

*Bursa e pentru sameni*

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**IR UPDATE**

**FEBRUARY 2018**



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# Company Highlights



# Bucharest Stock Exchange (BVB)

Indicator	BVB
ISIN	ROBVAACNORO
Reuters	ROBVB.BX
Bloomberg	BVB.RO
Bloomberg <b>BBGID</b>	BBG000BBWMN3
Share price (February 14, 2018)	EUR 6.3 / RON 29.1
Market Cap (February 14, 2018)	EUR 50.4 mn / RON 234.2 mn
No. of outstanding shares	8,049,246
ADT 12TM (ended February 14, 2018)	RON 0.1 mn
P/E (price as of February 14, 2018, 12TM EPS)	16.03x***
P/BV (price as of February 14, 2018)	2.04x***
Turnover velocity (2017)*	11%
Liquidity (2017)**	11%

\* value traded ÷ average market cap    \*\* no. of shares traded ÷ no. of shares outstanding  
 \*\*\* P/E and P/BV are calculated based on BVB Group financials as of December 29, 2017



**100% free-float**, listed on own floor since 2010



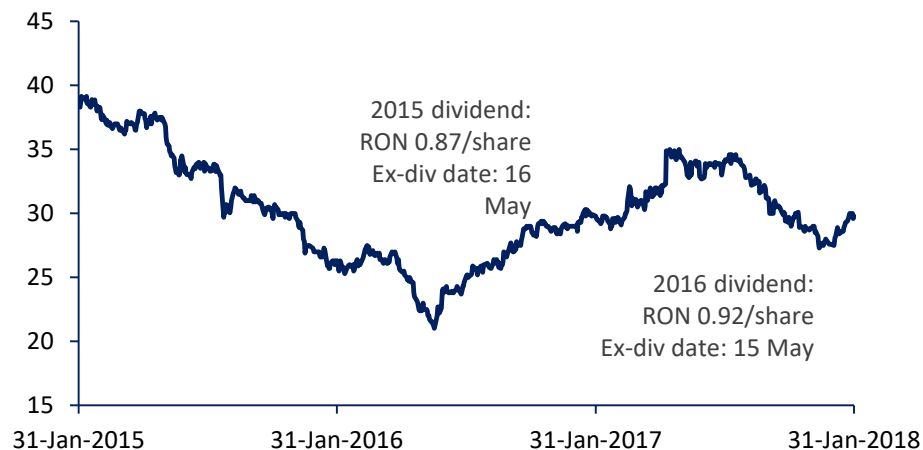
**20% ownership threshold**, majority institutional shareholders



**Shareholding structure\*:**

- Romanian institutional investors – 71.43%
- Foreign institutional investors – 12.84%
- Romanian private investors – 13.68%
- Foreign private investors – 2.05%

Evolution of BVB share  
 31 Jan 2015 – 31 Jan 2018



Analyst coverage		
Analyst (Company)	12M TP (Recommendation)	Last report
Hai Thanh Le Phoung (Concorde)	34.0 (Buy)	11-Jan-18
Lucian Albuлесcu (Wood&Co)	37.0 (Buy)	20-Mar-17
Mihaela Podgorski (Swiss Capital)	30.15 (Buy)	24-Aug-16

# Why Bucharest Stock Exchange?



Emerging Market  
Watchlist



Largest dividends in the  
world



Growing Domestic  
Potential



Wide market reforms



Potential privatizations  
and a pipeline of private  
companies

As per the decision of FTSE Russell published on the September 29, 2017, the Romanian capital market was maintained on the list of countries that have **substantial potential to be upgraded to the Emerging Market status**. In case of Romania, the upgrade will depend on the progress with regard to the market liquidity and the presence on the market of largest companies with significant individual liquidity.

Romanian Capital Market recorded one of the **highest dividend yields in the world** in 2016 and 2017. BET Total Return (BET-TR) index, which includes the dividends granted by the blue chips listed on BVB, has increased by more than 19% in LCY terms in 2017, reporting one of the fastest growth among all 23 MSCI Frontier Markets Index countries.

Pension funds' total assets (pillar II and III) advanced by 26% in 2017, after a comparable increase of 28% Y-o-Y in 2016. The AuM of the Romanian investment funds (apart from SIFs and FP) equal **EUR 5.7 bn as of December 31, 2017**. There is a big potential vested in the currently small, but active local retail investors base.

