
BUCHAREST STOCK EXCHANGE IN 2014: MAIN ACTIVITIES AND RESULTS

DECEMBER 2014

SUMMARY

- I. Measures aimed to improve liquidity
- II. Markets architecture and settlement
- III. Communicating with the market
- IV. Investor education
- V. Company's investor relations
- VI. Leading the regulatory reform
- VII. Year 2014 in figures

I. MEASURES AIMED TO IMPROVE LIQUIDITY

NEW MARKET-MAKING PROGRAM



Scope & Implementation

- A pilot MM program was introduced January 3rd
- The program was assessed after 6 months and was extended by 12 months
- The list of issuers covered was extended from 16 to BET Plus companies (40)
- Starting with October 1st, 2014, BVB applied a revenue-sharing agreement for Market Makers
- The market making activity is monitored based on the quoting obligations assumed

Results of the program

Market Makers	Issuers covered	Traded value done by MM in total traded value
5	11	7.6% in November 7% in October 5% in H1.2014

Almost ready:

Issuers' Market Maker

IMPROVING THE DEPTH OF THE MARKET



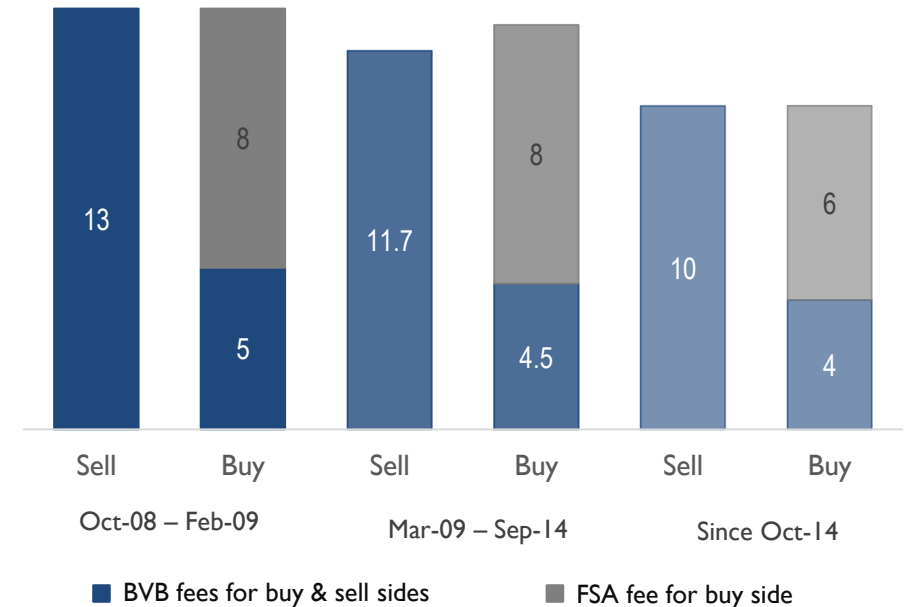
Lobby for the FSA fees reduction

- Starting September 16th, the FSA fee for the buy side of trades decreased from 8 bps to 6 bps
- The first reduction since 1999

Innovative approach in the case of BVB fees reduction

- BVB's new fees as of October 1st apply only for Regular, Odd Lot, Rasdaq, ATS, Unlisted markets
- DEAL market fees remained the same
- Starting October the DEAL weight in total trading value dropped from more 45% during Jan-Sept to 10% in October and 25% in November

Historical trading fees (bps)



RESTRUCTURING OF BVB MARKET INDICES



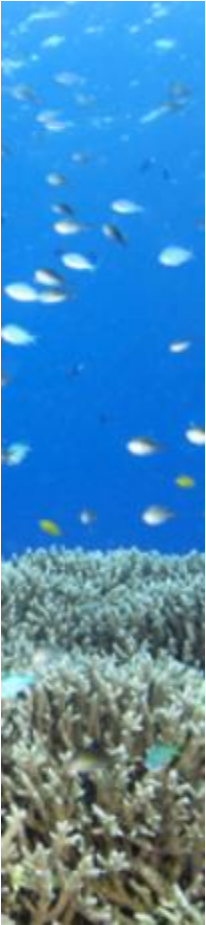
Revision of screening criteria for the main market index BET

