the Stock Option Plan (SOP) approved by the General Shareholders Meeting (GSM).

In 2019 the Company granted options, according to the Stock Option Plan, to the members of the Board of Governors, management and employees.

Option granting date: Immediately for year 2018, according to item 2.2 of the Stock Option Plan (Plan), the Granting Date as regards the Options granted to the Council Eligible Members shall be the Program Adoption Date by the GAS. According to Clause 4.1.2 of this Plan (below), the performance condition provided in art. 4.1.1. ii) „The Romanian capital market was included on the Shortlist of/in the Category of Emerging Markets;" was met before the Performance Period.

> „4.1.2. Upon meeting the Performance Condition provided in Clause 4.1.1.ii above, „The options granted to the Eligible Members of the Council shall become exercisable immediately, the provisions regarding the Normal Vesting Date not being applicable in this case. The Vesting of the Rights Granted by Options according to this Clause 4.1.2 shall take place once, without affecting the vesting of the rights given by the Options granted for the Performance Period comprised between 1 January 2017 and 31 December 2017."

Exercise Date: according, „6.1. An Option Holder cannot exercise an Option before the closest date between:
6.1.1. its vesting according to Clause 4.1.2;
6.1.2. Its Normal Vesting Date; and
6.1.3. the time when the Option becomes exercisable according to clause 8."

8. OPERATING EXPENSES (CONTINUED)

, thus the exercise date shall be a subsequent date established by the Decision of the Board of Governors, after the redemption of shares through the redemption program approved by GSM or the allocation of own shares redeemed in the merger process, for this purpose.

Signing of the transfer agreement: shall take place according to Art. „6.7. Upon exercising an Option, the Company shall conclude a Transfer Agreement with each Eligible Participant."

Number of shares and List of Eligible Members: to be calculated according to Art. „5.1. The maximum number of Shares transferred to an Eligible Member of the Board of Governors further to the exercise of an Option shall be calculated as follows: 4 x Gross Monthly Fee /Exercise Price

5.2. To the extent that any fractional value results from the application of the formula provided under Clause 5.1 above, such value shall be rounded downwards to the closest round number." The „Exercise Price" means the price at which each Share forming the object of an Option may be purchased based on exercising such Option and which may not be less than the closing price of a Share in the Business Day preceding the Exercise Date.

Considering the provisions of Art 2.4 "No amount shall be paid by an Eligible Participant for the granting of an Option." The exercise price is a definition applied to the calculation provided under Art. 5.1.

The options granted to BVB employees and management were made on the basis of the Internal Payroll Policy approved by the Board of Directors during 2018.

8.2 Services provided by third parties

	2019	2018
Business consulting services	277,509	1,166,209
Financial, IT and internal Audit Services	355,304	274,391
Commissions fees (legal, contributions, etc.)	547,201	599,879
Services provided by third parties for events	483,354	459,571
Other services provided by third parties	1,657,039	1,592,081
Total	3,320,406	4,092,131

Following the transposition of the Resolution of the General Meeting of the Shareholders of BVB, to initiate the actions for the establishment of the central counterparty (CCP Project), BVB contracted and recorded expenses with consulting and assistance services for the establishment of a new subsidiary to be authorized and functioning as a Central Counterparty in amount of RON 277,509, representing extraordinary ("one-off") expenses related to the CCP Project, accounted within the category of expenses "Business consulting services".

8. OPERATING EXPENSES (CONTINUED)

The statutory auditor of the Group for the year 2019 was Mazars Romania SRL. The audit fee, in accordance with the services agreement, was of EUR 31,900. During 2019, the statutory auditor also provided allowed non-audit services in amount of EUR 7,760. During 2019, the statutory auditor did not provide allowed non-audit services (2018: EUR 7,760). During 2019, the statutory auditor provided no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council to the Group.

8.3 Other operating expenses

	2019	2018
Rent and office utilities	1,291,077	2,576,170
Tangible asset depreciation (Note 11)	1,523,985	1,062,963
Intangible asset amortization (Note 12)	1,208,348	1,215,274
Right of use assets depreciation (Note 13)	1,394,558	-
Expenses with ASF tax and other fees	1,250,498	1,304,472
Consumables	236,048	280,828
IT Maintenance, service and repairs	1,548,679	1,291,113
Insurance for professional equipment, etc.	230,717	219,276
Protocol	616,231	406,774
Marketing and Advertising	227,802	162,292
Transport of goods and personnel	476,467	682,457
Postage and telecommunications	277,770	358,127
Bank charges	74,151	78,561
Loss from writing off clients	293,056	168,102
Expenses/(Income) from provisions for disputes	-	(118,287)
Expenses/ (Revenues) from receivables adjustment-	(178,433)	24,749
Other expenses	236,257	206,978
Total	10,707,212	9,919,849

9. FINANCIAL NET INCOME

Financial net income recognised in profit or loss account include:

	2019	2018
Interest income from financial assets	2,959,587	3,072,507
Gain / (loss) from exchange rate differences	1,020,449	675,453
Income from financial assets sold	541,219	-
Interest expense with lease contracts IFRS 16 and other financial expenses	(204,277)	(4,090)
Net expected credit losses (IFRS 9)	(129,526)	(114,992)
Net financial income	4,187,451	3,628,878

Financial income and expenses recognised in comprehensive income include:

	2019	2018
Revaluation of tangible assets	(258,786)	-
Total	(258,786)	-

10. CORPORATE INCOME TAX EXPENSE

Reconciliation of profit before tax to corporate income tax expense in profit or loss account

	2019	2018
Before-tax accounting profit	8,045,351	11,743,170
Theoretical income tax (16%)	1,287,256	1,878,908
Income tax for non-taxable income tax and assimilated	(66,196)	(507,447)
Income tax for non-deductible expenses tax and assimilated	329,654	653,046
Income tax for IFRS adjustments and for fiscal loss used	(33,461)	(268,868)
Current Corporate income tax (tax profit *16 %)	1,517,254	1,755,640
Sponsorship deducted from corporate income tax	(190,424)	(37,787)
Current tax expense after deduction of sponsorship and donations amounts	1,326,830	1,717,853
Income from deferred income tax	-	329,965
Total corporate income tax expense	1,326,830	2,047,817

11. TANGIBLE ASSETS

	Land and buildings *i)*	IT, office equipment and furniture *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2019	4,555,130	14,433,516	-	18,988,646
Reclassifications	(899)	899	-	-
Purchases	-	1,043,751	383,411	1,427,162
Revaluation	(258,786)	-	-	(258,786)
Outflows	-	(78,135)	(383,411)	(461,545)
Balance as of 31 December 2019	4,295,445	15,400,032	-	19,695,477
Depreciation				
Balance as at 1 January 2019	186,895	10,951,552		11,138,447
Reclassifications	(1,142)	1,142	-	-
Depreciation during the year	21,735	1,502,250	-	1,523,985
Outflows	-	(62,688)	-	(62,688)
Balance as of 31 December 2019	207,488	12,392,256	-	12,599,744
Net carrying amounts				
Balance as of 1 January 2019	4,368,235	3,481,964	-	7,850,199
Balance as of 31 December 2019	4,087,957	3,007,776	-	7,095,733

i) During 2019, for the land owned by BVB, a revaluation of the land was carried out on December 31, 2019 by an authorized expert ANEVAR which resulted in the decrease of its gross value by RON 258,786 compared to the value previously registered

In Land and buildings, the Group included furnishing articles (cost as of 31 December 2019 and 2018: RON 376,419) for which the accounting policy is cost less accumulated depreciation and cumulated adjustments for impairment.

ii) The IT, office equipment and furniture-related costs include mainly the value of servers and specialised equipment used in specific activities of trading or settlement.

11. TANGIBLE ASSETS (CONTINUED)

	Land and buildings *i)*	IT and office equipment and furniture *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2018	4,555,130	13,587,909	-	18,143,039
Purchases	-	1,102,827	-	1,102,827
Outflows	-	257,220	-	257,220
Balance as of 31 December 2018	4,555,130	14,433,516	-	18,988,646
Depreciation				
Balance as at 1 January 2018	165,160	9,927,988	-	10,093,148
Depreciation during the year	21,735	1,245,023	-	1,266,758
Outflows	-	221,458	-	221,458
Balance as of 31 December 2018	186,895	10,951,552		11,138,447
Net carrying amounts				
Balance as of 1 January 2018	4,389,970	3,659,921	-	8,049,892
Balance as of 31 December 2018	4,368,235	3,481,964	-	7,850,199

12. INTANGIBLE ASSETS

	Goodwill *i)*	Licenses, software *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2019	162,000	16,994,247	310,082	17,466,329
Adjustment of the opening balance (through reduction of the opening balance of amortization)	320	(1,788,543)		(1,788,222)
Purchases	-	741,518	602,105	1,343,623
Outflows	-	(243,474)	(211,388)	(454,861)
Balance as at 31 December 2019	162,320	15,703,748	700,800	16,566,868
Depreciation				
Balance as at 1 January 2019	135,000	13,974,216	-	14,109,216
Adjustment of the opening balance (through reduction of the opening balance of intangible assets)		(1,788,224)		(1,788,224)
Depreciation during the year	-	1,208,348	-	1,208,348
Outflows	-	(243,474)	-	(243,474)
Balance as at 31 December 2019	135,000	13,150,866	-	13,285,866
Net carrying amounts				
Balance as at 1 January 2019	27,000	3,020,031	310,084	3,357,115
Balance as at 31 December 2019	27,320	2,552,882	700,800	3,281,002

(i) On 31 December 2019 and 2018, the outstanding goodwill, amounting to RON 27,320 resulted from the acquisition of 56.9% of the Investors Compensation Fund in 2006. The Group considers that goodwill resulting from the subscription for shares of the Investors Compensation Fund was not subject to any impairment.

(ii) The software and license-related costs include mainly the value of trading, clearing and settlement and registry systems used by the Group's companies during their specific activities.

12. INTANGIBLE ASSETS (CONTINUED)

	Goodwill i)	Licenses, software *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2018	162,000	16,260,715	198,170	16,620,885
Purchases	-	1,013,539	298,731	1,312,270
Outflows	-	280,007	186,819	466,826
Balance as at 31 December 2018	162,000	16,994,247	310,083	17,466,330
Depreciation				
Balance as at 1 January 2018	135,000	13,183,575	-	13,318,575
Depreciation during the year	-	1,062,963	-	1,062,963
Outflows	-	(272,322)	-	(272,322)
Balance as at 31 December 2018	135,000	13,974,215	-	14,109,215
Net carrying amounts				
Balance as at 1 January 2018	27,000	3,077,140	198,170	3,302,310
Balance as at 31 December 2018	27,000	3,020,031	310,083	3,357,114

13. RIGHT OF USE ASSETS

2019	**Buildings**	**Cars**	**Total**
Cost			
Balance as at 1 January 2019	1,569,795	219,195	1,788,990
Purchases	4,550,020	85,461	4,635,481
Outflows	-	-	-
Balance as at 31 December 2019	6,119,815	304,656	6,424,471
Depreciation			
Balance as at 1 January 2019	-	-	-
Depreciation during the year	1,311,573	82,985	1,394,558
Outflows	-	-	-
Balance as at 31 December 2019	1,311,573	82,985	1,394,558
Net carrying amounts			
Balance as at 1 January 2019	1,569,795	219,195	1,788,990
Balance as at 31 December 2019	4,808,242	221,671	5,029,913

When starting apply IFRS16, respectively on January 1, 2019, the Group recognized rights of use assets used through lease contracts in the amount of RON 1,788,990.

The Group had concluded on January 1, 2019, 2 lease contracts for the main and secondary headquarters for which the implicit interest rate used was 5% / year, a value determined by the cost of borrowing funds from the financial market to finance an asset of a similar value for a comparable time period.

Also as of January 1, 2019, the Group had 2 lease contracts for the headqurters and the archive whose term of completion were less than 12 months for which the exception provided by IFRS16 has been used and so they were not reclassified right of use assets.

The group had concluded as of January 1, 2019, 5 lease contracts for cars (operating leasing) for which the interest rate used was 4.2% - 5.21% / year, value offered by the lessor for financing the same assets under a financial leasing contract.

For the interest expense related to the liabilities arising from the lease agreements, see Note 9.

14. FINANCIAL INSTRUMENTS

The Group's financial instruments are the following:

	31 December 2019	31 December 2018
Financial assets carried at amortized cost – gross value i)	33,263,465	49,164,239
Expected credit losses (IFRS 9)	(119,093)	(197,610)
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity less than one year the margin at amortised cost – gross value ii)	17,107,390	14,801,612
Expected credit losses IFRS 9	(60,975)	(50,000)
Other assets – guarantees *iii)*	525,687	363,044
Total long term financial instruments	50,716,473	64,081,285

	31 December 2019	31 December 2018
Bank deposits with maturity between 3 months and one year i*v)*	22,408,681	20,176,232
Bank deposits with maturity between 3 months and one year restricted in order to cover the guarantee and clearing funds and the margin the margin – gross value *v)*	3,327,394	2,823,514
Expected credit losses (IFRS 9)	(1,036)	(9,200)
Financial assets at amortised cost – gross value *vi)*	3,449,485	4,173,572
Expected credit losses (IFRS 9)	-	(518)
Financial assets restricted in order to cover the guarantee and clearing funds and the margin at amortised cost – gross value *viii)*	50,561	3,892,209
Expected credit losses (IFRS 9)	-	(3,025)
Total current assets	29,235,086	31,052,784

Financial assets presents the amounts net of expected credit losses (IFRS9). The gross value of financial assets (government securities and bank deposits) amounts RON 80,132,663 (2018: RON 95,394,421) and the expected credit losses is RON 181,104 (2018: RON 260,352).

14 FINANCIAL INSTRUMENTS (CONTINUED)

i) The financial assets carried at amortized cost are bonds issued by the Romanian Government in RON, acquired at an annual coupon rate between 1.39% and 6%, and bonds denominated in USD and EUR, at a coupon rate between 4.87% and 6.75% for USD and between 2.87% and 4.63% for EUR.

ii) The financial assets restricted in order to cover the guarantee and clearing fund and the margin at amortized cost are bonds issued by the Romanian government, with maturities between 2020-2024, and a coupon rate between 1.39% and 5.27%.

iii) Other assets – guarantees are recorded in the consolidated financial position as financial assets at amortized cost.

iv) Term deposits with Romanian with maturity from 3 months to one year are made in RON with Romanian banks, at interest rates between 2.3% and 3.05% depending on period, for deposits in RON, between 0.35% and 0.85% for deposits in EUR and between 1,42 % and 1.50% for deposits in USD.

v) Term deposits in RON with banks in Romania have initial maturities ranging from 3 months and one year restricted in order to cover the guarantee and clearing funds and the, made in RON with Romanian banks, at interest rates from 0.30 % to 1.45%. presented in balance sheet as Bank deposits.

vi) Financial assets at amortized cost are treasury bills and bonds issued by the Romanian government in RON, with a residual maturity of maximum 1 year, acquired at yields from 0.6 % to 0.7 %.

vii) Financial assets at amortized cost, with maturity less than a year restricted in order to cover the guarantee and compensation funds and the margin are treasury bills with discount issued by the Ministry of Finance, yields from 0.6% and 0.7%.