Constant work on **ameliorating the investment landscape**, with focus on: easing investors' access to the market and fiscal compliance, reducing the cost of the market, improving the servicing of investors' rights, simplifying procedures related to primary markets for equities and bonds and developing the market infrastructure. New regulations regarding lending & borrowing operations were approved.

Increase in favorable perception of BVB as the financing destination for local entrepreneurs looking for capital, which results in **ever-growing pipeline of private companies interested in floating** shares or bonds on BVB's markets. Additionally, rich portfolio of state-owned companies as the state has majority stake in 250 companies. Some are currently pending the privatization. State-owned companies expected to float on BVB are:



# Latest developments



## New sources of short-term revenues

- Intensify projects dedicated to retail investors as well as, separately, to entrepreneurs, in order to bring new liquidity to the market;
- Support the implementation of short selling and market making;
- Launch of new financial instruments, such as new ETFs with exposure on Romania;
- Expand data vending and IT&C services;
- Attract partnerships for current projects.



## Expense management discipline

- Increased attention paid to cost management discipline;
- Budget of CSD pre-approved by the Bucharest Stock Exchange.



## Transparency

- BVB becomes one of the first IRIS (new reporting system) users;
- Annual Report includes the Corporate Governance compliance;
- Quarterly calls and yearly meetings with analysts;
- Annual meetings with investors during international roadshows (London, Warsaw, Budapest, Prague and New York);
- Reporting in both Romanian and English languages;
- New IFRS standard consolidated reporting.



## Operational developments

- Consolidation of the local capital market by implementing in 2017 the merger with SIBEX;
- Plans for CCP services establishment for both spot & futures markets.

# Recent Accomplishments



# Bucharest Stock Exchange – key figures



Over 9.4%  
BET index evolution in 2017\*

19%  
BET-TR index evolution in 2017\*  
(BET Total Return index includes the dividends distributed by companies included in the main index of the market, BET)



EUR 10.5 mn/day, +29.5% (including offers)  
Average daily turnover in shares for 2017\*\*

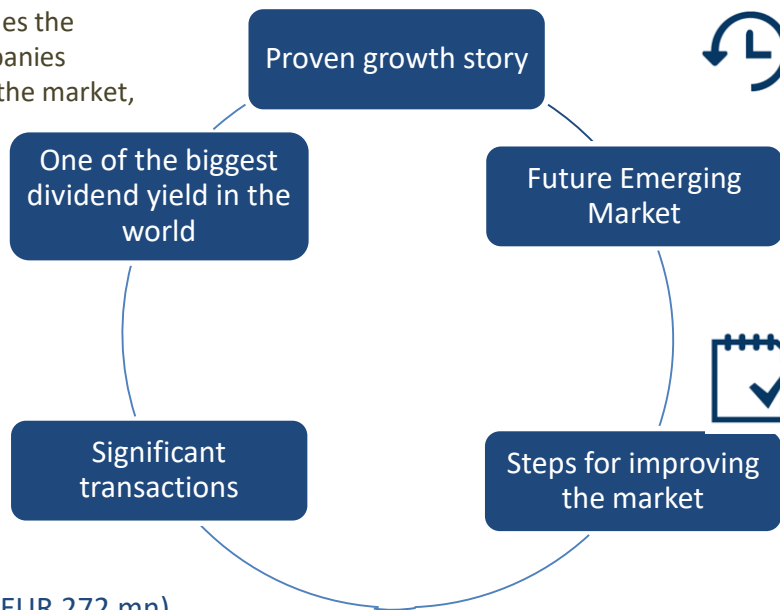


7.9%  
BET companies paid 7.9% DivY in 2017



RON 1.23 bn (EUR 272 mn)  
The value of private companies IPOs in 2017

RON 6 bn (EUR 1.3 bn)  
The value of corporate bonds issuances and listings in 2017



Romanian Capital Market maintained by FTSE Russell on the Emerging Market Watchlist (September 2017)

3 companies, the minimum criterion imposed by MSCI for promoting the local market to the Emerging Market status