- Starting January 1st, 2015, new criteria will apply for selecting BET constituents with regard to the reporting quality and the investor relations activities;
- Simultaneously, the criteria that must be met for a company to become eligible for BET are:
 - reporting obligations fulfilled according to IFRS
 - English language reports (current and periodic) submitted simultaneously with the Romanian version
 - events for investors and analysts organized on a quarterly basis

Launch of new indices BET-TR and BET Plus

- Launched in September 2014, BET-TR is the first Romanian total return index, measuring both price changes and dividends distributed by constituents.
- BET-TR has the same composition as the reference index BET and selection of components is made similarly to BET.
- Starting January 1st, 2015, the reporting and IR criteria for BET will apply to BET-TR as well.
- BET Plus is a broader market index, currently comprising 40 companies that account for 95% of the domestic market capitalization.
- BET Plus introduces minimum investibility criteria of free float value and liquidity. The index was launched in June 2014

REMOVING THE ODD-LOT MARKET SEGMENT



Removing the odd-lot market

The activity of the odd lot market will be included in the regular segment of the market

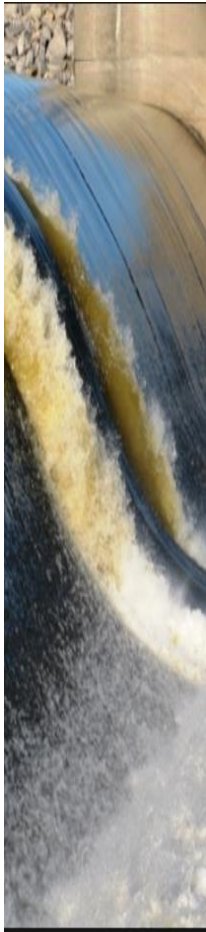
Advantages:

- increases the efficiency of the trading process
- lowering the specific of the local market
- DMA services for BVB market will become easier to be implemented by international platform providers

Prerequisites of implementation:

- adopt of the block size of 1 instrument for whole regular market
- calculate and represent the trade value with 4 decimals
- calculate the settlement values, at the level of participants, with 2 decimals, using a rounding algorithm
- the participant had to implement a rounding algorithm for the reports distributed to clients, in a similar manner with the case of using the group accounts

EXTENSION OF THE TRADING SESSION



1st Phase: Extension of the trading session 16:45 hrs to 18:00 hrs for the regulated spot market (shares, unit funds, rights)

2nd Phase: Adjusting the pre-open/pre-close phases and introduction of trading at last phase for the regulated spot market (shares, unit funds, rights)

3rd Phase : Extension of the trading session for bonds market for the regulated spot market (bonds, Govt. bonds)

New trading program for the main market

pre-open	opening auction	continuous trading (open)	pre-close	closing auction	closed
9:30 - 9:45	9:45	9:45 - 17:45	17:50 - 18:00	18:00	18:00

Main objectives

1. Uniform trading framework

- to ensure an uniform trading framework for the financial instruments traded on BVB, in order to address the potential interest of the participants and investors and to facilitate them an adequate and timely trading activity;
- the financial instruments, subject of the trading session's extension, will be available for trading and accessible for participants and investors for a longer period.

2. Correlation with the EU markets

- new trading program will have a better correlation with the trading program of international markets;
- the premises to a more active implications of the foreign investors (including institutional investors).

TRADING AT LAST - THE NEW STAGE OF THE MARKET



Market phase (1#2)

- Introduced “Trading at last” as the last stage of the market, after the closing auction and it could take 10 minutes; during the respective stage of the market, orders can be entered exclusively at the last closing auction price;
- Stage applied by many EU stock exchanges, as the last stage of the market and it is mentioned distinctly in their rulebook;
- Implementing the “trading at last” mechanism, the investors (including the institutional/ foreign investors) may benefit from a distinct period of entering orders at the determined closing auction price, in order to execute adequately their orders at the relevant price registered.