Expected credit losses IFRS 9	**2019**	**2018**
Balance as at 1 January	260,352	223,727
Impairment losses	17,741	36,625
Impairment reversals	(96,989)	-
Balance as at 31 December	**181,104**	**260,352**

Impairment losses are calculated based on a model using the credit risk swap and for the Company's financial assets, the expected credit loss is computed for 12 months (Stage 1, according with IFRS 9).

14 FINANCIAL INSTRUMENTS (CONTINUED)

The acquisitions and redemptions of government bonds for all the above mentioned financial assets are presented below:

	Government bonds with a maturity over one year	Government bonds with maturity over one year restricted in order to cover the guarantee and clearing funds and the margin	Government bonds less than one year	Government securities with maturity less than one year restricted in order to cover the guarantee and clearing funds and the margin
1 January 2019	48,968,247	14,749,996	4,173,572	3,892,209
Purchases (less effective interest) and exchange rate differences	12,477,137	5,357,456	651,250	12,144,293
Redemptions (less effective interest*)	(28,301,012)	(3,061,037)	(1,375,338)	(15,985,940)
31 December 2019	**33,144,372**	**17,046,415**	**3,449,485**	**50,561**

*Less effective interest is included the coupon and the amortization of premium discount

15. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables comprise the following:

	31 December 2019	31 December 2018
Trade receivables – gross value *i)*	3,720,093	5,963,935
Adjustment after trade receivable Impairment *ii)*	(1,095,705)	(1,273,788)
Anticipated credit losses – IFRS 9	(39,791)	(34,292)
Income tax to recover	5,060	-
VAT not due	29,299	38,297
Other receivables	482,150	451,566
Total	**3,101,107**	**5,145,718**

Financial receivables taken into account in the calculations of Note 5 are made of RON 3,101,107 at 31 December 2019 and RON 4,770,111 at 31 December 2018.

i) Trade receivables are mostly receivables from financial investment services companies whose services provided in the last month of the financial year were invoiced, and receivables for services invoiced to issuers listed on the stock and other clients: maintenance fee for trading system, use fee for additional terminal, online sale of information, charges for providing license indices, fee for data dissemination and other.

Adjustment for receivable impairment is divided as follows:

	31 December 2019	31 December 2018
Adjustment after receivable impairment – individual component	1,095,705	1,273,788
Anticipated credit losses – IFRS 9	39,791	34,292
Total	**1,135,496**	**1,308,080**

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Adjustment variations after the receivables impairment during the year was as follows:

	2019	2018
Adjustment for impairment – individual component		
Balance as at 1 January	1,273,789	1,249,698
Impairment losses	316,055	192,192
Impairment reversal	(494,139)	(168,102)
Balance as at 31 December	**1,095,705**	**1,273,788**

	2019	2018
Expected credit losses IFRS 9		
Balance as at 1 January	34,292	22,861
Impairment losses	17,100	11,649
Impairment reversals	(11,601)	(218)
Balance as at 31 December	**39,791**	**34,292**

The Group computes an impairment loss on trade receivables using the simplified approach according to IFRS 9, recognizing expected credit losses on receivables over their lifetime. The expected credit loss for trade receivables was calculated using the ratio determined by the amount of customer receivables that became uncertain during the reporting period in the total revenues generated by the Company over the same period of time. The determined ratio was applied to the receivables balance outstanding at 31 December 2019.

16. PREPAYMENTS

Prepayments amounting to RON 460,106 (31 December 2018: RON 500,877) are primarily prepaid rent, insurance premiums for equipment, IT equipment maintenance, insurance premiums for liability insurance for administrators and various subscriptions.

17. OTHER RESTRICTED ASSETS

As at 31 december 2019, Depozitarul Central holds on behalf of customers amounts to be distributed to shareholders qualified as dividends amounting to RON 36,996,156 (31 December 2018: 66,691,435 lei).

18. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise the following:

	31 December 2019	31 December 2018
Deposits at banks with original maturity less than 3 months	79,565,627	30,694,977
Bank current accounts	2,512,804	4,757,782
Petty cash	16,296	14,680
Expected credit losses IFRS 9	(382,116)	(175,435)
Total	81,712,611	35,292,005

Cash and cash equivalents as at 31 December 2019 presents the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 82,094,727 (2018: RON 35,467,440) and the expected credit losses is RON 382,116 (2018: RON 175,435).

Expected credit losses IFRS 9	**2019**	**2018**
Balance as at 1 January 2018	175,435	150,756
Impairment losses	477,445	24,679
Impairment reversals	(270,764)	-
Balance as at 31 December 2018	**382,116**	**175,435**

Impairment losses are calculated based on a model using the credit risk swap and for the Company's financial assets, the expected credit loss is computed for 12 months (Stage 1, according with IFRS 9).

19. TRADE AND OTHER PAYABLES

The Group's trade and other payables comprise the following:

	31 December 2019	31 December 2018
Trade liabilities *i)*	714,578	1,271,034
Salary contributions due	714,222	511,437
Taxes due	14,349	65,032
VAT payable	36,897	74,683
Dividends payable to the Company's shareholders	1,305,125	1,068,649
Dividends to be distributed to the Central Depository	36,995,468	66,625,467
Prepayments received from customers	385,334	279,338
Guarantees received	27,278	27,278
Other payables related to management and staff *ii)*	849,130	844,421
Other liabilities	291,923	405,927
Total	41,334,305	71,173,266

Financial paybles taken into account in the calculations of Note 5 are made of RON 2,696,960 at 31 December 2019 and RON 2,644,732 at 31 December 2018.

i) Trade payables are mainly obligations to internal suppliers, some of them with a maturity less than 30 days, paid in early 2020.

ii) Other payables to the management and staff consist in:

- amounts related to performance bonuses granted to the BVB and DC management and staff for 2019, and to be paid in 2020 in BVB shares or cash;

20. OPERATING LEASE LIABILITIES

	31 December 2019	31 December 2018
Operating lease liabilities – current	1,899,667	-
Operating lease liabilities – non-current	3,244,072	-
Total	5,143,738	-

When starting apply IFRS16, respectively on January 1, 2019, the company recognized the liabilities with the operating lease amounting to RON 1,788,990. For the interest expense related to the liabilities arising from the lease agreements, see Note 9.

21. DEFERRED INCOME

Deferred income/revenue include:

	31 December 2019	31 December 2018
Revenues from registry activities	110,921	112,959
Revenues from fees for continuance of trading activity	790,184	779,531
Total	901,104	892,490

Deferred income are non-exigeable amounts related to maintenance fees to the trading system of listed issuers and register activities, being accounted for as income during a 12-month period and recognised progressively as income as services are provided.

22. GUARANTEE AND CLEARING FUNDS AND MARGIN

The guarantee and clearing funds and margin comprise:

	31 December 2019	31 December 2018
Guarantee fund for transactions in securities	2,461,833	2,404,359
Margin for transactions in securities	692,700	701,338
Investors compensation fund	17,130,499	18,256,273
Total	20,285,032	21,361,970

23. CAPITAL AND RESERVES

(a) Share capital

On 31 December 2019, BVB had a share capital amounting to RON 80,492,460, divided into 8,049,246 shares with a nominal value of RON 10 /share, dematerialized, with the same voting rights, divided into the following categories:

	31 December 2019	31 December 2018
Ordinary shares (no)	8,049,246	8,049,246
Total	8,049,246	8,049,246

Shareholding structure as at 31 decembrie 2019	**Number of shares**	**% of the Share capital**
Legal entities, of which:		
- romanian	5,881,360	73.07%
- foreign	583,169	7.25%
Individuals, of which:		
- romanian	1,399,713	17.39%
- foreign	160,496	1.99%
Bucharest Stock Exchange	24,508	0.30%
Total	8,049,246	100%

In accordance with the provisions of the article 136, paragraph 5 of law no. 1226/2018 on financial instruments, a shareholder of a market operator cannot own directly or indirectly more than 20% of the total voting rights. On 31 December 2019, there were no shareholders holding stakes exceeding this threshold.

By Decision No 632/18.05.2010 issued by CNVM the prospectus drawn up with a view to admission to trading on the regulated market operated by BVB of its own shares was approved. On 8 June 2010 the first transactions with shares issued by BVB on the regulated Romanian market took place.

The closing price for the last trading session of 2019 was of RON 25.80 /share (2018: RON 21.00 /share).

23. CAPITAL AND RESERVES (CONTINUED)

(b) Treasury shares and benefits to directors and employees

In 2019, the Company granted options, according to the Stock Option Plan, to members of the Stock Exchange Board, Management and employees.
The benefit granted in equity instruments (own shares) amounted to RON 562,536 (2018: RON 1,036,530). Also see Note 8.

Movements on 31 December 2019 are as follows:

	2019	2018
Balance at January 1	683,716	834,705
Own shares redeemed	-	997,995
Share-based benefits granted to Members of the Board, Management and employees, including estimations	(562,536)	(1,036,530)
Losses as effect of granting shares for free within SOP	(175,609)	(112,454)
Balance at December 31	(54,429)	683,716

(c) Dividends

BVB's Board of Directors submitted to the General Assembly of Shareholders a proposal for the distribution of the Company's net statutory profit for 2019, amounting to RON 6,962,791, as follows: RON 403,334 as legal reserve, and the rest as gross dividends. Thus, the amount proposed to the General Assembly of Shareholders for approval set for 29/30 April 2020 for distribution in 2020 in the form of gross dividends related to 2019 is RON 6,559,457. By distributing in full the amount of RON 6,559,457 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 0.81491. If, at the proposed and approved registration date, the BVB will own treasury shares, the gross dividend / share will be recalculated (the treasury shares held will not be taken into account in the final dividend / share calculation).

The BVB General Assembly of Shareholders held on 24 April 2019 approved the proposal for the distribution of the 2018 statutory net profit of the Bucharest Stock Exchange amounting to RON 9,490,411 as follows: RON 468,880 as legal reserve and the rest as gross dividends. Thus, the amount distributed in 2019 as gross dividends for 2018 was RON 9,021,531. The value of the dividend for 2018 was RON 1.1259 gross dividend/share. The payment date fixed by the General Assembly of Shareholders was 27 June 2019.

During 2019, Depozitarul Central SA distributed dividends amounting to 1,996,948 RON out of the 2018 net profit, whereas out of the 2019 statutory net profit the Company will propose the amount of RON 1,500,415 to be approved for dividends distribution during 2020.

23. CAPITAL AND RESERVES (CONTINUED)

(d) Legal reserve

According to legal requirements, the Group constitutes legal reserves in the amount of 5% of the profits registered according to RCR up to a level of 20% of the share capital. Legal reserves are not distributable to shareholders.
Legal reserves may be used to cover losses on operating activities.

(e) Revaluation reserves

The reserves resulting from the following:

- the re-measurement the land owned by BVB, for which the accounting policy is the fair value;
- the historical reserve related to the Soger system owned by Depozitarul Central, generated by the merger with Regisco. The revaluation reserve shall be realized when the asset shall be sold/discarded.

24. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2019 is based on profit attributable to Company's shareholders in the amount of RON 6,406,121 (2018: RON 9,748,422) and the weighted average number of ordinary shares outstanding of 8,049,246 (2018: 8,049,246).

25. TRANSACTIONS WITH RELATED PARTIES

Management key personnel
31 December 2019

The Company was managed by the Board of Governors validated by ASF on February 27, 2016 and is made up of the following members:

- Mr. Anghel Lucian Claudiu — President
- Mr. Valerian Ionescu — Vice-President
- Mr. Robert Cosmin Pana — Vice-President
- Mrs. Claudiu Gabriela Ionescu — General Secretary
- Mr. Radu Hanga — member
- Mr. Gabriel Marica — member
- Mr. Octavian Molnar — member
- Mr. Otto Emil Naegeli — member
- Mr. Dan Viorel Paul — member

25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The executive management was ensured by:

- Mr. Adrian Tanase General Manager
- Mr. Alin Barbu Deputy General Manager

In 2019, the remuneration granted to the key management personnel of BVB amounted to RON 1,476,631 (2018: RON 1,257,223).

In 2019, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 911,852 (2018: RON 900,591).

The Company has not granted loans, advances or guarantees to members of Board of Governors and to Executive Directors of BVB.

26. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Litigation

The Group is subject to a number of court actions arising during the ordinary performance of its activities. The Group's management believes that in addition to the amounts already recorded in these consolidated financial statements as provisions for disputes or adjustments for asset impairment and described in the notes to these consolidated financial statements and other court actions shall not have significant negative effects on the Group's economic performance and financial position.

(b) Off-balance sheet commitments

In 2015, 2016 and 2019 the Fondul de Compensare a Investitorilor ("the Fund") had three offset cases, namely Harinvest S.A., Eurosavam S.A. and Mobinvest S.A. Payments to investors from the clearing fund in these 3 cases amount to RON 7,042,934.

During March 2019, the Fund ended the payment period of the compensations due to the investors, Mobinvest S.A.' clients. The total value of the compensations paid by the Fund in this case was RON 2,605,187.

At the date of preparing the present financial statements, the Fund no longer foresees such payments in 2020.

27. SITUATION OF FCI

The draft law regarding the Investor Compensation Fund, through which the current Fund is transformed into a legal person of public law, whose operating status will be approved by the Financial Supervisory Authority, has been registered with the Chamber of Deputies, in the procedure of urgency, for debate in plenary and adoption, after receiving the approval of the Committee on Budget, Finance and Banks and the Committee on Economic Policy, Reform and Privatization.

Currently, the draft law is on the agenda of the Chamber of Deputies.

28. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On February 13, 2020 the new Board of Directors of the Bucharest Stock Exchange S.A., elected within the Ordinary General Meeting of Shareholders by Decision no. 2 of November 20, 2019, was authorized by the Financial Supervisory Authority.

According to the Decision no. 174 / 13.02.2020 issued by the Financial Supervisory Authority it was authorized the modification of the operating authorization of the market operator Bursa de Valori Bucuresti S.A., following the modification of the Board of Directors component, in accordance with the provisions of the GSM Decision no. 2 / 20.11.2019.

Thus, the Board of Directors of the Bucharest Stock Exchange S.A. has the following component:

- Radu Hanga - President
- Dan Viorel Paul - Vice President
- Robert Cosmin Pana - Vice President
- Mihaela Ioana Biciu
- Claudia Gabriela Ionescu
- Octavian Molnar
- Dragons Valentin Neacşu
- Razvan Legian Rat
- Stefan Szitas

There are no other events to report.

BURSA DE VALORI BUCURESTI S.A.

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

31 December 2019

BURSA DE VALORI BUCURESTI SA

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT

31 DECEMBER 2019

CONTENTS

BURSA DE VALORI BUCURESTI S.A.