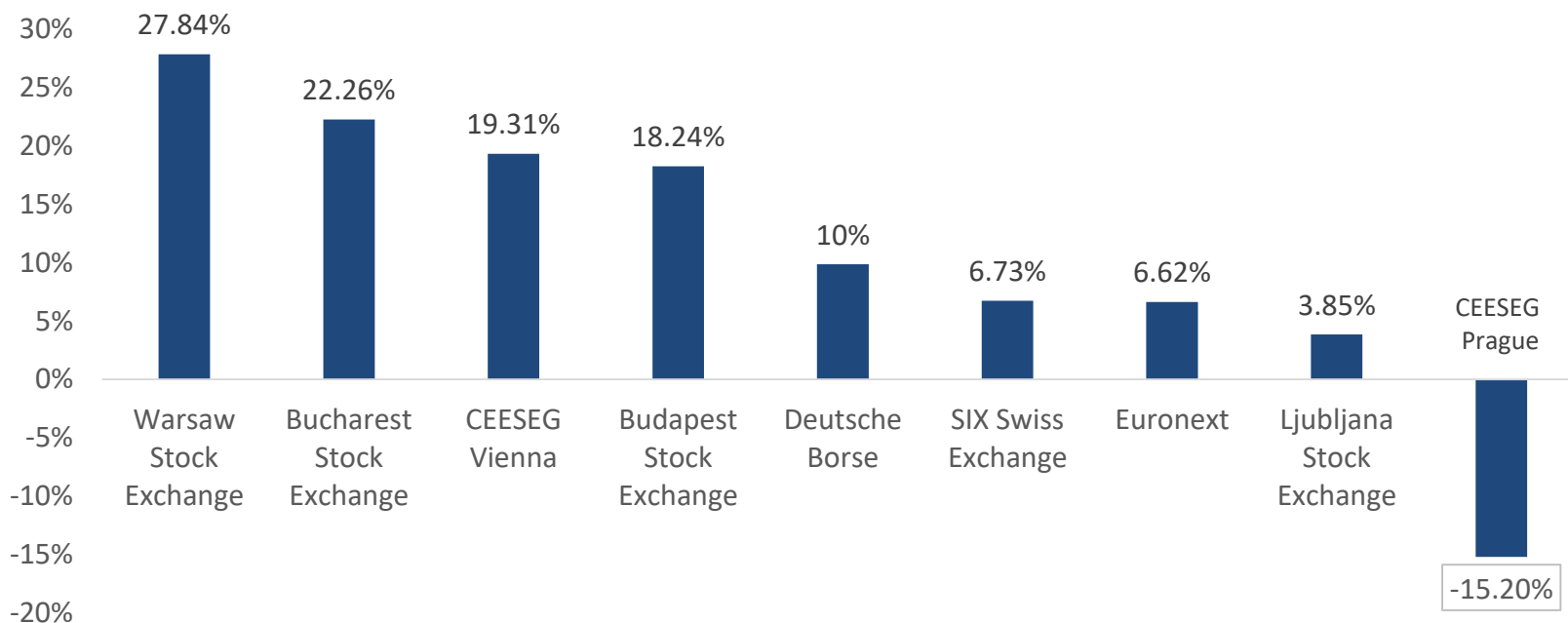
Reforms for local market modernization and development projects

- Supporting listing of state owned and private companies
- Modernization according to EU regulation and standards
- Expanding the individual investors base
- Improvement of the corporate governance amongst the issuers

## 2016 vs 2017 turnover increase

As per FESE data, Bucharest Stock Exchange has registered an impressive increase in 2017 when compared to 2016. BVB's growth rate remains ahead of other significant regional stock exchanges such as Vienna, Budapest or Prague.

Turnover % change Y-O-Y  
2017 vs 2016



# 2017 transactions Shares



IPO on the Main Market, carried out between October 24 and November 2, 2017. 25% stake sold by shareholders for **RON 285 mn (EUR 62 mn)**. Sphera Franchise Group, one of the most important foodservice operators in Romania, managing restaurants under the KFC, Pizza Hut and Taco Bell brands, became the first listed foodservice operator on BVB. It started trading on November 9, 2017, under symbol SPH.