Market phase (2#2)

- Introduced a special order triggered in the trading-at-last, the order will be triggered out from a special order registry when the target market will pass to trading at last phase and can be introduced anytime in the market (except the trading at last phase)
- The advantage of this order is that a trader, wishing to execute an order for a risk averse institutional investor, doesn’t need to wait the final phase of the market to introduce the order instruction into the matching system

NEW ORDER TYPES AND NEW VALIDITY TERMS



Cross trade execution

- a cross trade can be introduced/concluded only for instruments traded continuously and in trading at last phase and shall be effected at a price within the market's best bid/ask spread at the time of execution, boundaries excluded
- the trading engine automatically rejects a cross trade outside the best bid/best ask interval
- no special requirements with regard to the minimum trade value by cross orders
- this trade will count for the trading summary of market, it can activate contingent orders, will be marked publicly as a cross trade

Two variations of the FoK execution terms

In this new version of the trading engine kernel, the end-user will have the option to choose one of this two terms of the execution:

- Immediate Or Cancel (Fill And Kill)
- Fill Or Kill

New validity terms of the orders related to the market stages

Valid For Opening (VFO)

- VFO orders are accepted during each phase of the trading session but only participate in the opening auction. The unexecuted part of the order is cancelled immediately after the first opening auction is completed.

Valid For Closing (VFC)

- VFC orders are accepted during each phase of the trading session but only participate in the closing auction. The unexecuted part of the order is cancelled immediately after the closing auction is completed.

Valid For Auction (VFA)

- VFA orders are accepted in the system during each phase of the trading session but participate only in the next scheduled auction. The unexecuted part of the order is cancelled immediately after the auction is completed.

REDUCING TRADING INTERRUPTIONS AND IMPROVING INFORMATION FLOWS



Improve issuers reporting

1st stage

- Issuers on the Regulated Market can and are enticed to submit press releases / current reports during the trading session
- Financial instruments will be no longer suspended from trading during the General Shareholders Meetings

2nd stage

- Issuers on the RASDAQ,ATS, and Unlisted markets can and are enticed to submit press releases / current reports during the trading session
- Financial instruments will be no longer suspended from trading during the General Shareholders Meetings

Results after the 1 month

- 64% reports (129) passed during the trading day in the first month following the implementation
- 13 GSMs took place during 10 Nov-12 Dec:
 - 10 issuers disseminated the related current reports in the same day
 - 3 issuers disseminated the related current reports the next day

II. MARKETS ARCHITECTURE AND SETTLEMENT

SYSTEM SPLITTING



Trading/post trading - system splitting

Real trading/post trading segregation

- Separation between trading and post-trading platform

New post-trading mechanisms

- give-up/take-over
- trade split

Gradual implementation program

step 1: system separation for trading and post-trading

step 2: implementing the mechanisms in the post-trading

Benefits for the brokers:

- the total round-trip time of an order execution decreases
- a higher capacity of order processing
- a new flexible allocation combined with the trade split facility for custodians
- better risk management
- additional degree of freedom in operations management
- lower internal latency in order execution
- additional intensive quoted instruments

Increase system capacity of Arena

- The processing capacity of Arena increased by 100%
- Number of quotations allocated to the market-makers and to liquidity providers doubled
- Decrease the order instruction total round-trip time with 50%
- A new flexible transactions' allocations process in the post-trading phase of the market
- Increase the trading efficiency (grouped trades execution, change in the user's behavior - focusing the trader's activity on best execution on trading, not on operational details)
- A better risk management by using the segregated accounts of trading and settlement, and a clearer separation of the participants' activity at the front/back office level