SEPARATE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Note	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Revenues from services	7	19,176,836	23,801,564
Other revenues		504,126	450,203
Operating revenues		19,680,962	24,251,767
Staff expenses and indemnities of the Board of Directors	8	(8,911,432)	(9,000,573)
Expenses with services provided by third parties	8	(1,970,481)	(2,738,503)
Other operational expenses	8	(5,737,545)	(5,348,666)
Operating profit		**3,061,504**	**7,164,025**
Net financial income	9	4,948,969	4,030,845
(Losses)/Gain from asset impairment – affiliated companies	6	56,204	(24,728)
Profit before tax		8,066,677	11,170,142
Corporate income tax expense	10	(1,103,886)	(1,679,731)
Profit for the period		6,962,791	9,490,411
Reserves from the reevaluation of tangible assets		(258,786)	-
Total comprehensive income for the period		6,704,005	9,490,411
Earnings per share:			
Earnings per share basic / diluted (RON)	22	0,8650	1.1790

The separate financial statements were approved by the Board of Directors on 16 March 2020 and were signed by:

President,	General Manager,	Financial Manager,
Radu Hanga	Adrian Tanase	Virgil Adrian Stroia

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI S.A.

FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Tangible assets	11	5,442,886	6,051,295
Intangible assets	12	829,651	850,925
Right-of-use assets	13	1,033,720	-
Investments in subsidiaries		67,958,775	20,458,775
Financial assets at amortised cost	14	23,952,809	37,714,722
Total non-curent assets		99,217,841	65,075,717
Current assets			
Trade and other receivables	15	1,625,618	3,368,155
Prepayments	16	319,701	331,422
Bank deposits at amortized cost		6,538,830	5,487,291
Financial assets at amortized cost	14	1,237,262	2,817,563
Cash and cash equivalents at amortized cost	17	1,992,192	34,901,955
Total current assets		11,713,603	46,906,386
Total assets		110,931,444	111,982,103
Equity			
Share capital	21	80,492,460	80,492,460
Treasury Shares and Share-base benefits	21	54,429	(683,716)
Share premium	21	6,303,263	6,303,263
Legal reserve	21	9,147,209	8,743,875
Revaluation reserve	21	1,748,513	2,007,299
Retained current earnings	21	8,701,526	11,339,138
Total equity		106,447,399	108,202,319

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI S.A.

FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Note	31 decembrie 2019	31 decembrie 2018
Liabilities			
Operating lease liabilities	19	265,476	
Total non-current liabilities		265,476	-
Trade and other payables	18	2,603,531	2,821,334
Deferred income	20	790,184	779,531
Operating lease liabilities	19	824,854	-
Current corporate income tax payables		-	178,919
Total current liabilities		4,218,569	3,779,784
Total liabilities		4,484,045	3,779,784
Total liabilities and equity		110,931,444	111,982,103

The separate financial statements were approved by the Board of Directors on 16 March 2020 and were signed by:

President,	General Manager,	Financial Manager,
Radu Hanga	Adrian Tanase	Virgil Adrian Stroia

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI S.A.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Share capital	Treasury shares and Share-base benefits	Share premium	Retained earnings	Revaluation reserve for land	Legal reserve	Total shareholders' equity
Balance as at 1 January 2019	**80,492,460**	**(683,716)**	**6,303,263**	**11,339,137**	**2,007,299**	**8,743,875**	**108,202,319**
Other items of comprehensive income							
Profit or loss	-	-	-	6,962,791	-	-	6,962,791
Other items of comprehensive income							
Legal reserve increase	-	-	-	(403,334)	-	403,334	-
Other reserves				-	(258,786)	-	(258,786)
Total other items of comprehensive income	-	-	-	(403,334)	(258,786)	403,334	(258,786)
Total comprehensive income for the period	-	-		**6,559,457**	**(258,786)**	**403,334**	**6,704,005**
Contributions from and distributions to shareholders							
Benefits granted to employees settled in shares	-	562,536	-	-	-	-	562,536
Losses as effect of granting shares for free within SOP		175,609		(175,609)			-
Dividend paid to BVB shareholders	-	-	-	(9,021,461)	-	-	(9,021,461)
Total contributions from and distributions to shareholders	-	738,144	-	(9,197,070)	-	-	(8,458,925)
Total transactions with shareholders	-	**738,144**	-	**(9,197,070)**	-	-	**(8,458,925)**
Balance as at 31 December 2019	**80,492,460**	**54,429**	**6,303,263**	**8,701,526**	**1,748,513**	**9,147,209**	**106,447,399**

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI S.A.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Share capital	Treasury shares and Share-base benefits	Share premium	Retained earnings	Revaluation reserve	Legal reserve	Total shareholders' equity
Balance as at 1 January 2018	**80,492,460**	**(834,705)**	**6,303,263**	**16,201,355**	**2,007,299**	**8,274,995**	**112,444,667**
Impact opening balances –IFRS9				(220,502)			(220,502)
Balance as at 31 December 2017, restated	80,492,460	(834,705)	6,303,263	15,980,853	2,007,299	8,274,995	112,224,165
Other items of comprehensive income							
Profit or loss	-	-	-	9,490,411	-	-	9,490,411
Other items of comprehensive income							
Legal reserve increase	-	-	-	(468,880)	-	468,880	-
Total other items of comprehensive income	-	-	-	(468,880)	-	468,880	-
Total comprehensive income for the period	-	-		**9,021,531**	-	**468,880**	**9,490,411**
Contributions from and distributions to shareholders							
Acquisition of treasury shares	-	(997,995)	-	-	-	-	(997,995)
Benefits granted to employees settled in shares	-	1,036,530	-	-	-	-	1,036,530
Losses as effect of granting shares for free within SOP		112,454		(112,454)			-
Dividend paid to BVB shareholders	-	-	-	(13,550,793)	-	-	(13,550,793)
Total contributions from and distributions to shareholders	-	150,989	-	(13,663,247)	-	-	(13,512,257)
Total transactions with shareholders	-	**150,989**	-	**(13,663,247)**	-	-	**(13,512,257)**
Balance as at 31 December 2018	**80,492,460**	**(683,716)**	**6,303,263**	**11,339,137**	**2,007,299**	**8,743,875**	**108,202,319**

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI SA

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Note	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Cash flows used in operating activities			
Net profit for the period		6,962,791	9,490,411
Adjustments to remove non-cash items and items included in investing and financing activities:			
Depreciation of fixed assets	11,12, 13	2,258,410	1,237,465
Net interest income and amortization of premiums for government bonds	9	(1,962,371)	(2,555,962)
Dividends income	9	(1,378,734)	(936,191)
(Gain) / loss from the sale financial assets	9	(541,219)	-
Loss from writing off receivables		106,485	-
Expense / (revenue) from impairment of uncollected receivables	15	(92,144)	160,925
Reclassification in expense with corporate income tax	10	1,103,886	1,679,731
Expected credit losses – IFRS 9	9	(172,777)	73,963
Investments in subsidiaries impairment / (reversals)	6	(56,204)	24,728
Income from production of intangible assets		(132,454)	-
Expense with employees' benefits settled in shares	21	562,536	1,036,530
		6,658,204	**10,211,600**
Change in trade and other receivables	15	1,743,819	(1,902,606)
Change in prepayments	16	11,721	(86,417)
Change in trade and other payables	18	(453,863)	(721,896)
Change in deferred income	20	10,653	(6,950)
Corporate income tax paid		(1,287,865)	-
Net cash from operating activities		**6,682,668**	**7,493,731**
Cash flows from investing activities			
Interest received	9	2,761,644	2,824,548
Dividends received	9	1,378,734	936,191
Bank deposits movement	14	(1,051,539)	10,223,022
(Payments for acquisitions) / receipts from other financial assets	14	15,246,375	10,620,008
Net investment in subsidiaries	6	(47,443,796)	-
Acquisitions of tangible and intangible assets	11,12	(960,056)	(878,528)
Change in held for sale assets		-	803,338
Net cash from investment activities		**(30,068,637)**	**24,528,579**

The Explanatory Notes to the financial statements from pages 8 to 62 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI SA

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2019 *(RON)*

	Note	Financial year ended at 31 December 2019	Financial year ended at 31 December 2018
Cash flows from financing activities			
Dividends paid		(8,785,401)	(13,173,278)
Principal elements of operating lease payments, including interests	19	(738,393)	-
Acquisition of own shares		-	(997,995)
Net cash used in financing activities		**(9,523,794)**	**(14,171,273)**
Net Increase / (Decrease) in cash and cash equivalents		(32,909,763)	17,851,037
Cash and cash equivalents as at 1 January	17	34,901,955	17,050,918
Cash and cash equivalents as at 31 December	17	1,992,192	34,901,955

Cash and cash equivalents as at 31 December 2019 present the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 2,021,884 (2018: RON 35,038,918) and the expected credit losses is RON 29,693 (2018: RON 136,936).

1. REPORTING ENTITY

The Bucharest Stock Exchange was established on 21 June 1995, by the Romanian National Securities Commission Decision D20, as a public and independent institution under Law No 52/1994 on securities and stock exchanges.

Until it became a joint stock company, the Bucharest Stock Exchange operated according to Law no 52/1994 and Emergency Government Ordinance no 28/2002 on securities, financial investment services and regulated markets, as a self-financed non-profit institution of public interest.

On July 15, 2005, by ruling no 12270/SC/2005 pronounced in file no. 531497/SC/2005, the application of the Bucharest Stock Exchange to reorganize by changing the legal form to a joint stock company, without liquidating the assets and without interrupting the activity of the former public institution, was accepted. The property of the Bucharest Stock Exchange became under Article 285 paragraph 1 of Law no 297/2004 on capital market “the property of S.C. Bursa de Valori Bucuresti S.A.” (hereinafter referred to as "BVB" or the "Company"). Upon the change of the legal form, the share capital of the new joint stock company was composed of cumulative earnings of the public institution. This share capital was distributed equally and free of charge between securities companies (the current financial investment service companies) which were active at that time.

On 31 August 2005 (the reference date), BVB, as absorbing company, merged by absorption with S.C. Bursa Electronica Rasdaq S.A., as absorbed company, the latter conveying the universal right on its own property to the absorbing company.

On 29 December 2017 (the effective date) BVB, as absorbing company, merged by absorption with SIBEX-Sibiu Stock Exchange S.A. Sibiu, as absorbed company, the latter conveying the universal right on its own property to the absorbing company.

The registered office of BVB is in Bucharest, at 34-36 Carol I Boulevard, 13th-14th Floor, 2nd District, Romania. BVB has no subsidiaries in other cities.

The main field of activity of BVB is the "Management of the financial markets". Starting on 8 June 2010, the shares of BVB are listed on the regulated market in Romania at the Bucharest Stock Exchange under the symbol "BVB".

2. BASES OF PREPARATION

(a) Statement of compliance

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("EU IFRS") and under Rule 39/2015 of the Financial Supervision Authority ("ASF") "on approval of accounting Regulations in accordance with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervision

Authority in the Financial Instruments and Investments Sector" with further amendements ("Rule 39/2015"). The Company has prepared these separate financial statements in order to meet the requirements set out under Instruction no. 2/2014 on the implementation of the International Financial Reporting Standards as enacted by the European Union by the entities authorised, regulated and supervised by the Financial Supervision Authority as further amended.

Stand alone financial statements include the statement of financial position, the profit or loss account, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes.

At the time these separate financial statements were approved, the Company also prepared the consolidated financial statements in accordance with EU IFRS for the Company and its subsidiaries, also named "subsidiaries" in these financial statements (toghether the "Group"), pursuant to IAS 27 provisions.

In the consolidated financial statements, the branches - those companies in which the Group, directly or indirectly, holds more than half of the voting rights or has the power to exercise control over operations - are fully consolidated.

The users of these separate financial statements must read them together with the consolidated financial statements of the Group on and for the year ended at 31 December 2019, in order to get comprehensive information about the financial position, results of the operations and the cash flows of the Group as a whole.

2. BASES OF PREPARATION (CONTINUED)

(b) Bases of measurement

The separate financial statements were prepared on the historical or amortized cost basis, except for financial assets at fair value through other comprehensive income which are measured at fair value.
The methods used to establish the fair value are presented in Note 4.

(c) Functional and presentation currency

The items included in these Company's separate financial statements are measured using the currency of the economic primary environment in which the entity operates ("functional currency"), *i.e.* leu (RON). The financial statements are presented in RON, which is the functional and presentation currency of BVB, all amounts being rounded up to the nearest integer.

(d) Use of estimates and professional judgements

The preparation of the separate financial statements according to EU IFRS adopted by the European Union requires management to make estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. Estimates and related judgements are based on historical data and on other factors deemed to be eloquent in the given circumstances, and the result of these factors forms the basis of the judgments used in establishing the carrying amount of assets and liabilities for which there are no other measurement sources available. Actual results may differ from estimates.
Estimates and judgements are revised on a periodical basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision only affects that period or in the current period, and in the future periods, if the revision affects both current and future periods.
The significant accounting methods and policies have been consistently applied by BVB during the financial years presented in these separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

Operations in foreign currency are recorded in RON using the official exchange rate on the transaction settlement date. Monetary assets and liabilities registered in foreign currency on the date on which the statement of financial-accounting position was prepared are expressed in RON at the exchange rate of the National Bank of Romania on the reporting day. The gains or losses originating from their settlement and from the conversion of the monetary assets and liabilities denominated in foreign currency using the exchange rate at the end of the financial year are recognized in the profit or loss account. Non-monetary assets and liabilities measured at historical cost in the foreign currency are registered in RON using the exchange rate at the date of the transaction and are not revalued at the end of the financial year at the exchange rate of the National Bank of Romania. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are registered in RON using the exchange rate at the date that the fair value was determined.

Conversion differences are recognized in the profit or loss account, except for the differences arising from the conversion of the financial assets at fair value through other comprehensive income included in the reserve resulting from the change in the fair value of these financial instruments (non-cash items). The exchange rates of the main foreign currencies were as follows:

Currency	Spot exchange rate 31 December 2019	Spot exchange rate 31 December 2018	Average exchange rate 2019	Average exchange rate 2018
EUR	4.7793	4.6639	4.7452	4.6535
USD	4.2608	4.0736	4.2379	3.9416

b) Accounting of the hyperinflation effect

According to IAS 29 ("Financial Reporting in Hyperinflationary Economies") the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in terms of the current purchasing power of the currency on the date on which the statement of financial position is prepared, *i.e.* the non-monetary items are restated by applying the general price index on the date of acquisition or contribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial assets and liabilities

Financial assets

The Company initially recognizes the receivables and deposits on the date that they are initiated. All other financial assets (including assets designated at fair value through the profit or loss account) are initially recognized on the trading date when the Company becomes a party of the contractual conditions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows generated by the asset expire or when the rights to receive the contractual cash flows of the financial asset are transformed through a transaction in which the risks and benefits of the ownership right over the financial asset are sognificantly transformed. Any interest in the transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

As per IFRS 9 “Financial Instruments” the recognition and measurement of financial assets is based on the evaluation of the business model and the contractual cash flows and implements a new model for the recognition of impairment adjustments based on expected credit losses.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI), and measured at fair value through profit or loss (FVPL).