IPO on the Main Market, carried out between April 28 and May 10, 2017. Largest private IPO in the BVB history following the sale of 25,6% stake in the company for **RON 944 mn (EUR 207 mn)**. DIGI Communications is an important supplier of telecommunication services in Romania and Hungary, being the first issuer from telecom sector listed on BVB. It started trading on May 16, 2017, under symbol DIGI.



IPO on the Main Market, carried out between October 24 and 25, 2017, closed after less than 48 hours following the subscription rate over 270%. 25% stake sold by shareholders for RON 9 mn (EUR 2 mn). Transilvania Broker became the first insurance brokerage company in Romania to be listed on BVB. It started trading on November 2, 2017, under the symbol TBK.



IPO on the Main Market, carried out between June 8 and 9, 2017, closed after less than 48 hours following the subscription rate of over 270%. 15% stake sold by shareholders for **RON 5.5 mn (EUR 1.2 mn)**. AAGES is a company which designs and manufactures induction heating systems for a wide range of applications. It began trading on June 19, 2017, under symbol AAG.

# 2017 transactions Bonds

NE Property  
Cooperatief U.A.

The issuance was of **EUR 500 mn**, for 5,000 bonds at a nominal value of EUR 100,000.



Third corporate bonds issuance from IIB in September 2017, first ever in the history of BVB of bonds denominated in euros. Bank managed to attract **RON 300 mn (EUR 67 mn)** and additional **EUR 60 mn** through denominated bonds.



The issuance was of **EUR 12.52 mn**, for 2,505 bonds at a nominal value of EUR 5,000.



The first Romanian IT company listed on the AeRO market launched its second corporate bonds issuance (BNET22) of **RON 4,5 mn (EUR 1 mn)**. The funds thus obtained will be used mainly to finance the acquisition of Gecad Net.



Company attracted **RON 9.7 mn (EUR 2,1 mn)** in January 2017, listed the bonds on AeRO market in September 2017.



Attracted **RON 610 mn (EUR 135,5 mn)** through issuance of corporate bonds on the Main Market in July 2017.

Investia Finance  
SA

The issuance comprised 10,000 bonds, non-guaranteed, RON denominated, with a nominal value of RON 100 and a total value of **RON 1 mn (EUR 218 k)**.