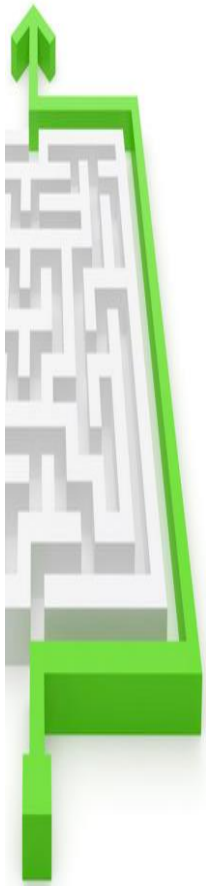
SUPPORT FOR T+2 IMPLEMENTATION



Support for T+2 implementation, as of October 6th

- Drafting the implementation plan with specific activities and deadlines
- Lead the consultation and communication process with Market Participants regarding the implementation process of system splitting and T+2
- Drafting supporting materials towards the implementation of system splitting and T+2
- Testing phase support – IT, analysis of results obtained
- Cooperation with CSD and involvement in the dialogue with market authorities throughout the process

ENHANCING ISSUERS AREA



Simplify admission requirements for issuers

- Eliminating formalistic and bureaucratic listing provisions of BVB Rulebook
- Increasing the efficiency of the admission to trading of financial instruments on the BVB spot regulated market

Almost ready:

Transforming the market segmentation (implemented as of January 5th, 2015)

- Tiers 1, 2 and 3 for shares will be replaced by tiers Premium and Standard
- Along with the general criteria for the Regulated Market, the Premium tier free float market value for issuers should be equal to EUR 40 mn

A new CG Code

- The project with EBRD is in the final stage of finalization
- The new Code was drafted and currently is in the consultation phase with issuers

III. COMMUNICATING WITH THE MARKET

INCREASE THE VISIBILITY OF THE MARKET



Integrated communication campaigns for BVB projects and public offers

- 2-weeks campaigns for the public offers of Electrica, 3 months campaign each for the two editions of BVB Invest Quest, projects dedicated to SMEs financing via the stock exchange and AeRO, Individual Investors Forum
- Campaigns were employed online, offline, indoor, outdoor, via official openings of trading session or other events

Partnering roadshows to promote the Romanian Capital Market

- Organized several Romania Investors Days, institutional investors dedicated events, in partnership with local brokers
- During 2014, the events took place in London, Vienna, Stegersbach, Prague, cities of Western and Nordic Europe, New York and other cities in US
- The events were for increasing the awareness of foreign community to the blue chips

Creating a dialogue between Diaspora's financial professionals and BVB

- Quarterly meeting with Romanian financial investment professionals working in UK
- Permanent communication between the BVB professionals and the network in order to promote the Romanian capital market abroad and to design future projects

Promoting the capital market reform and reclassification to emerging market

- Permanent communication with MSCI, FTSE, STOXX and S&P in order to update them to the current market situation
- Trigger the foreign investing community which is consulted about Romania
- Organize a communication platform with international investing community supported by EBRD and Bloomberg

LAUNCH OF THE NEW WEBSITE

New website: www.bvb.ro

- In-house developed with a new concept and based on a completely new technology
- Launched in December, positively welcomed by the stakeholders

Main features

- More action oriented web site
- New marketing oriented sections of the website
- A powerful tool to search for price/instruments
- New methods to present financial instruments
- Connect and share / social network connectors
- Completely new navigation system, accessibility improved
- Dedicated pages for attracting issuers and investors
- High performance technology and new data pushing service for Market Data