Classification for debt instruments is determined by the entity business model for the financial asset class and if the contractual cash flows represent solely the payment of principal and interest (SPPI). If debt instruments are held to be cashed, they can be recorded at amortized cost if they also meet the SPPI requirement.

The Company's financial investment business model is to held-to-collect of the contractual cash-flows and the types of financial assets held (government securities and bank deposits) give rise, at certain dates, to cash flows that are solely payments of principal and interests on the balance due. Thus, all Company financial investments are measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in equity instruments are always measured at fair value. However, management may make an irrevocable choice to present fair value changes in other items of comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. As at December 31, 2019, the Company does not own equity instruments.

Receivables and cash and cash equivalents

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method, less the impairment provision and the expected credit losses.

Cash and cash equivalents comprise cash in hand, amounts available in current bank accounts, other highly liquid short-term investments and with initial maturity terms of up to three months and bank overdraft less the expected credit losses.

Financial liabilities

The Company does not hold financial liabilities designated to be recorded at fair value through the profit and loss account in accordance with the provisions of IFRS 9 so all the Company's liabilities are measured at amortized cost.

d) Investments in related entities (subsidiaries, associates)

Subsidiaries refer to companies or other entities (including special purpose entities) in which the Company, directly or indirectly owns more than half of the voting rights or has the power to determine the financial and operating policies in order to obtain benefits.

The existence and effect of potential voting rights that are currently exercisable or convertible are taken into account to determine whether the Company controls another entity or not.

Associates are entities over which the Company has significant influence (directly or indirectly), but which do not exercise control, generally holding between 20 and 50 per cent of the voting rights. These separate financial statements contain information about Bursa de Valori Bucuresti SA as an individual entity and do not contain consolidated financial statements as Group parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measuring investments in subsidiaries, associates

The Company uses the cost method to account for its investments in subsidiaries and associates in the separate financial statements. Transaction costs regarding the purchase of a subsidiary. associate or joint venture are recognized as expenses in the profit or loss account. Dividends received from investments in subsidiaries and associates are recognized in the profit or loss account when the Company's right to receive payment is established and there is probability that dividends will be collected.

If the recoverable amount in subsidiaries and associates (the higher of the fair value less costs assimilated to sale and the value in use) is less than the net carrying amount, the Company will reduce the net carrying amount to the level of the recoverable amount. The reduction is a value adjustment. The net carrying amount of the investments carried at costis the initial cost less the previously registered value adjustments. Typically, the recoverable amount of investments will be calculated based on the economic benefits generated by the dividends received from subsidiaries and associates.

e) Assets classified as held for sale and discontinued operations

The Company classifies an asset (or disposal group) as held for sale when its carrying amount is recovered principally through a sale (or an exchange) rather than through its continued use.
A fixed asset (or disposal group) is (are) classified as held for sale as soon as the following criteria are met: - the asset (or disposal group) must be available for immediate sale current; - the sale must be very probable.

For the sale to be considered probable, the following criteria must be met:
- management has developed a plan to sell the asset (or disposal group);
- a plan to identify a buyer has been initiated;
- the asset (or disposal group) must be actively promoted for sale at a reasonable price and in relation to its current fair value;
- it is expected that the sale will be completed within one year from the date of classification in the category of assets held for sale;
- the sale plan is unlikely to change significantly or be canceled.

If the above classification criteria are no longer satisfied, the immobilized asset in question (the disposal group) ceases to be classified as held for sale.

Assets held for sale must be recognized at the minimum between the carrying amount and the fair value, less the costs of the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets held for sale are not depreciated even if they are still used by the company. If the fair value less costs to sell is less than the carrying amount, the difference between the two should be treated as an impairment loss and the asset's value will be reduced by this loss. In accordance with IFRS 5, the Company presents a non-current asset classified as held for sale and the assets belonging to a disposal group classified as held for sale separately from the other assets on the balance sheet under current assets.

f) Tangible and intangible assets

Tangible assets

(i) Recognition and measurement

Tangible assets are initially recognized at cost. Thereafter the assessment is made according to their category, respectively:

- land is stated at fair value, determined based on periodical valuations, by outside independent valuators. Revaluations are made regularly enough to ensure that the fair value of a revalued asset does not differ significantly from its book value.
- all the other tangible assets are stated at historical cost, less accumulated depreciation and value impairments.

(ii) Subsequent costs

The Company recognizes in the carrying amount of a tangible asset the cost of its replacement when such cost is incurred or if the economic benefits included in that tangible asset are likely to be transferred to the Company and the cost of this tangible asset can be reliably measured. All other costs are recognized as expenses in the profit or loss account when incurred.

The costs incurred to replace a component of tangible asset items reflected separately, including inspections or overhauls, are capitalized. Other subsequent expenditure is capitalized to the extent that it enhances the future performances of those tangible asset items. All other repair and maintenance costs are included in profit or loss account when incurred.

(i) Tangible asset depreciation

Depreciation is calculated using the straight-line method over the estimated useful life of each tangible asset item. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not subject to depreciation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The useful lives for the current and comparative periods are as follows:

Machinery and equipment	3-20 years
Plant, furniture and fittings	2-15 years

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted accordingly.

Intangible assets

(i) Recognition and measurement

Intangible assets (including software) purchased and with determined useful lives are measured at their cost less accumulated depreciation and accumulated impairment losses.

(ii) Subsequent expenses

Development costs that can be directly attributable to the design and testing of identifiable

and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- Technical possibility to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it or sells it;
- There is the ability to use or sell the software product;
- It can be demonstrated how the software product will generate future economic benefits;
- There are available technical, financial and other resources appropriate to complete the development and to use or sell the software product; and
- Expenses attributable to the software product during its development can be measured reliably.

Directly attributable costs that are capitalized as part of the software product include the costs of employees involved in developing software and an appropriate portion of the relevant overheads.

Other development costs that do not meet these criteria are recognized as expenses. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development costs of computer software recognized as assets are depreciated over the estimated useful life, not exceeding three years.

(iii) Intangible asset depreciation

Depreciation is registered in the profit or loss account using the straight-line method over the estimated useful life of the intangible asset. Intangible assets are depreciated from the date the asset is ready to use. The useful operating period for software and licences is between 1 and 5 years.

The methods of depreciation, the duration of the useful life and the remaining values are reviewed at the end of each financial year and adjusted properly.

Right-of-use assets

IFRS 16 establishes new requirements for accounting of the leasing contracts so that the operating or financial leasing classifications from IAS 17 are eliminated, with only one model for registering leasing contracts. By applying this model, the lessee is obliged to register the right of use the assets and liabilities related to the leasing contracts according to IFRS 16 provisions. The right of use the assets is amortized using the linear method for the shortest period between the useful life of the asset and the duration lease agreement. For more details, see Note 13.

g) Deferred expenses and revenues

The costs incurred and the revenues achieved during the current period, but concerning future periods, are included in the statement of financial postiion as deferred expenses or revenues, as appropriate. Each month, the share of the deferred expenses or revenues related to that month is included in expenses or revenues, in the profit or loss account.

h) Impairment

(i) Financial assets

IFRS 9 “Financial Instruments” requires the application of the model for estimated credit losses and thus the earlier recognition of losses on financial assets that lead to increased impairment for the relevant items. Impairment losses are calculated on a three-step model

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

using the credit risk swap, the internal or external counterparty assessments and the related default probability. According to IFRS9, an asset moves from Stage 1 (12 months expected credit losses) to Stage 2 (lifetime expected credit losses) at the time when the associated credit risk increase significantly. The Company assessed as a significant increase in the credit risk, the downgrade of the rating of the debt' issuer in the "non-investment" grade category.

For some financial instruments, such as trade receivables, impairment losses are estimated based on a simplified approach, recognising of the expected credit losses on receivables over their lifetime.

The interest for an asset accounted for at amortized cost and moved to Stage 2 (lifetime expected credit losses) is recognized hereafter. When a subsequent event determines the decrease in the impairment loss, it is reversed through the profit or loss account.

Impairment losses on financial assets at fair value through other comprehensive income are recognized by transferring the loss accumulated recognized in other comprehensive income items and reflected in the fair value reserve in equity to the profit or loss account. The cumulated loss that is transferred from other comprehensive income items to the profit or loss account is the difference between the acquisition cost, net of any principal repayments and depreciation, and the current fair value, less any impairment loss recognized previously in the profit or loss account. Changes in provisions for impairment attributable to the time value of money are reflected as a component of interest income.

If, in a subsequent period, the fair value an impaired financial assets at fair value through other comprehensive income increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss account, then the impairment loss is reversed, and the amount of the reversal is recognized in the profit or loss account.

However, any subsequent recovery in the fair value of an impaired financial assets at fair value through other comprehensive income equity instrument is recognized in other comprehensive income items.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax receivables, are reviewed at each reporting date to determine whether there is any evidence of impairment. If any such evidence exists, then the asset's recoverable amount is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of an asset or a cash-generating unit is the maximum of its value in use and its fair value, less costs to sell. In determining the value in use, the estimated future cash flows are discounted to determine their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, the assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use and that are largely independent of the cash inflows generated by other assets or group of assets ("cash-generating unit").

i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits include salaries, compensations and social security contributions. Short-time employee benefits are recognized as expenses as the services are provided.

(ii) Determined contribution plans

The Company makes payments on behalf of its employees to the Romanian state pension, health insurance and unemployment funds, during the performance of its usual activity. All the employees of the Company are members and are also legally bound to contribute (through social contributions) to the Romanian state pension fund (a state determined contribution plan). All related contributions are recognized in the income for the period they are incurred.

(iii) Other benefits

The fixed and variable remuneration may also be gratnted through a stock option plan agreement, in shares. The variable component of the total remuneration is the remuneration which may be granted by the Company in addition to fixed remuneration, conditioned upon meeting cetain performance indicators. The variable remuneration may be granted either in cash or in BVB shares. In case of the identified personnel, when establishing the variable part of the annual remuneration, the limitation of excessively taking risks shall be considered.

Based on the mandate granted through shareholder resolutions, the Company's Board of Directors shall decide on the number of shares included in the employees' loyalty program.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value on the date of offering the shares to employees as a premium shall be recognized in the category of personnel expenses.
See also Note 8.

(iv) Other long-term employee benefits

The Company may grant but it is not obliged to grant, post-pensioning benefits without creating a legal or constructive obligation. That is why the Company has not recognized any debt in these financial statements for this purpose.

j) Trade liabilities and other liabilities

Trade liabilities and other liabilities are obligations to pay for goods or services that were purchased during the normal course of activity from suppliers and other creditors. Trade liabilities and other liabilities are classified as current debts if the payment is due in one year or less. Otherwise they will be presented as long-term debts. Trade liabilities and other liabilities are initially recognized at fair value and subsequently are measured at amortized cost based on the effective interest method.

k) Operating lease liabilities

By applying IFRS 16 the lessee is obliged to register the right of use the assets and liabilities related to the leasing contracts in the statement of financial position.
The lease liabilities are updated using the implicit interest rate in the lease contract. If this rate cannot be easily determined, which is generally the case for group leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee should pay to borrow the necessary funds to obtain an asset of similar value to the right of use the asset in a similar economic environment, with similar terms and conditions.

l) Provisions

Provisions are recognized in the statement of financial position when a Company's obligation is born related to a past event, and it is probable that a future consumption of economic resources will be required to settle the obligation and the obligation value may be reasonably estimated. To determine the provisions, the future cash flows are discounted at a pre-tax discount rate that reflects current market conditions and the risks specific to the liability. The discount depreciation is recognized as financial cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Revenues

(i) Revenues from services

Revenues from services rendered are recognized in the profit or loss account in the period during which such services are provided.

The main sources of revenues are:

- revenues from fees for transactions with shares and fixed income instruments - revenues are recognized as services are rendered;
- fees charged for admission to trading – revenues are recognized at the date of admission to trading;
- fees charged for maintaining the trading– revenues are recognized on a straight-line basis over the period to which they relate;
- sales of stock exchange information – revenues are recognized as services are rendered.

(ii) Financial income

Financial income includes interest income on amounts invested (including available-for-sale assets), dividends income, gains on the re-measurement of assets and liabilities in other currencies, the discount accounting for the financial assets held to maturity (titles) by determining the amortized cost using the effective interest method.

Dividends income is recognized in the profit or loss account on the date that the Company's right to receive dividends is established, which in the case of quoted instruments is the registration date.

Financial costs comprise losses on disposal of financial assets, losses on the re-measurement of assets and liabilities in other currencies and interest expenses related to lease liabilities.

n) Reflection of legal mergers by absorption

The Company applies the provisions of IFRS 3 “Business combinations” to register merger by absorption operations in the separate financial statements of the absorbing entity. By applying this policy, the separate financial statements of the absorbing company after the merger are a continuation of the consolidated financial statements drafted starting with the absorbed company purchase date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In absence of the specific requirements of the International Financial Reporting Standards for the legal mergers by absorption, the Company opted to present the book value of the acquired identifiable assets and of the taken over assumed debts, in the separate financial statements on the legal merger date, after their initial recognition at fair value on the date when control was obtained.

o) Business combinations

The Company accounts the business combination by applying the purchase method on the date when the control is obtained, except for when it is about a combination involving entities or enterprises under common control or the acquired entity is a subsidiary of an investment entity.
The goodwill is measured by deducting the net identifiable assets acquired from the aggregation of the transferred counter performance, any non-controlling interests in the acquired entity and the fair value on the purchase date of the participations in the share capitals of the acquired entity previously held by the acquirer. If the acquirer obtained a gain from a purchase under advantageous conditions, such gain is recognized in the profit or loss after the management reanalyzed if all the purchased assets were identified and all the liabilities and contingent liabilities were accepted ad their value was assumed. The counter performance transferred in a business combination is measured at fair value, being calculated as the sum of fair values as of the purchase date of the assets transferred by the acquirer, of the debts incurred by the acquirer to the former owners of the acquired entity and of the participations in the equity issued by the acquirer, but excluding the costs related to the purchase with intermediation, counselling, legal, accounting, assessment fees, and other professional or consultancy fees, the general administrative costs, the costs related to the registration and issuance of debt securities and shares, which are recognized in the profit and loss account.

p) Current and deferred corporate income tax

Corporate income tax expense for the period comprises current tax and deferred tax. The tax is recognized in the statement of income and expenses, unless it is related to items recognized in other comprehensive income items or directly in equity. In such case, the related tax is also recognized in other comprehensive income items or directly in equity.

Current income tax expense is calculated based on the fiscal regulations adopted or adopted to a large extent on the balance sheet date, in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically assesses the positions in the tax returns with regard to those cases where applicable fiscal regulations are interpretable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Whenever needed, it sets up provisions based on the estimated amounts payable to the tax authorities.

Deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying value in consolidated financial statements. However, the debts related to the deferred tax are not recognized if they result from the initial recognition of the goodwill; the deferred income tax is not accounted for if it results from the initial recognition of an asset or liability from a transaction other than a business combination, and which does not affect, at the time of the transaction, either the accounting profit or loss, or the fiscal profit or loss. Deferred income tax is determined based on tax rates (and laws) enacted or enacted to a large extent until the balance sheet date and that would be applied during the period when receivables related to deferred tax will be valorized or the debts regarding deferred tax will be paid.

According to the local tax legislation, the tax loss registered by the company ceasing its existence as an effect of a legal merger by absorption operation may be taken over and recovered by the entity taking over the property of the absorbed company. The annual tax loss made starting with 2011, established through the income tax return is recovered from the taxable profits obtained in the next 7 consecutive years. To report unused tax losses, the deferred tax receivable is recognized only to the extent that taxable profit is likely to be obtained in the future after the compensation with the tax loss of the previous years and with the income tax to be recovered. The deferred tax receivable is diminished to the extent that the related tax benefit is unlikely to be achieved.
Deferred tax receivables are only recognized to the extent that a taxable profit from which temporary differences will be deducted is likely to be obtained in the future.

Deferred income tax receivables are calculated for deductible temporary differences resulted from investments in subsidiaries, in associates and common agreements only if it is likely that the temporary difference is reversed in the future and there is enough taxable income available from which the temporary difference can be used.

Deferred tax receivables and debts are offset when there is the legal applicable right to offset current tax receivables with current tax debts, and when receivables and debts related to deferred tax refer to income taxes levied by the same tax authority, either to the same taxable entity or to different taxable entities if there is an intent of compensating the balances on a net basis.

The income tax rate used to calculate current and deferred tax at 31 December 2019 was of 16% (31 December 2018: 16%).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Share capital

Ordinary shares are classified as shareholders' equity.

Additional costs directly attributable to the issuance of new ordinary shares or options are included in shareholders' equity as deductions, net of tax, from collections.

r) Own shares

The necessary equity instruments (own shares) are deducted from equity. The gain or loss from purchases, sales or cancelations of BVB capital instruments are not recognized in the year income.

s) Earnings per share

The Company presents the basic earnings per share ("EPS") for its ordinary shares. The basic EPS is calculated by dividing the gain or loss attributable to ordinary shareholders of the Company by a weighted average of ordinary shares outstanding during that period. Diluted earnings per share is determined by adjusting the profit or loss Diluted gain per share is determined by adjusting the profit or loss attributable to ordinary shareholders and by adjusting a weighted average of ordinary shares outstanding to the effect of potential ordinary shares, including preferrential shares. Until now it has not been necessary to calculate the diluted EPS because there are no potential ordinary shares, all issued shares having equal rights to dividends.

t) Legal reserve

In accordance with the legislation in Romania, companies must distribute an amount equal to at least 5% of profit before tax in legal reserves, until they reach 20% of the share capital. When this level is reached, the Company can make additional allocations of the net profit alone. Legal reserve is deductible within the limit of 5% applied to the accounting profit before establishing the corporate income tax.

u) Dividends

Dividends distribution by the Company's shareholders is recognized as debt in the Company's financial statements in the period when dividends are approved by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) New accounting regulations
IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2019

In the current year, the Company has applied ***IFRS 16 "Leasing Contracts"*** - adopted by the EU on October 31, 2017 (applicable for annual periods beginning on or after January 1, 2019)
According to IFRS 16, the lessee of a lease contract recognizes a right of use in the statement of financial position. Assets with right of use are treated in the same way as other non-financial assets and are dprectiated accordingly. The lease liability is initially measured at the present value of the lease payments due during the lease agreement, discounted at the implicit rate of the lease agreement, if it can be easily determined. If the rate cannot be easily determined, the lessee will use the incremental interest rate of the loan. As in the case of the predecessor of IFRS 16, ie IAS 17, the lessors classify the lease contracts in operating and financial. A lease is classified as a financial lease if substantially all the risks and benefits arising from the ownership right on the respective asset are transferred. Otherwise, a lease contract is classified as an operating lease. For financial leases, a lessor

recognizes the financial income during the lease, based on a calculation method that periodically reflects a rate of return on the constant net investment. A lessor recognizes the operating leasing payments as income, having a linear basis of calculation or, in the case of a calculation mode in which the profit from the use of the respective asset is diminished, another systematic basis.

Considering the value of the leasing contracts signed as a lessee for the headquarters and for the cars used, the Company registered a low impact on the statement of financial position and on the statement of comprehensive income following the adoption of the new standard.

The most important impact for the Company relates to the recognition of new assets and liabilities in releted to the operating lease contracts. The change in the presentation of the expenses with the operating leasing has resulted in an improvement of the result before depreciation and amortization (EBITDA), the expenses with the rents paid being now recognized as expenses with the depreciation and with interest expense related to the lease contracts.

At the date of initial application, the assets related to the right of use for the lease contracts previously classified as operating leases were measured at the value of the liability arising from the lease contracts, adjusted with the value of any rent payments recorded in advance or of the accumulated lease payments related to them.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The duration of the lease contract was considered the irrevocable period of the lease, without considering the option of extension.

The company used a discount rate for the lease agreements of the premises equal to the cost of financing an asset with a duration equal to the remaining period of the lease for a similar class of support-asstes in a similar economic environment.

The initial application of IFRS 16 had the effect of recognizing fixed assets representing rights of use in the amount of RON 1,743,261 and of leasing liability related to operating leases in a similar amount (the equivalent of EUR 373,895).

Amendments to ***IFRS 9 "Financial Instruments"*** - Advance payments with negative compensation - Adopted by the EU on 22 March 2018 (*applicable for annual periods beginning on or after 1 January 2019*)
The amendments amend the existing IFRS 9 requirements on termination rights to allow the amortized cost assessment (or, depending on the business model, to fair value through other comprehensive income), even in the case of negative netting payments. Under these amendments, the sign in advance is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may be made to the contracting party making the early repayment. The method of calculating this compensation must be the same, both in the case of a penalty for early repayment, and in the case of an income deriving from an early repayment.

Amendments to ***IAS 19 "Employee Benefits"*** - Changes, reductions or disposals of defined benefit plans (*applicable for annual periods beginning on or after January 1, 2019*),

Amendments to ***IAS 28 "Investments in Associates and Joint Ventures"*** - Long-term interests in associates and joint ventures (*applicable for annual periods beginning on or after 1 January 2019*),

Amendments to different standards due to **"IFRS Improvements (Between 2015-2017)"** as a result of the IFRS 3 (IFRS 11, IAS 12 and IAS 23) Improvements Project, with the primary aim of eliminating inconsistencies and clarifying (*applicable for annual periods beginning on or after January 1, 2019*),

The adoption of these amendments to the existing standards did not lead to significant changes in the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Standards and amendments to existing standards issued by the IASB and adopted by the EU, but which are not yet in force

At the date of approval of these financial statements, the following new standards, amendments to existing standards and interpretations issued by the IASB and adopted by the EU are not yet in force:

Amendments to ***IAS 1 "Presentation of Financial Statements"*** and ***IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error Correction"*** - Definition of materiality (*applicable for annual periods beginning on or after January 1, 2020*)

Amendments to ***IFRS 9 "Financial Instruments"***, ***IAS 39 "Financial Instruments: Recognition and Measurement"*** and ***IFRS 7 "Financial Instruments: Presentation"*** - Interest Rate Benchmark Reform - adopted by the EU on January 15, 2020 (effective for annual periods beginning on or after January 1, 2020),

Changes to the references to the conceptual framework of the **IFRS Standards** adopted by the EU on November 29, 2019 (in force for annual periods beginning on or after January 1, 2020).

The Company has decided not to adopt new standards, amendments to existing standards and interpretations before the date of their entry into force. The Company examines the impact that these new standards may have on the Company's financial statements.

x) New standards and amendments to existing IASB standards that have not yet been adopted by the EU

At present, IFRSs in the EU-approved formula do not differ greatly from the IASB regulations except for the following standards and amendments to existing standards that had not yet been approved by the EU on 31 December 2019 to be applied (the entry into force below applies to IFRS issued by the IASB):

IFRS 14 "Regulatory Deferral Accounts" (*applicable for annual periods beginning on or after 1 January 2016*) - The European Commission has decided not to launch the process of approval of this interim standard and to wait for the final standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 "Insurance Contracts" (*applicable for annual periods beginning on or after 1 January 2021*);

Amendments to ***IFRS 3 "Business combinations"*** - Business definition (*applicable to business combinations where the acquisition date is at or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and acquisitions of assets that are recorded at or after the beginning of that period*).

Amendments to ***IFRS 10 "Consolidated Financial Statements"*** and ***IAS 28 "Investments in Associates and Joint Ventures"*** - Sale or contribution of assets between an investor and its associate or joint venture and future amendments (*the entry into force has been postponed indefinitely, until the research project on the capital method has been completed*),

Amendments to ***IAS 1 "Presentation of Financial Statements"*** and ***IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error Correction"*** - Definition of materiality (*applicable for annual periods beginning on or after January 1, 2020*)

Amendments to the references to the conceptual framework of IFRS (applicable for annual periods beginning on or after January 1, 2020).

The Company analyzes the impact this new standard might have on the financial statements of the Company.

4. FAIR VALUE MEASUREMENT

A number of the Company's accounting policies and disclosure requirements require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or taking over information based on the following methods. When applicable, further information about the assumptions used in determining fair values is disclosed in the explanatory notes specific to that asset or liability.

(a) Investments in equity and debt securities

The fair value of held-to-maturity and available-for-sale financial assets is determined by reference to the closing quotation of the bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and other receivables and other financial liabilities

The fair value of trade and other receivables and financial liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes only. For financial instruments such as short-term receivables and liabilities, the management believes that the carrying amount is a reasonable approximation of fair value.

(c) Fair value hierarchy

The Company measures the fair value of financial instruments using one of the following hierarchy methods:

- Level 1: Quotations on an active market for similar instruments.

- Level 2: Measurement techniques based on observable market data. This category includes instruments measured using: quotations on an active market for similar instruments; market quotations for similar instruments in markets that are considered less active; or other measurement techniques where significant inputs are directly or indirectly observable in market inputs.

- Level 3: Measurements techniques that are not based on observable market data. This category includes all instruments whose valuation method is not based on observable inputs and unobservable inputs have a significant influence on the instrument measurement. This category includes instruments that are measured based on market quotations for similar instruments where unobservable adjustments or assumptions are required to reflect the difference between the instruments.

4. FAIR VALUE MEASUREMENT (CONTINUED)

Fair values of financial assets and financial liabilities together with the carrying amounts included in the statement of financial position are as follows:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost				
Other non-current financial assets	23,952,809	24,682,178	37,714,722	38,918,771
Bank deposits	6,538,830	6,538,830	5,487,291	5,487,291
Trade and other receivables	1,625,618	1,625,618	3,368,155	3,368,157
Other current financial assets	1,237,262	1,276,290	2,817,563	2,910,036
Cash and cash equivalents	1,992,192	1,992,192	34,901,955	34,901,955
Total	**35,346,711**	**36,115,108**	**84,289,687**	**85,586,209**
Liabilities carried at amortized cost				
Financial liabilities	1,778,505	1,778,505	2,008,575	2,008,575
Operating lease liabilities	1,090,330	1,090,330	-	-
Total	**2,868,835**	**2,868,835**	**2,008,575**	**2,008,575**

Financial assets carried at amortized cost representing government securities are classified at Level 1: quoted prices in active markets. Government securities denominated in EUR, RON and USD included in Financial assets at amortized cost, with maturities above one year, were acquired from the banking secondary market and we consider that their fair value approximates the book value.

Deposits from banks and cash and cash equivalent in cash are classified in Level 2.

Trade receivables and other receivables are classified at Level 3.

5. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk, including interest risk and currency risk;
- Tax risk;
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's procedures for managing of capital.

The Board of Directors of BVB has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors of BVB is assisted in this endeavour by special committees which have an advisory role.

The activity of special BVB committees is governed by the following principles:

a) principle of delegation of powers from the Exchange Council, as steering committee;
b) principle of decision-making autonomy;
c) principle of objectivity;
d) principle of investors' protection;
e) principle of promoting stock market development;
f) principle of active role.

(a) Risk management general framework

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan of BVB, as well as the corporate structure of the Company. The Company's risk management policies are defined to ensure the identification and analysis of risks faced by the Company, setting appropriate limits and controls, and monitoring of risks and compliance with the limits established. Risk management systems and policies are reviewed regularly to reflect the changes occurred in market conditions and in the Company's activities. The Company, through its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations. Internal audit of the Company's entities oversees how the management monitors compliance with management risk policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the entities.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's trade receivables and financial investments.

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the separate characteristics of each customer and of the country where it operates. The majority of the company's customers are doing business in Romania. The Company's customer base is comprised of issuers of securities, financial investment service companies and other financial institutions participating in Bucharest Stock Exchange. The Company calculates a provision for receivable impairment that represents its estimates of losses in respect of trade receivables, other receivables and investments. The main component of this adjustment is the specific loss component related to doubtful customers for whom the receivable recovery process has begun. The second component is the collective loss component corresponding to losses that have been incurred but not yet identified, calculated on the basis of the receivables age analysis, after the application of the contamination principle, using historical loss rates.