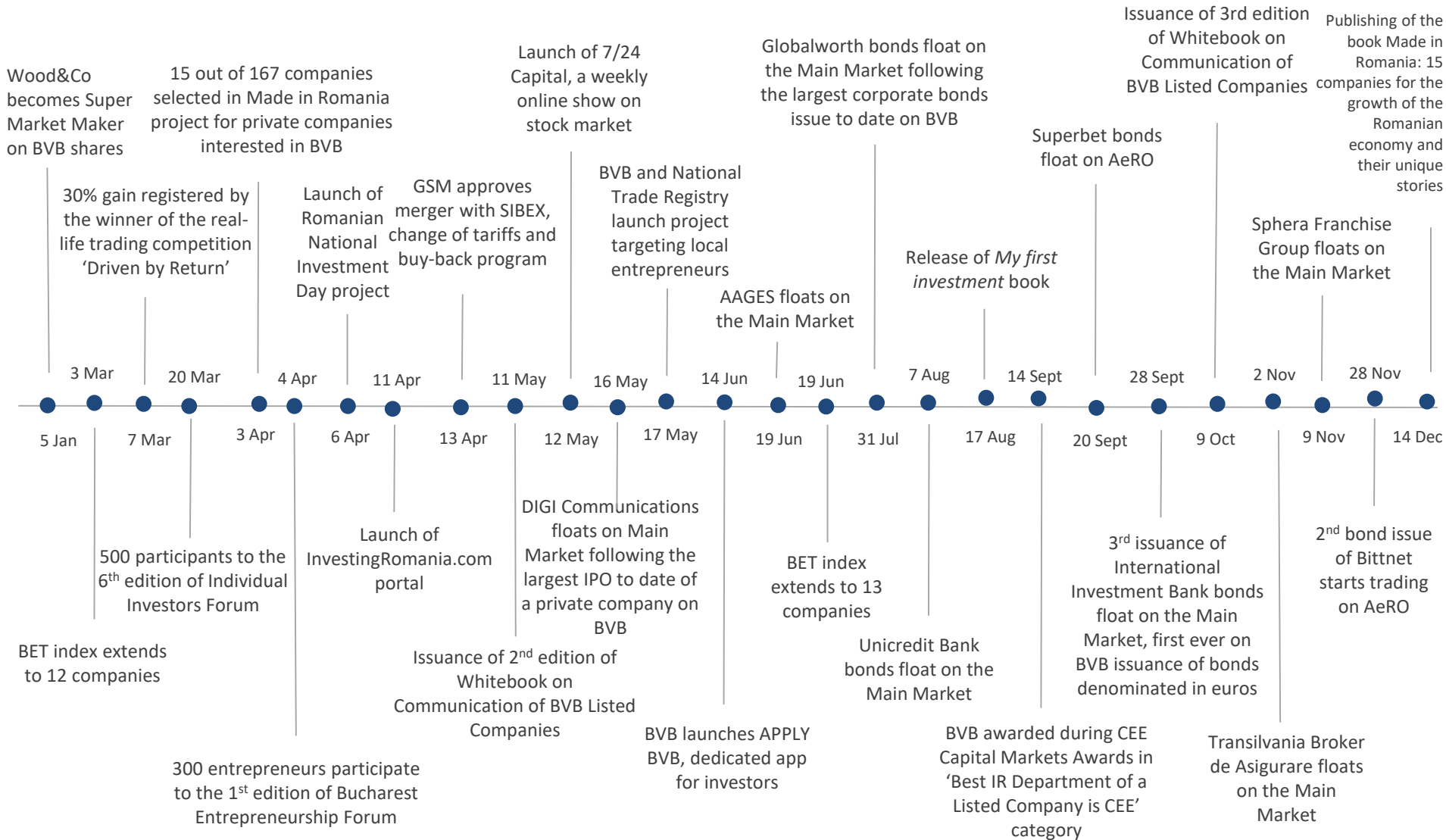


The largest corporate bonds issuance in the history of BVB of **EUR 550 mn** with bonds being traded in euro denominations, but the settlement being performed in RON according to BNR's exchange rate from the previous trading session.



BVB's Main Market issuer attracted **RON 38.25 mn (EUR 8,5 mn)** through its 1<sup>st</sup> issuance of corporate bonds on the Main Market in April 2017.

## 2017 events



# 2017 regulatory changes related to lending and borrowing in securities

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In August 2016, a breakthrough reform of the securities lending/borrowing and short selling was adopted.

The Romanian FSA updated in July 2017 the regulation related to lending/borrowing activities, by ensuring a more extended framework, in line with the diversity of the situations that can occur in practice, with regard to:

- the financial instruments object of those operations;
- the type of participants involved and the types of operations available to them and their clients.

It is a more flexible regulatory support, in line with various market needs, and it provides grounds for a larger use of lending/borrowing operations.

**It ensures an adequate and improved structure needed for the involvement of the international investors in carrying out these operations.**

The regulatory updates consist of the following changes:

- to extend the financial instruments that can make the object of a loan granted by an investment firm/custodian (with those instruments that belong to the clients of other investment firm/custodian that were borrowed by that firm/custodian from them);
- to ensure the support for carrying out the lending/borrowing operations by the intermediaries/ custodians which are not participants at the DC's system, under the condition of the agreement with a participant at DC's system;
- to provide the framework that lending/ borrowing operations to be performed between the clients of different investment firms/custodians.

At this moment, a platform for facilitating the lending/ borrowing operations is available to the DC participants, based on the displaying the indicative offers of the lenders/ borrowers.

# Business Strategy



# Key focus

## Developing retail investors' base

- Enlarging the domestic retail base by expanding educational projects (*Fluent in Finance, Invest Quest*), events (*Retail Investor Forums*), platforms (*Investing Romania, 7/24 Capital*), initiatives (*National Investment Day, My first investment book*);
- Stimulating trading activity of current investors through different incentivizing projects (*Driven by Return* real-life trading competition).

## Attracting private issuers to the Main Market and AeRO

- Attracting private companies for listings on the Main Market as well as continue approaching the SMEs for listings on AeRO;
- *Made in Romania*: the first pre-IPO programme for top Romanian companies interested in capital markets, managed to attract 167 applications in the first edition. Second edition launched in January 2018.