The screenshot shows the homepage of the Bucharest Stock Exchange (BVB). At the top left is the BVB logo and the text 'BUCHAREST STOCK EXCHANGE'. To the right, it displays the date 'Monday, December 15, 2014 6:05 PM' and 'Market Status: OPENED'. Further right are links for 'About us | Investor Relations | Contact' and a search bar with the text 'Name, symbol or ISIN' and 'Advanced search'. The main banner features a large image of a modern bridge at night with the text 'Welcome to the Bucharest Stock Exchange!' and 'Connect to the capital market'. Below the banner is a navigation menu with items: 'For Companies', 'Financial Instruments', 'Trading and Statistics', 'Intermediaries', 'Services', and 'Regulations'. A row of market indices is displayed with their current values and percentage changes: BET (8,888.45 -0.15%), BET-TR (7,279.99 -0.15%), BET-FI (30,128.84 -1.20%), BETPlus (991.58 -0.20%), BET-IG (872.01 -0.12%), BET-XT (805.70 -0.40%), BET-BK (1,268.74 -0.99%), and ROTX (12,463.02 -1.19%). Below this are three main content sections: 'Main Market' with a 'BET Index' line chart and 'Index Constituents' table; 'News&Events' with a list of recent news items; and 'Interested in' with links to 'Prices today', 'Top 10 by market data', 'All market indices', 'Daily market reports', 'Financial Calendar', and 'Top of intermediaries'. There is also a 'Learn' section with a 'New to the Stock Exchange market?' link and a 'Practice' section with a 'BVB IQuest competition' link.

Company	Price	Var. (%)
BANCA TRANSILVANIA S.A.	1.6400	0.31
BRD - GROUPE SOCIETE

NEW SMARTPHONE / IPAD APPS



A new mobile app

- Launched in March, available free of charge for smartphones, downloadable from Google Play and Apple Store
- User friendly design and well-structured content similar to other stock exchanges
- Includes prices and news market activity, market news, indices, prices for listed securities, quotations, data and indicators of listed companies, companies news, watch list, list of exchange members

New tablet app

- Launched in August, available free of charge for smartphones, downloadable from Google Play and Apple Store
- User friendly design and well-structured content similar to other stock exchanges
- Includes prices and news market activity, market news, indices, prices for listed securities, quotations, data and indicators of listed companies, companies news, watch list, list of exchange members, graphics

IV. INVESTOR EDUCATION

EDUCATING THE FUTURE GENERATION OF RETAIL INVESTORS



Organizing educational competition - BVB Invest Quest

1st edition

Period: 14.04.2014 – 13.06.2014

Participants: 980 people joined in the virtual competition, for most it was the first contact with the capital market

Partners: intermediaries (brokers) who organized 20 seminars throughout the country and media

Support: ASF, Academic community, issuers

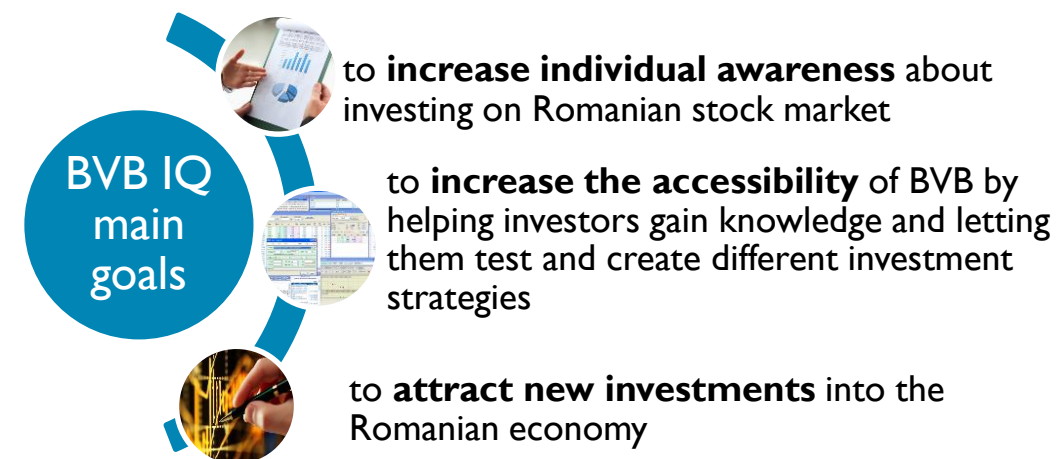
2nd edition (*ongoing*)