(ii) Financial investments

The Company limits its exposure to credit risk by investing only in liquid instruments issued by counterparties who have a satisfactory credit quality. The management constantly monitors the credit quality and, given that the Company has invested only in instruments with high credit quality, the management does not expect such counterparties to fail to meet their contractual obligations. The table below shows the ratings given by rating agencies to banks in which the Company has cash and deposits or opened bank accounts at the end of financial reporting periods:

	31 December 2019	31 December 2018	Rating agency
BRD - Groupe Societe Generale S.A.	Baa2	Baa2	Moody's
Banca Transilvania S.A.	BB+	BB+	Fitch Ratings
RAIFFEISEN BANK S.A.	Baa1	Baa1	Moody's
Banca Comerciala Romana S.A.	Baa2	Baa2	Moody's

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The maximum exposure to credit risk is equal to the exposure in the balance sheet at the reporting date and it was:

Name	31 December 2019	31 December 2018
Non-current financial assets at amortized cost	23,952,809	37,714,722
Bank deposits	6,538,830	5,487,291
Trade and other receivables	1,625,618	3,368,157
Prepayments	319,701	331,422
Current financial assets at amortized cost	1,237,262	2,817,563
Cash and cash equivalents	1,992,192	34,901,955
Total	35,666,412	84,621,109

The Company monitors the exposure to credit risk by analysing the age of the receivables that it owns, as reflected in the table below:

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Name	Trade and other receivables		Financial assets at amortized cost		Cash and cash equivalents		Bank deposits	
	2019	2018	2019	2018	2019	2018	2019	2018
Individually provisioned								
Significant risk	701,090	792,884	-	-	-	-	-	-
Gross amount	**701,090**	**792,884**	-	-	-		-	-
Adjustment for impairment	(701,090)	(792,884)	-	-	-	-	-	-
Net amount	**-**	**-**	-		-		-	-
Outstanding amounts, individually not provisioned								
Outstanding less than 90 days	129,791	141,708	-	-	-	-	-	-
Outstanding between 90 and 180 days	26,031	67,245	-	-	-	-	-	-
Outstanding between 180 and 360 days	49,428	17,091	-	-	-	-	-	-
Gross amount	**205,250**	**226,045**	**-**		**-**	**-**	**-**	**-**
Expected credit losses – IFRS 9	(1,504)	(1,492)	-	-	-	-	-	-
Net amount	**203,746**	**224,553**	**-**	**-**	**-**	**-**	**-**	**-**
Current, not provisioned								
Without a significant risk	1,429,967	3,162,270	25,277,836	40,671,588	2,021,884	35,038,918	6,538,830	5,487,291
Gross amount	1,429,967	3,162,270	25,277,836	40,671,588	2,021,884	35,038,918	6,538,830	5,487,291
Expected credit losses – IFRS 9	(8,094)	(18,668)	(87,765)	(139,303)	(29,693)	(136,963)	-	-
Net amount	1,421,872	3,143,602	25,190,071	40,532,285	1,992,192	34,901,955	6,538,830	5,487,291
Total gross amount	2,336,306	4,181,199	25,277,836	40,671,588	2,021,884	35,038,918	6,538,830	5,487,291
Total net amount	1,625,618	3,368,155	25,190,071	40,532,285	1,992,192	34,901,955	6,538,830	5,487,291

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities that are settled in cash or through the transfer of another financial asset. The Company's approach to liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or endangering the Company's reputation.
The Company does not have loans and needs cash only to cover its current operating expenses. Given that a significant percentage of the Company's assets consist of investments with high liquidity degree, the liquidity risk faced by the Company is low.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2019	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**More than 12 months**
Non-derivative financial liabilities				
Financial liabilities*	1,778,505	1,778,505	1,778,505	-
Operating lease liabilities	1,090,330	1,090,330	824,854	265,476
Total	2,868,835	2,868,835	2,603,360	265,476

31 December 2018	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**More than 12 months**
Non-derivative financial liabilities				
Financial liabilities	2,008,575	2,008,575	2,008,575	-
Total	2,008,575	2,008,575	2,008,575	-

* It contains balance sheet positions: Trade liabilities, dividends payable, Details in Note 18.

It is not anticipated that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different values.
The Company maintains sufficient liquid assets (residual maturity of less than 3 months) to cover all liabilities as they become due.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk that variation in market prices, such as foreign exchange rates, interest rate and equity instrument prices will affect the Company's income or the value of its held financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Exposure to currency risk

The Company's exposure to currency risk is presented below, based on notional amounts in RON equivalent:

31 December 2019	EUR	USD	RON	Total
Financial assets				
Trade and other receivables	188,816	360	1,436,442	1,625,618
Investments (government bonds, government securities, bank deposits, cash and cash equivalents)*	7,682,580	6,560,234	19,478,279	33,721,093
Total financial assets	7,871,397	6,560,593	20,914,721	35,346,711
Financial liabilities				
Financial liabilities	34,814	2,723	1,740,969	1,778,505
Operating lease liabilities	1,090,330	-	-	1,090,330
Total financial liabilities	1,125,144	2,723	1,740,969	2,868,835
Net financial assets / (liabilities)	6,746,253	6,557,871	19,173,753	32,477,876

* It contains balance sheet positions: Financial assets at amortised cost above and below one year, bank deposits, cash and cash equivalents.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2018	EUR	USD	RON	Total
Financial assets				
Trade and other receivables	139,815	2,444	3,225,896	3,368,155
Investments (government bonds, government securities, bank deposits, cash and cash equivalents)*	11,338,458	13,399,584	56,183,489	80,921,531
Total financial assets	11,478,273	13,402,028	59,409,385	84,289,686
Financial liabilities				
Financial liabilities	515,871	204	1,492,501	2,008,575
Total financial liabilities	515,871	204	1,492,501	2,008,575
Net financial assets	10,962,402	13,401,824	57,916,884	82,281,111

* It contains balance sheet positions: Financial assets at amortised above and below one year, bank deposits, cash and cash equivalents.

Sensitivity analysis

A depreciation of the RON on 31 December 2019 versus 31 December 2018 as indicated below against EUR and USD would have caused an increase in the Company's income, with values listed below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2019	31 December 2018
RON depreciation by 10 % against EUR	674,625	1,096,240
RON depreciation by 10 % against USD	655,787	1,340,182
Total	1,330,412	2,436,422

An appreciation of the RON on 31 December 2019 versus 31 December 2018 against the other currencies would have resulted in the same effect, but opposite, on the amounts shown above, assuming that all other variables remain constant.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to interest rate risk

The Company does not hold financial instruments with a variable interest rate. Held-to-maturity financial instruments are not affected by interest rate variation. Therefore, a change in interest rates at the reporting date would not affect the profit or loss account or the equity.

(e) Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated to Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk, such as the losses arising from legal and regulatory requirements and generally accepted standards concerning organizational behaviour. Operational risks arise from all Company's operations. The main responsibility of the Company's management is to develop and implement operational risk-related controls. Responsibility is supported by the development of the Company's general standards of operational risk management in the following areas:

- Segregation of duties requirements, including independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Alignment with regulatory and legal requirements
- Documentation of controls and procedures
- Requirements for periodic review of the operational risk the Company is exposed to and the adequacy of controls and procedures to prevent the risks identified
- Reporting requirements for operational losses and proposals to remedy the causes that generated them
- Development of operational continuity plans
- Vocational development and training
- Setting ethical standards
- Prevent the risk of litigation, including insurance where applicable
- Risk mitigation, including efficient use of insurances where appropriate.

(f) Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain the investors', creditors' and market confidence and to support future development of the entity. The Board of Directors monitors the return on engaged capital, defined as net profit resulting from operating activity divided by total equity.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's debt report to capital at the end of the period was as follows:

	2019	2018
Total liabilities	4,484,045	3,779,784
Cash and cash equivalents	1,992,192	34,901,955
Net debts	(2,491,853)	31,122,171
Total capitals	106,447,399	108,202,319
Gearing ratio	4%	3%

(g) Economic environment risk

Over the past years, the European financial sector faced a public debt crisis, triggered by major fiscal imbalances and high public debts in several European countries. Current fears, such as deterioration of financial conditions that could contribute in a later stage to further reduce investors' confidence, led to a joint effort of governments and central banks to adopt special measures to counter the vicious circle of rising risk aversion and to ensure normal functioning of the market.

The Company's borrowers may also be affected by the liquidity crisis situations that might affect their ability to meet their current liabilities. The deterioration of creditors' operating conditions also affects the management of cash flow forecasts and the analysis of the impairment of financial and non-financial assets. To the extent that information is available, the management has reflected revised estimates of future cash flows in its impairment policy.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The management is unable to estimate reliably the effects on the Company's financial statements resulting from financial market liquidity deterioration, impairment of financial assets influenced by illiquid market conditions and high volatility of national currency and financial markets. The Company's management believes that it takes all necessary measures to support the Company's business growth in current market conditions by:

- developing the liquidity management strategies and establishing specific measures of liquidity management in crisis situations;
- making forecasts of current liquidity;
- daily monitoring the cash flows and estimating their effects on Company's borrowers, due to limited access to financing and low possibilities to support business growth in Romania;
- carefully examining the conditions and clauses included in the existing and future clearing and settlement commitments.

(h) Tax risk

Interpretation of texts and practical implementation of the procedures of new applicable tax regulations harmonized with European legislation might vary from entity to entity and there is a risk that in some cases the tax authorities could adopt a different position from that of the Company.

In addition, there are several agencies subordinated to the Romanian Government that are authorised to conduct control over companies operating in Romania. These controls are similar to tax audits in other countries and may cover not only tax issues but also other legal and regulatory issues of interest to these agencies. It is possible that the Company continues to be subject to tax controls as new tax regulations are issued. The remaining fiscal control period is open for 5 years.

6. INVESTMENTS IN SUBSIDIARIES

In the 2019 year, the Company's participation to the group entities is the following:

	1 January 2019	Increase	Decrease	31 December 2019
Depozitarul Central S.A.	20,243,735	-	-	20,243,735
Casa de Compensare Bucuresti S.A.	125,674	-	(125,674)	-
Fondul de Compensare a Investitorilor S.A.	215,040	-	-	215,040
BVB Corporate Governance Institute Foundation	50,000	-	-	50,000
CCP.RO Bucharest SA	-	47,500,000	-	47,500,000
Total	20,634,449	47,500,000	(125,674)	68,008,775

The structure of participations in subsidiaries is presented in Note 23.
The Company acquired control over Depozitarul Central S.A. on 11 May 2006, by subscription to share capital increase and the contribution in kind to the share capital of the subsidiary.

The Company acquired control over Fondul de Compensare a Investitorilor S.A. in the year ended 31 December 2006, by subscribing to the share capital of the subsidiary.

The Company acquired control over Casa de Compensare Bucuresti S.A. in the finacial year ended on 31 December 2007, by subscription to share capital increase and the contribution in kind to the share capital of the subsidiary. The General Meeting of the Shareholders of the Casa de Compensare Bucuresti SA held on May 24, 2018 decided the liquidation and cancellation of the company and in the General Meeting of the Shareholders held on April 19, 2019 the report of the designated liquidator and the operation of payment to the shareholders the share capital remaining after covering the recorded losses has been approved.

As at 31 December 2018 the holding value in BVB Corporate Governance Institute Foundation amounting to RON 50,000 was fully impaired.

The Company approved, at the Extraordinary General Meeting of Shareholders on January 29, 2019, the establishment of the local central counterparty, to which BVB will contribute up to EUR 10 million. Thus, on November 4, 2019, the company CCP.RO Bucharest SA (CCP.RO) was established, with a share capital of RON 79,800,000, of which BVB holds 59.52% representing RON 47,500,000.

6. INVESTMENTS IN SUBSIDIARIES(CONTINUED)

The movements in adjustments for the impairment of investments in subsidiaries in 2019 is as follows:

	2019	2018
Balance as at 1 January	175,674	175,674
Increase of adjustment for impairment of investments	-	-
Reversals during the year	(125,674)	-
Balance as at 31 December	50,000	175,674

7. OPERATING INCOME

Service revenues consist of the following:

	2019	2018
Income from trading	14,435,405	19,199,554
Income from issuers admission and maintenance	2,299,231	2,266,749
Income from sale of stock exchange information	1,532,489	1,412,028
Other services	909,711	923,233
Total	**19,176,836**	**23,801,564**

The Other services category also includes the reinvocings to Depozitarul Central SA for the maintenance of the operational IT system.

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and indemnities of the Board of Directors

	2019	2018
Remunerations – management and personnel	7,128,095	6,818,877
Indemnities of the Board of Directors members including other amounts payable to such members as approved by the GSM	911,852	900,591
Other staff and Board expenses (SOP and bonuses)	641,207	1,036,530
Contributions and taxes related to personnel and indemnities	230,278	244,575
Total	8,911,432	9,000,573

8. OPERATING EXPENSES (CONTINUED)

The number of Company's employees was:

	2019		2018	
	At the end of the year	Annual average	At the end of the year	Annual Average
Managers based on agency agreements	2	2	2	2
Employees	45	41,4	45	43.5

Share-based payments (SOP)

The employer's expense for share-based payments is presented separately and for 2019 amounted to RON 562,536 (2018: RON 1,036,530).

In 2019, a total of 28,808, shares, worth a market value at the granting date of RON 684,018, were transferred free of charge to the Board of Governors, Management and employees, according to the Stock Option Plan (SOP) approved by the General Shareholders Meeting (GSM).

In 2019 the Company granted options, according to the Stock Option Plan, to the members of the Board of Governors, management and employees.

Option granting date: Immediately for year 2018, according to item 2.2 of the Stock Option Plan (Plan), the Granting Date as regards the Options granted to the Council Eligible Members shall be the Program Adoption Date by the GAS. According to Clause 4.1.2 of this Plan (below), the performance condition provided in art. 4.1.1. ii) „The Romanian capital market was included on the Shortlist of/in the Category of Emerging Markets;" was met before the Performance Period.

> „4.1.2. Upon meeting the Performance Condition provided in Clause 4.1.1.ii above, „The options granted to the Eligible Members of the Council shall become exercisable immediately, the provisions regarding the Normal Vesting Date not being applicable in this case. The Vesting of the Rights Granted by Options according to this Clause 4.1.2 shall take place once, without affecting the vesting of the rights given by the Options granted for the Performance Period comprised between 1 January 2017 and 31 December 2017."

Exercise Date: according, „6.1. An Option Holder cannot exercise an Option before the closest date between:

6.1.1. its vesting according to Clause 4.1.2;

6.1.2. Its Normal Vesting Date; and

6.1.3. the time when the Option becomes exercisable according to clause 8."

, thus the exercise date shall be a subsequent date established by the Decision of the Board of Governors, after the redemption of shares through the redemption program approved by GSM or the allocation of own shares redeemed in the merger process, for this purpose.

8. OPERATING EXPENSES(CONTINUED)

Signing of the transfer agreement: shall take place according to Art. „6.7. Upon exercising an Option, the Company shall conclude a Transfer Agreement with each Eligible Participant."

Number of shares and List of Eligible Members: to be calculated according to Art. „5.1. The maximum number of Shares transferred to an Eligible Member of the Board of Governors further to the exercise of an Option shall be calculated as follows: 4 x Gross Monthly Fee /Exercise Price

5.2. To the extent that any fractional value results from the application of the formula provided under Clause 5.1 above, such value shall be rounded downwards to the closest round number." The „Exercise Price" means the price at which each Share forming the object of an Option may be purchased based on exercising such Option and which may not be less than the closing price of a Share in the Business Day preceding the Exercise Date.

Considering the provisions of Art 2.4 "No amount shall be paid by an Eligible Participant for the granting of an Option." The exercise price is a definition applied to the calculation provided under Art. 5.1.

The options granted to BVB employees and management were made on the basis of the Internal Payroll Policy approved by the Board of Directors during 2018.

8.2 Expenses with services provided by third parties include:

	2019	2018
Business consulting services	277,509	1,166,209
Financial, IT and internal audit services	266,726	201,960
Commissions and fees (legal, contributions, etc.)	264,847	287,786
Services provided by third parties for events	483,354	459,571
Services provided by third parties	678,045	622,977
Total	**1,970,481**	**2,738,503**

Following the transposition of the Resolution of the General Meeting of the Shareholders of BVB, to initiate the actions for the establishment of the central counterparty (CCP Project), BVB contracted and recorded expenses with consulting and assistance services for the establishment of a new subsidiary to be authorized and functioning as a Central Counterparty in amount of RON 277,509, representing extraordinary ("one-off") expenses related to the CCP Project, accounted within the category of expenses "Business consulting services".

The statutory auditor of the Company for the year 2019 was Mazars Romania SRL. The audit fee, in accordance with the services agreement, was of EUR 15,200. During 2019, the statutory auditor did not provide allowed non-audit services (2018: EUR 7,760). During 2019, the statutory auditor provided no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council to the Company.

8. OPERATING EXPENSES(CONTINUED)

8.3 Other operating expenses include expenses with:

	2019	2018
Rent and utilities for rented spaces	318,508	1,045,550
Tangible asset depreciation (Note 11)	897,509	658,822
Intangible asset depreciation (Note 12)	565,897	578,643
Right of use assets depreciation (Note 13)	795,003	-
Expenses with ASF tax and other fees	760,530	732,193
Consumables	148,698	176,251
IT Maintenance, service and repairs	746,331	635,543
Insurance for professional equipment, etc.	92,759	71,486
Protocol	490,333	324,427
Marketing, advertising and promotion	176,376	136,842
Transport and travels	406,825	586,183
Telecommunications and mail services	127,277	115,593
Bank fees	26,905	31,549
Loss from writing off clients	106,485	420
Expenses/ (Revenues) from receivables adjustment	(92,144)	127,659
Other expenses	170,253	127,506
Total	5,737,545	5,348,666

9. FINANCIAL INCOME AND EXPENSES

Financial income and expenses recognized in profit or loss account include:

	2019	2018
Interest income from financial assets and bank deposits	1,962,371	2,555,962
Dividends income	1,378,734	936,191
Net gain / (loss) from exchange rate differences	966,043	612,655
Income from financial assets sold	541,219	-
Interest expense with lease contracts IFRS 16 and other financial expenses	(72,175)	-
Expected credit losses – IFRS9	172,777	(73,963)
Net financial income	**4,948,969**	**4,030,845**

The interest income related to financial assets at amortised cost and bank deposits include interest related to the investments in government bonds, government securities and deposits.

9. FINANCIAL INCOME AND EXPENSES (CONTINUED)

Financial income and expenses recognized in other items of comprehensive income:

	2019	2018
Revaluation of tangible assets	(258,786)	-
Total	**(258,786)**	-

10. CORPORATE INCOME TAX EXPENSE

Reconciliation of profit before tax to corporate income tax expense in profit or loss account

	2019	2018
Before-tax accounting profit	8,066,677	9,490,411
Theoretical income tax (16%)	1,290,668	1,518,466
Income tax for non-taxable income tax and assimilated	(325,601)	(428,061)
Income tax for non-deductible expenses tax and assimilated	282,645	627,113
Income tax on fiscal profit	1,247,712	1,717,518
Income tax for fiscal loss taken over from SIBEX	-	(329,965)
Corporate income tax (16%) computed	1,247,712	1,387,553
Sponsorship and donations deducted from corporate income tax	(143,826)	(37,787)
Current tax expense	1,103,886	1,349,766
Income from deferred income tax	-	329,965
Corporate income tax expense/(income)	1,103,886	1,679,731

11. TANGIBLE ASSETS

	Land and buildings *i)*	Machinery and equipment	IT equipment, office automation and furniture *ii)*	Fixed assets in progress	Total
Cost					
Balance as at 1 January 2019	4,178,812	7,379,531	1,559,528	-	13,117,871
Purchases	-	540,974	10,440	-	551,414
Revaluations	(258,786)	-	-		(258,786)
Outflows	-	(51,578)	(14,638)	-	(66,216)
Balance as at 31 December 2019	3,920,026	7,868,927	1,555,330	-	13,344,283
Depreciation					
Balance as at 1 January 2019					
Depreciation during the year	-	6,145,975	920,600	-	7,066,575
Outflows	-	693,070	204,440	-	897,510
Balance as at 31 December 2019	-	(48,050)	(14,638)	-	(62,688)
	-	6,790,995	1,110,402	-	7,901,397
Net carrying amounts					
Balance as at 1 January 2019	4,178,812	1,233,555	638,928	-	6,051,295
Balance as at 31 December 2019	3,920,026	1,077,931	444,929	-	5,442,886

	Land and buildings *i)*	Machinery and equipment	IT equipment, office automation and furniture *ii)*	Fixed assets in progress	Total
Cost					
Balance as at 1 January 2018	4,178,812	7,356,284	1,185,830	-	12,720,925
Purchases	-	172,761	481,406	-	654,167
Outflows	-	149,513	107,708	-	257,220
Balance as at 31 December 2018	4,178,812	7,379,531	1,559,528	-	13,117,872
Depreciation					
Balance as at 1 January 2018	-	5,694,873	934,339	-	6,629,212
Depreciation during the year	-	581,977	76,845	-	658,822
Outflows	-	130,874	90,584	-	221,458
Balance as at 31 December 2018	-	6,145,975	920,600	-	7,066,576
Net carrying amounts					
Balance as at 1 January 2018	4,178,812	1,661,411	251,490	-	6,091,714
Balance as at 31 December 2018	4,178,812	1,233,556	638,928	-	6,051,296

11. TANGIBLE ASSETS (CONTINUED)

i) During 2019, for the land owned by BVB, a revaluation of the land was carried out on December 31, 2019 by an authorized expert ANEVAR which resulted in the decrease of its gross value by RON 258,786 compared to the value previously registered.

ii) IT equipment, office automation and furniture mainly include the value of servers and specialized equipment used in specific trading and settlement activities.

12. INTANGIBLE ASSETS

2019	**Licenses, software**	**Advances for intangible assets**	**Total**
Cost			
Balance as at 1 January 2019	5,737,964	101,124	5,839,088
Purchases	645,748	54,174	699,921
Outflows	(243,474)	(155,298)	(398,772)
Balance as at 31 December 2019	6,140,238	-	6,140,238
Depreciation			
Balance as at 1 January 2019	4,988,164	-	4,988,164
Depreciation during the year	565,897	-	565,897
Outflows	(243,474)	-	(243,474)
Balance as at 31 December 2019	5,310,587	-	5,310,587
Net carrying amounts			
Balance as at 1 January 2019	749,800	101,124	850,925
Balance as at 31 December 2019	829,651	-	829,651

12. INTANGIBLE ASSETS (CONTINUED)

2018	**Licenses, software**	**Advances for intangible assets**	**Total**
Cost			
Balance as at 1 January 2018	5,778,805	67,922	5,846,728
Purchases	234,608	89,773	324,380
Outflows	275,449	56,571	332,020
Balance as at 31 December 2018	5,737,964	101,124	5,839,088
Depreciation			
Balance as at 1 January 2018	4,677,284	-	4,677,284
Depreciation during the year	578,644	-	578,644
Outflows	267,764	-	267,764
Balance as at 31 December 2018	4,988,164	-	4,988,164
Net carrying amounts			
Balance as at 1 January 2018	1,101,522	67,922	1,169,444
Balance as at 31 December 2018	749,800	101,124	850,925

Software and licenses include mainly the value of the software used by the company for the specific activities they carry out, such as the use of trading systems.

The Company registered in 2019 investments and acquisitions of intangible assets amounting to RON 645,748 (2018: RON 234,608). Such increase is due to projects related to the development of the ARENA trading system (the inventory value of ARENA increased following the capitalization of internal costs by RON 132,454) and new BVB websites and applications, and the acquisition of licenses, such assets to be depreciated throughout the next three years.

13. RIGHT OF USE ASSETS

2019	**Buildings**	**Cars**	**Total**
Cost			
Balance as at 1 January 2019	1,569,795	173,466	1,743,261
Purchases	-	85,462	85,462
Outflows	-	-	-
Balance as at 31 December 2019	1,569,795	258,928	1,828,723
Depreciation			
Balance as at 1 January 2019	-	-	-
Depreciation during the year	734,264	60,739	795,003
Outflows	-	-	-
Balance as at 31 December 2019	734,264	60,739	795,003
Net carrying amounts			
Balance as at 1 January 2019	1,569,795	173,466	1,743,261
Balance as at 31 December 2019	835,531	198,188	1,033,720

When starting apply IFRS16, respectively on January 1, 2019, the Company recognized rights of use assets used through lease contracts in the amount of RON 1,743,261.

The company had concluded on January 1, 2019, 2 lease contracts for the main and secondary headquarters for which the implicit interest rate used was 5% / year, a value determined by the cost of borrowing funds from the financial market to finance an asset of a similar value for a comparable time period.

The company had concluded on January 1, 2019, 3 car rental contracts (operating lease) for which the interest rate used was 4.2% / year, value offered by the lessor for financing the same assets under a financial lease.
For the interest expense related to the liabilities arising from the lease agreements, see Note 9.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments (net values, including expected credit losses – IFRS 9) are:

	31 December 2019	31 December 2018
Financial assets carried at amortized cost - gross value	23,870,160	37,683,611
Expected credit losses (IFRS 9)	(87,765)	(139,303)
Other assets – guarantees iii)	170,414	170.414
Total non-current financial instruments	23,952,809	37,714,722
Bank deposits with maturity between 3 months and one year *iii)*	6,538,830	5,487,291
Current financial assets carried at amortized cost	1,237,262	2,817,563
Total current financial instruments	7,776,092	8,304,854

The financial assets are represented by government securities issued by the Ministry of Finance denominated in RON, USD and EUR, with initial maturities between 6 months and 5 years at coupon rates between 2.88% and 6.75% per year.

Term deposits are made in RON and EUR, at banks in Romania with initial maturities between 3 months and 1 year at interest rates between 2.7% and 3.05%.

Financial assets presents the amounts net of expected credit losses (IFRS9). The gross value of financial assets (government securities and bank deposits) amounts RON 31,646,252 and the expected credit losses is RON 87,765.

Expected credit losses IFRS 9	**2019**	**2018**
Balance as at 1 January	139,303	129,238
Impairment losses	7,608	10,065
Impairment reversals	(59,146)	-
Balance as at 31 December	**87,765**	**139,303**

Impairment losses are calculated based on a model using the credit risk swap and for the Company's financial assets, the expected credit loss is computed for 12 months (Stage 1, according with IFRS 9).

14. FINANCIAL INSTRUMENTS (CONTINUED)

Variation of financial instruments carried at amortized cost:

	Financial assets at amortized cost 2019	Held-to-maturity financial assets 2018
1 January	40,532,285	51,695,185
Acquisitions (less interest) and exchange rate differences	3,417,812	11,977,727
Interest computed and purchased	1,802,107	2,836,684
Interest collected (cashed –in)	(2,051,783)	(3,118,008)
Redeems (less interest)	(18,422,585)	(22.720.000)
31 December	**25,277,836**	**40.671.589**
Expected credit losses, IFRS 9	(87,765)	(139,303)
Net value	**25,190,071**	**40,532,285**

15. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables comprise the following:

	31 December 2019	31 December 2018
Trade receivables – gross value *i)*	2,097,531	4,006,782
Adjustment for trade receivable impairment	(701,090)	(792,884)
Expected credit losses IFRS 9	(9,598)	(20,160)
Income tax to recover	5,060	-
VAT undue	618	623
Other receivables	233,097	173,794
Total	**1,625,618**	3,368,155

Trade and other receivables considered financial assets and presented in Note 5 - Management of financial risk - amount to RON 1.625.618 as at 31 December, 2019 and RON 3.368.155 as at 31 December 2018 and represent net trade receivables, income tax to recover (for 2019 only) and other receivables.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

i) Trade receivables are mostly receivables from financial investment services companies which were invoiced for the services provided in the last month of the financial year, and receivables for services invoiced to issuers listed on the stock exchange and other clients: maintenance fee for trading system, use fee for additional terminal, online sale of information, charges for providing index license, fee for data dissemination and other.

The movement in the adjustment for receivables impairment during the year was as follows:

	2019	2018
Adjustment for impairment – Individual component		
Balance as at 1 January	792,884	665,225
Impairment losses	134,163	160,505
Impairment reversals	(225,958)	(32,846)
Balance as at 31 December	**701,090**	**792,884**

Expected credit losses IFRS 9	**2019**	**2018**
Balance as at 1 January	20,160	9,387
Impairment losses	1,039	10,991
Impairment reversals	(11,601)	(218)
Balance as at 31 December	9,598	20,160

The Company computes an impairment loss on trade receivables using the simplified approach according to IFRS 9, recognizing expected credit losses on receivables over their lifetime. The expected credit loss for trade receivables was calculated using the ratio determined by the amount of customer receivables that became uncertain during the reporting period in the total revenues generated by the Company over the same period of time. The determined ratio was applied to the receivables balance outstanding at 31 December 2019.

16. PREPAYMENTS

Prepayments amounting to RON 319,701 (31 December 2018: RON 331,422) are primarily prepaid rents, insurance premiums for equipment, IT equipment maintenance, insurance premiums for civil liability insurance for administrators and various subscriptions.

17. CASH AND CASH EQUIVALENTS

The held cash and cash equivalents comprise the following:

	31 December 2019	31 December 2018
Deposits at banks with original maturity less than 3 months	165,627	30,652,115
Bank current accounts	1,847,655	4,375,154
Petty cash	8,603	11,483
Expected credit losses IFRS 9	(29,693)	(136,963)
Total	1,992,192	34,901,955

Cash and cash equivalents as at 31 December 2019 present the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 2,021,884 (2018: RON 35,038,918) and the expected credit losses is RON 29,693 (2018: RON 136,936).

Expected credit losses IFRS 9	**2019**	**2018**
Balance as at 1 January	136.963	81,878
Impairment losses	163.493	55,068
Impairment reversals	(270.764)	-
Balance as at 31 December	29.693	136,963

Impairment losses are calculated based on a model using the credit risk swap and for the Company's financial assets, the expected credit loss is computed for 12 months (Stage 1, according with IFRS 9).

18. TRADE LIABILITIES AND OTHER LIABILITIES

The Company's trade and other liabilities comprise the following:

	31 December 2019	31 December 2018
Trade liabilities	368,582	864,941
Salary contributions due	299,485	258,419
Taxes due	14,260	18,000
VAT payable	6,915	26,523
Dividends payable	1,304,709	1,068,649
Advances received from customers	8,600	8,199
Other debts to management and personnel	504,365	463,313
Other liabilities	96,613	113,290
Total	2,603,531	2,821,334

Trade and other liabilities considered financial debts and presented in Note 5 - Management of financial risk - amount to RON 1,778,505 as at 31 December 2019 and RON 2,008,575 as at 31 December 2018 and consist of trade liabilities, and dividends payable and other payables to lenders.
Trade liabilities are mainly obligations to internal suppliers, some of them with a maturity less than 30 days, paid in early 2020.

19. OPERATING LEASE LIABILITIES

	31 December 2019	31 December 2018
Operating lease liabilities – current	824,854	-
Operating lease liabilities – non-current	265,476	-
Total	1,090,330	-

When starting apply IFRS16, respectively on January 1, 2019, the company recognized the liabilities with the operating lease amounting to RON 1,743,261. For the interest expense related to the liabilities arising from the lease agreements, see Note 9.