Period: 24.11.2014 – 30.01.2015

Participants: TBA, however each seminar is attended by an estimated average of 75 people; there are 24 seminars in total

Partners: Banca Transilvania, KPMG; 4 intermediaries (brokers) who organized 24 seminars throughout the country, media partners

Support: AmCham, British Romanian Chamber of Commerce, CCIFER, doingbusiness.ro, Junior Achievement Romania, Kompas, Romania Business Leaders



EDUCATING THE FUTURE GENERATION OF RETAIL INVESTORS



Focus on capital market in high schools and at universities

- Optional study class for high school and universities students, supported by Junior Achievement Romania for approx. 3500 students in 2014-2015. Dedicated manuals and trained professors
- 1000+ students in 50+ seminars at BVB Open Doors throughout the year

Platform for trainings in universities

- Members of BVB team frequently speak on applied capital market, investments and technology to universities around the country
- In H1.2015, BVB was partner in Academia Broker Program
- Communication platform in place with the Cybernetics Faculty students on capital market products, technology and trading mechanisms.
- 2000+ students in 20+ seminars and workshops throughout the year

Investment projects of economic student's associations

- BVB supports yearly the dedicated investment projects of top profile students associations from around the country.
- 100+ top students were reached during 2 events, for the VIP and AISEC investment/economic projects

Support Every child in kindergarten Program

- It is a growing and sustainable program of Ovidiu Ro Association, aimed at sending to kindergarten children coming from poor families
- The program is supported by the Ministry of Education, the County Councils and various private businesses
- In 2014, BVB organized an art auction with donations during the Inauguration of Exchange Year and involved as volunteer on the implementation of the program
- 43 communities and 11 counties reached by this program in 2014-2015 school year

V. COMPANY'S INVESTOR RELATIONS

IMPROVED VISIBILITY AND COVERAGE



Active communication towards investors

- 130+ mailing addresses for IR communication
- 430+ followers on LinkedIn, double since June 2014
- 4 quarterly conference calls, along with preparation of quarterly earnings consensus
- One annual meeting with analysts and investors organized in Bucharest
- 10+ investor conferences attended
- 50+ 1-on-1 global and regional investors meetings

BVB Price Statistics				
Return	1M	3M	6M	1Y
BVB	5.9%	5.5%	16.4%	11.4%
BET	-1.7%	-3.4%	2.0%	10.5%
BET-XT	-1.3%	-2.4%	3.6%	8.9%

Current Analysts' coverage

Analyst	(Company)
Vlad Pintilie	NBG Securities Romania
Lucian Albulescu	WOOD & Co
Roxana Dascalu	SSIF IEBA Trust
Cristina Gagea	SSIF Broker
Raluca Negoescu	Alpha Bank Romania

Upcoming Analysts' coverage

Cristian Iacob	Bancpost
Adriana Marin	Ipopema
Vlad Vasilescu	Blue Rock Financial Services