20. DEFERRED INCOME

Deferred income/revenues include:

	31 December 2019	31 December 2018
Revenues from maintenance of stock exchange listing	790,184	779,531
Total	790,184	779,531

Deferred income represents amounts not due with regard to the fees for maintainance at the trading system of listed issuers and are registered as revenues over 12 months and gradually recognized as revenues as the services are performed.

21. CAPITAL AND RESERVES

a) Share capital

On 31 December 2019, BVB had a share capital amounting to RON 80,492,460 (31 december 2018: RON 80,492,460) divided in 8,049,246 shares with a nominal value of RON 10 /share, dematerialized, with the same voting right, divided into the following categories:

Shareholding structure at 31 December 2019	**Number of shares**	**% from share capital**
Legal entities, of which:		
- Romanian	5,881,360	73.07%
- foreign	583,169	7.25%
Individuals, of which:		
- Romanian	1,399,713	17.39%
- foreign	160,496	1.99%
Bucharest Stock Exchange	24,508	0.30%
Total	8,049,246	100%

21. CAPITAL AND RESERVES (CONTINUED)

Share types:

	31 December 2019	31 December 2018
Ordinary shares	8,049,246	8,049,246
Preferrential shares	-	-
Total	**8,049,246**	**8,049,246**

In compliance with the provisions of amending 136, paragraph 5 on Law no. 126/2018 regarding the capital market, a shareholder of a market operator shall not hold, either directly or indirectly, more than 20% of the toal voting rights. As a consequence, none of the BVB shareholders held more than 20% as at 31 December 2018.

By Decision No 632/18.05.2010 issued by CNVM the prospectus drawn up with a view to admission to trading on the regulated market operated by BVB of its own shares was approved. On 8 June 2010 the first transactions with shares issued by BVB on the regulated Romanian market took place. The closing price for the last trading session of 2019 was of RON 25.80 /share (2018: RON 21.00/share).

b) Treasury shares and share-based awards granted to the directors and employees

In 2019, the Company granted options, according to the Stock Option Plan, to members of the Stock Exchange Board, Management and employees.
The benefit granted in equity instruments (own shares) amounted to RON 562,536 (2018: RON 1,036,530). Also see Note 8.

Movements as at 31 December 2019 are as follows

	2019	2018
Balance as at 1 January	683,716	834,705
Own shares redeemed	-	997,995
Share-based benefits granted to Members of the Board, Management and employees, including estimations	(562,536)	(1,036,530)
Losses as effect of granting shares for free within SOP	(175,609)	(112,454)
Balance as at 31 December	(54,429)	683,716

21. CAPITAL AND RESERVES (CONTINUED)

c) Dividends

BVB's Board of Directors submitted to the General Assembly of Shareholders a proposal for the distribution of the Company's net statutory profit for 2019, amounting to RON 6.962.791, as follows: RON 403,334 as legal reserve, and the rest as gross dividends. Thus, the amount proposed to the General Assembly of Shareholders for approval set for 29/30 April 2020 for distribution in 2020 in the form of gross dividends related to 2019 is RON 6,559,457. By distributing in full the amount of RON 6,559,457 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 0,81491. If, at the proposed and approved registration date, the BVB will own treasury shares, the gross dividend / share will be recalculated (the treasury shares held will not be taken into account in the final dividend / share calculation).

The BVB General Assembly of Shareholders held on 24 April 2019 approved the proposal for the distribution of the 2018 statutory net profit of the Bucharest Stock Exchange amounting to RON 9,490,411 as follows: RON 468,880 as legal reserve and the rest as gross dividends. Thus, the amount distributed in 2019 as gross dividends for 2018 was RON 9,021,531. The value of the dividend for 2018 was RON 1.1259 gross dividend/share. The payment date fixed by the General Assembly of Shareholders was 27 June 2019.

d) Legal reserve

According to legal requirements, the Company establishes legal reserves in the amount of minimum 5% of the profit registered according to RCR up to a level of 20% of share capital. Legal reserves are not distributable to shareholders.

Legal reserves may be used to cover losses from operating activities.

e) Revaluation reserve

This reserve includs the net cumulated changes of the fair values of fixed assets on their classification date in this category and until the date when they were derecognized or impaired.

Movements from reserves as at are as follows:

Revaluation reserve	**2019**	**2018**
Balance as at 1 January	2,007,299	2,007,299
Revaluation reserve set up during the year	(258,786)	-
Balance as at 31 December	1,748,513	2,007,299

22. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2019 is based on profit attributable to Company's shareholders in the amount of RON 6,962,791 (2018: RON 9,490,411) and the weighted average number of ordinary shares outstanding of 8,049,246 (2018: 8,049,246).

23. TRANSACTIONS WITH RELATED PARTIES

Management key personnel

31 December 2019

The Company was managed by the Board of Governors validated by ASF sstarting with 27 January 2016 and is made up of the following members:

- Mr. Anghel Lucian Claudiu — President
- Mr. Valerian Ionescu — Vice-President
- Mr. Robert Cosmin Pana — Vice-President
- Mrs. Claudia Gabriela Ionescu — General Secretary
- Mr. Radu Hanga — member
- Mr. Gabriel Marica — member
- Mr. Octavian Molnar — member
- Mr. Otto Emil Naegeli — member
- Mr. Dan Viorel Paul — member

Executive management was formed of:

- Dl. Adrian Tanase — General Manager
- Mr. Alin Barbu — Deputy General Manager

In 2019, the remuneration granted to the key management personnel of BVB amounted to RON 1,476,631 (2018: RON 1,257,223).

In 2019, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 911,852 (2018: RON 900,591).

The Company has not granted loans, advances or guarantees to members of Board of Governors and to Executive Directors of BVB.

23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Related parties

Related party	Field of activity	Percentage of ownership 31 December 2019	Percentage of ownership 31 December 2018
Depozitarul Central SA	Compensation / settlement of transactions with shares and bonds performed at the Bucharest Stock Exchange and maintaining the register of shareholders	69,0421%	69,0421%
Fondul de Compensare a Investitorilor SA	Compensation in case of inability of Fund members to return the funds or financial instruments owed or belonging to investors held on their behalf, when providing financial investment services or separate investment portfolio administration services	62,4481%	62,4481%
Casa de Compensare Bucuresti SA	The General Meeting of the Shareholders of the Casa de Compensare Bucuresti SA held on May 24, 2018 decided the liquidation and cancellation of the company and in the General Meeting of the Shareholders held on April 19, 2019 the report of the designated liquidator and the operation of payment to the shareholders the share capital remaining after covering the recorded losses has been approved	0,00%	52,5280%
BVB's Corporate Governance Institute	Vocational training of listed companies and capital market participants in the fields of corporate governance and sustainable development	100%	100%
CCP.RO Bucharest SA	It was registered at the Trade Register on November 4, 2019 and aims to ensure the role of central counterparty in the derivative transactions market. The effective launch of the operations is estimated to last up to 24 months, taking into account the authorization process by the FSA in accordance with EMIR rules	59,5238%	-

23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with related parties

	2019	2018
Operating income from	324,396	322,664
- Central Depository	324,072	320,000
- Investors' Compensation Fund	324	319
- Casa de Compensare Bucuresti	-	2,345
BVB income from dividends received, from	1,378,734	936,191
- Central Depository	1,378,734	936,191
Purchases of goods and services, from	7,887	5,934
- Central Depository	7,887	5,934
Liabilities as at 31 December, of which to:	137	145
- Central Depository	137	145
Receivables at 31 December, of which from:	100,030	66,297
- Central Depository	64,232	66,297
- CCP.RO Bucharest SA	35,798	-

The registered income related to the entities in which BVB has holdings are based on IT management and maintenance services for equipment that ensure the achievement of the object of activity and income from the dividends distributed by Depozitarul Central SA. The expenses with related parties consist from services provided by the Central Depository.

24. COMMITMENTS AND CONTINGENT LIABILITIES

Court actions

On 31 December 2019, BVB was is subject to a number of court actions arising during the ordinary performance of its activities. BVB's management believes that in addition to the amounts already recorded in these separate financial statements as adjustments for asset impairment and described in the notes to these separate financial statements,other court actions shall not have significant effects on the Company's economic results and financial position.

25. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On February 13, 2020 the new Board of Directors of the Bucharest Stock Exchange S.A., elected within the Ordinary General Meeting of Shareholders by Decision no. 2 of November 20, 2019, was authorized by the Financial Supervisory Authority.

According to the Decision no. 174 / 13.02.2020 issued by the Financial Supervisory Authority it was authorized the modification of the operating authorization of the market operator Bursa de Valori Bucuresti S.A., following the modification of the Board of Directors component, in accordance with the provisions of the GSM Decision no. 2 / 20.11.2019.

Thus, the Board of Directors of the Bucharest Stock Exchange S.A. has the following component:

- Radu Hanga - President
- Dan Viorel Paul - Vice President
- Robert Cosmin Pana - Vice President
- Mihaela Ioana Biciu
- Claudia Gabriela Ionescu
- Octavian Molnar
- Dragons Valentin Neacşu
- Razvan Legian Rat
- Stefan Szitas

There are no other events to report.

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Independent Auditor's Report*

*(*This represents a non-official English translation of the original audit report issued in Romanian language)*

To the Shareholders of Bursa de Valori Bucuresti S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Bursa de Valori Bucuresti S.A. ("the Company" or "BVB") and its subsidiaries (together "the Group"), with registered office in 34-36 Carol I Blvd., 14th floor, 2nd district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/12328/2005 and having sole registration code RO17777754, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the Financial Supervisory Authority ("FSA") Norm no. 39/2015 for "approving accounting regulations in accordance with the International Financial Reporting Standards, applicable for entities authorised, regulated and supervised by the Financial Supervisory Authority from the Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:

   - Equity RON 149,949,068
   - Net profit for the financial year RON 6,718,520

2. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS and FSA Norm 39/2015.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA") and with the EU Regulation no. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation no. 527/2014") and Law no. 167/2017 ("the Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and in accordance with other ethical requirements relevant for an audit of financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on

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these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Revenue recognition (Depozitarul Central S.A.)	
As disclosed in the Note 7 to the accompanying consolidated financial statements, the Group records post-transaction and registry services from the activity of Depozitarul Central SA. The total value of these services is significant in the total revenues recorded by the Group at the reporting date. The method of computation of the amounts representing fees and tariffs for the post-transaction and registry activity is a complex one, based on both an automated and a manual algorithm. Due to the significance and complexity of these revenues, we consider this matter to be a key audit matter.	The procedures performed to obtain a reasonable assurance regarding the revenue recognition are as follows: • a thorough understanding of the rendering and invoicing process; • testing the design and operating effectiveness of relevant controls (where applicable); • inspection of relevant supporting documents; • performing analytical and substantive procedures; • obtaining written confirmation letters for the significant transactions; • analysis of the transactions and estimates recorded by the Group at the end of the audited period to reflect the revenues in the period they relate to. Following the audit procedures performed we have obtained sufficient and appropriate audit evidence to conclude that the policies adopted by the Group, the post-transaction and registry revenue amounts recognized in the consolidated financial statements and the information in the notes to the consolidated financial statement regarding these revenues are reasonable.
Adequacy of the compensation fund (Fondul de Compensare a Investitorilor S.A.)	
As disclosed in Note 26 b) to the accompanying consolidated financial statements, Fondul de Compensare a Investitorilor SA („FCI") made, during 2015, 2016 and 2019, significant compensation payments following the bankruptcy and respectively insolvency of three financial investments entities, payments which reduced the balance of the compensation fund. The Fund does no forsees new such payments in 2020. Considering the role of FCI as a compensation body and due to the importance of the compensation fund adequacy and completeness, we consider this matter to be a key audit matter.	The procedures performed to obtain a reasonable assurance regarding the adequacy of the compensation fund are as follows: • a thorough understanding of the method of computation of contributions to the compensation fund and of the compensation process; • inspection of relevant supporting documents; • performing analytical and substantive procedures; • obtaining the written confirmation letters from the laywers who collaborated with FCI during 2019, with the purpose of identifying any potential risks that might contribute to a singificant decrease of the compensation fund and not reflected in the consolidated financial statements of the Group as at 31 December 2019. Following the audit procedures performed we have obtained sufficient and appropriate audit evidence to conclude that the policies adopted by the Group, the compensation fund amount recognized in the consolidated financial statements and the information in the notes to the consolidated financial statement regarding the compensation fund are reasonable.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

5. The management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and FSA Norm 39/2015 and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

   - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

10. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Consolidated Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 29-30 of the Accounting Regulations approved by FSA Norm 39/2015, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented on pages 1 to 53 and is not part of the Group's consolidated financial statements.

Our opinion on the accompanying consolidated financial statements does not cover the Administrators' Report.

In connection with our audit of the consolidated financial statements of the Group as at 31 December 2019, we have read the Administrators' Report attached to the consolidated financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required by articles 29-30 of the Accounting Regulations approved by FSA Norm 39/2015;

c) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2019 regarding the Group and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

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Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company and of the Group by the General Meeting of the BVB Shareholders on 12 April 2017 to audit the single financial statements and the consolidated financial statements of BVB for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-Audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements.

Bucharest, 16 March 2020

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554 / 2004

On behalf of: **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699 / 2017

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Independent Auditor's Report*

*(*This represents a non-official English translation of the original audit report issued in Romanian language)*

To the Shareholders of Bursa de Valori Bucuresti S.A.

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the accompanying separate financial statements of Bursa de Valori Bucuresti S.A. ("the Company" or "BVB"), with registered office in 34-36 Carol I Blvd., 14th floor, 2nd district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/12328/2005 and having sole registration code RO17777754, which comprise the separate statement of financial position as at 31 December 2019, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the Financial Supervisory Authority ("FSA") Norm no. 39/2015 for "approving accounting regulations in accordance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority from the Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:

   - Equity RON 106,447,399
   - Net profit for the financial year RON 6,962,791

2. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2019, and its separate financial performance and its separate cash flows for the year then ended, in accordance with IFRS and FSA Norm 39/2015.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA") and with the EU Regulation no. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation no. 527/2014") and Law no. 167/2017 ("the Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and in accordance with other ethical requirements relevant for an audit of financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. For the audit of the year 2019 we have not identified any key audit matters to be communicated in our report.

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Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

5. The Management of the Company is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and FSA Norm 39/2015 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

   - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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10. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Separate Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 8 - 13 of the Accounting Regulations approved by FSA Norm 39/2015, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented on pages 1 to 53 and is not part of the Company's separate financial statements.

Our opinion on the accompanying separate financial statements does not cover the Administrators' Report.

In connection with our audit of the separate financial statements of the Company as at 31 December 2019, we have read the Administrators' Report attached to the separate financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required articles 8 - 13 of the Accounting Regulations approved by FSA Norm 39/2015;

c) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2019 regarding the Company and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

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Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company by the General Meeting of Shareholders ("GMS") on 12 April 2017 to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate financial statements.

Bucharest, 16 March 2020

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554 / 2004

On behalf of: **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699 / 2017