VI. LEADING THE REGULATORY REFORM: 8 BARRIERS

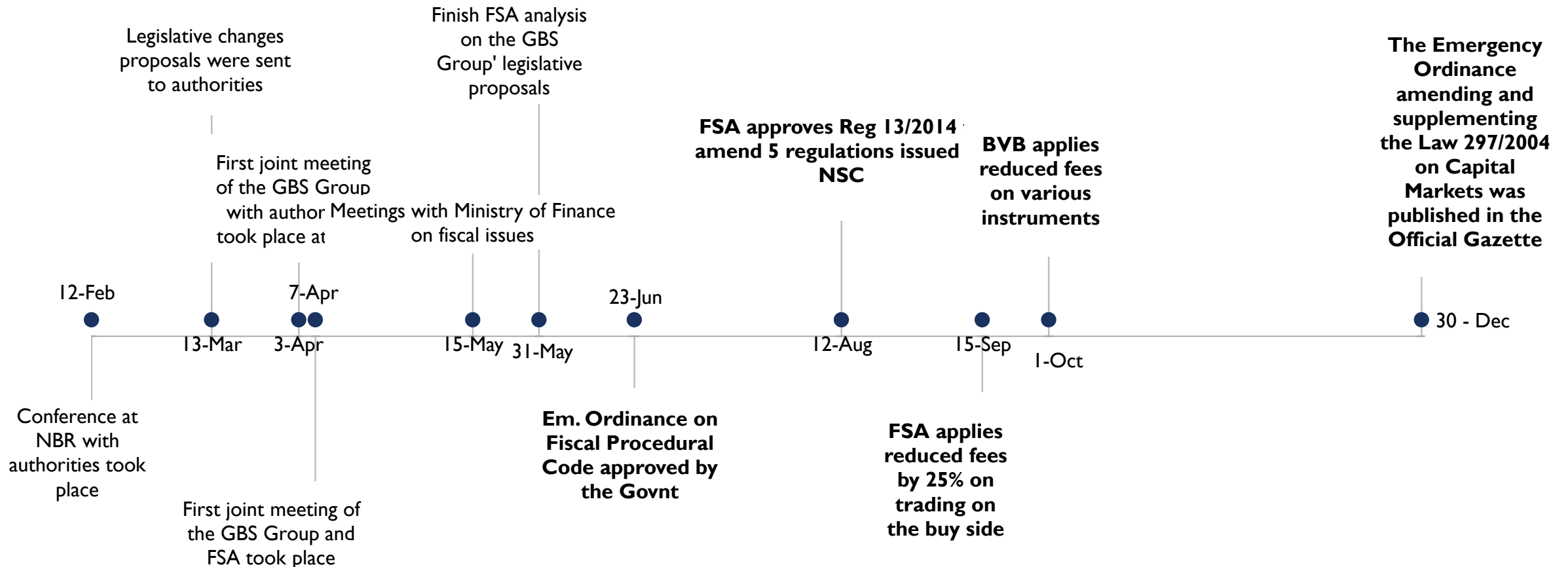
IDENTIFYING THE EIGHT SYSTEMIC BARRIERS



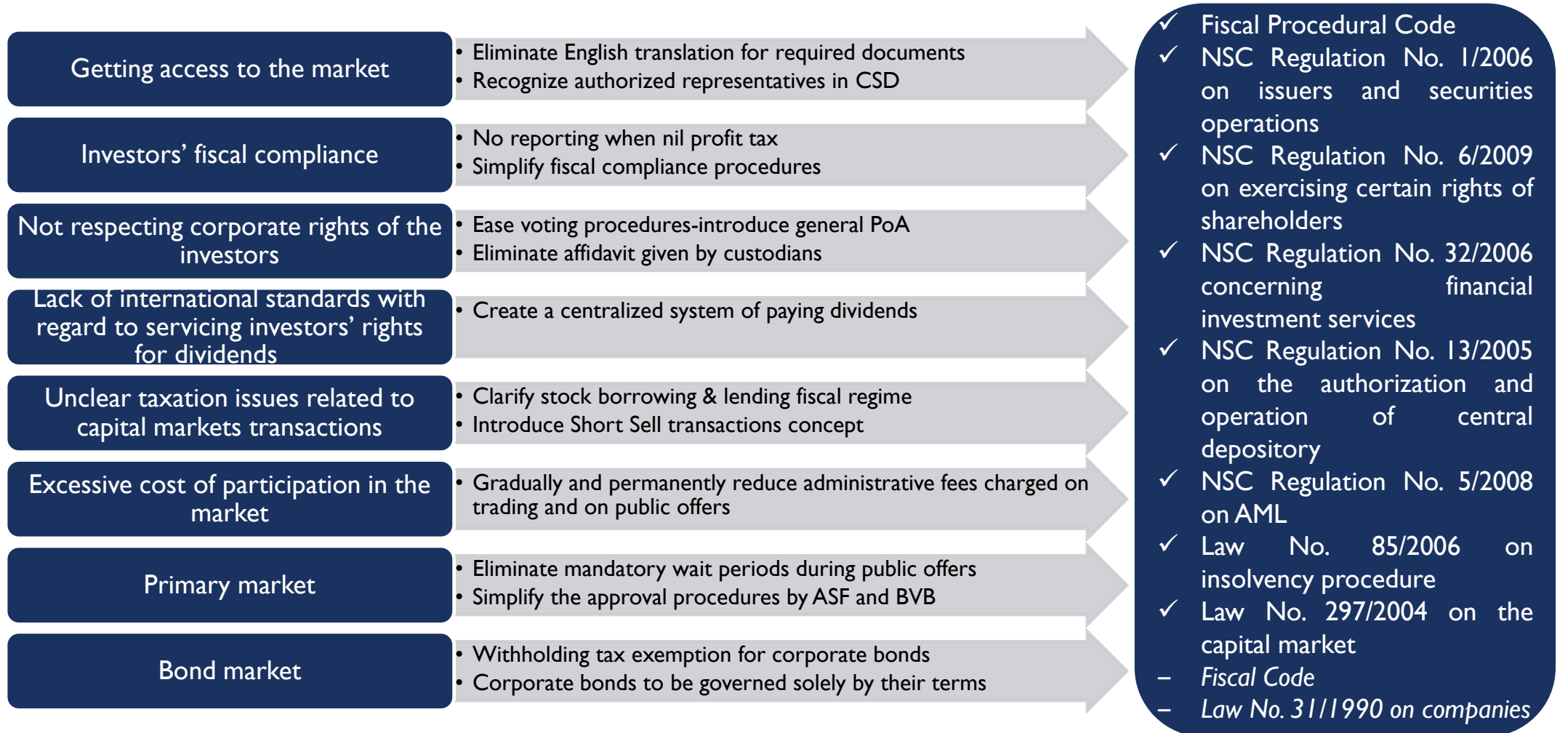
Why? Who? What for?

- **Why?** Because of numerous problems, complaints and issues signaled by active investors in the market, a set of Barriers or obstacles to normal development of the capital markets in Romania were identified and drafted in a single document disseminated during the February 12, 2014 conference at NBR.
- **Who?** The Capital Market Task Force of Coalitia pentru Dezvoltarea Romaniei (including the so called Great Barriers Shift Group (GBS)) is an initiative of AmCham Romania, FIC, AOAR and other 34 associations and organizations. The Capital Market Task Force is formed mainly by investors, market Participants and lawyers, and has **initiated** a formal dialogue with FSA, NBR and the Ministry of Finance, under the leadership of BVB, targeting the removal of the Eight Barriers impeding the development of the capital market.
- **What for?** The ultimate goal of eliminating the Barriers along with implementation of the Measures for Strategic Objectives of BVB is to bring Romanian Capital Markets closer to a potential reclassification by MSCI from Frontier Markets to Emerging Markets.

MILESTONES IN 2014



BARRIERS AND THE DRIVEN LEGISLATIVE CHANGES



VII. YEAR 2014 IN FIGURES

YEAR 2014 IN FIGURES



	Average daily value		Average daily value		YTD % Change
	Jan-Nov 2014		Jan-Nov 2013		
	RON mil.	EUR mil.	RON mil.	EUR mil.	RON
BVB Regulated Spot Market without offers: Equities	38.9	8.7	31.1	7.1	24.9
IPO, SPO and other market offers: Equities	10.5	2.4	12.74	2.9	-17.8
Total ADV Equities	49.3	11.1	43.8	9.9	12.5

DEALs weight in total trading value

Nov	25%
Oct	10%
Jan-Sep	45%

Market Makers	Issuers covered	Traded value done by MM in total traded value
5	11	7.6% in November 7% in October 5% in H1.2014

Current reports submitted by the issuers

During the trading session	129 (64%)
In the day of the GSM	10 issuers out of 13