## Improving issuers' transparency

- Full enforcement of Corporate Governance in force starting with February 4<sup>th</sup>, 2016;
- Periodical check of Main Market issuers' websites through *Whitebook on Communication of Listed Companies* paired with regular trainings on corporate governance;
- Improving the reporting system of issuers, through new *Issuers Reporting Information System (IRIS)*.

## Launching new products and trading mechanisms

- Short-selling, trading on margin;
- Lending and Borrowing.

## Stimulating revenue from data vending

## Other major projects

- Developing the CCP services;
- Launching the derivatives market.

## Mid-term strategic objective: Upgrade to the Emerging Market Status

- Resuming the privatization process to bring new pipeline of listed companies and improve the free-float of those already listed through SPOs;
- Improving the market liquidity through bringing new private companies to the market and increasing the local retail investors base.

# Steps towards Emerging Market Status

## Institutions evaluating Romania



MSCI  
FTSE Russell  
S&P Dow Jones  
STOXX

Key actions necessary in order for Romanian capital market to be upgraded to the Emerging Market status by major international institutions:

- Increase the free-float of the already listed companies, allowing sizeable investments in Romania
- Improve the total market liquidity

Promotion of the local capital market reform:

- Permanent communication with MSCI, FTSE, STOXX and S&P Dow Jones
- Organizing a communication platform with international investing community, supported by EBRD and Bloomberg

The upgrade to a superior classification is voted by global players: large institutional investors and custodians

## Main criteria to be fulfilled by Emerging Markets

### MSCI

Min. 3 companies fulfilling the following:

- Company size [full market cap] of USD 1,375 mn
- Free Float value of USD 763 mn
- ATVR (Annualized Traded Value Ratio) of min. 15%

### FTSE

#### *Romania maintained on Emerging Market Watchlist*

- Min. 3 companies meeting eligibility tests (size, free float and liquidity criteria)
- Qualitative criteria fulfilled by BVB in 2015-2016:
  - fair and non-prejudicial treatment of minority shareholders
  - free and well-developed foreign exchange market
  - transaction costs – implicit and explicit costs to be reasonable and competitive

### S&P

Initial Eligibility Criteria:

- Full domestic market capitalization over USD 2.5 bn
- Domestic annual turnover value over USD 1 bn
- Exchange development ratio (Mcap to GDP) over 5%

Additional Criteria:

- Full domestic market capitalization over USD 15 bn
- Settlement period of T+3 or better
- Sovereign Debt rating of BB+ or above
- No significant foreign ownership restrictions
- Freely traded foreign currency

# Business strategy

## 2018 Market architecture, mechanisms, infrastructure and services (1/2)

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**Central Counterparty Project.** Continuing the transformations in the last years in the field of market architecture, BVB will resume in 2018 the analysis of the modalities of implementing the services of a central counterparty (CCP) within the trading cycle in the Romanian market; the project will take into account, on the one hand, the operational, risk and capital benefits for project beneficiaries - CCP users and trading platforms, and, on the other hand, the economic efficiency of the approach for both market segments: spot and derivatives.

The completeness offered by the role of a central counterparty in the Romanian market will complete the project of creating a modern infrastructure based on standards and good practice in the European Union and will outline a superior position of the BVB in the field of attractiveness of the local spot market for large caliber investors.

**Re-launching of the derivatives market at BVB.** Once having the services of a CCP in the local market, BVB aims to relaunch the derivatives market in Romania, thus having an extension of the range of instruments and mechanisms needed to diversify their investment strategies using the derivatives market. The newly rebuilt derivatives market can also be used for underlying assets other than those traded on stock exchanges, based on models from other CEE markets. BVB, owning its own trading technology, will accommodate the two markets, spot and derivatives, on the same technology platform, as recommended by other stock exchanges across Europe, reducing integration costs for market participants and helping to make it easier to implement investment strategies.

**New services on the post-trading section.** Regardless of the model to be adopted in the area of post-trading and risk management, the Central Depository will be implementing a new and improved settlement model with a more flexible risk management module. This will be a collaborative project at the level of BVB Group, in which BVB will provide the development technology and the platform support.

**Complementary services to the regulated market offered at BVB Group level.** BVB proposes for 2018 an extension of the scope of use of OTC transactions through the Central Depository, which is currently limited to turn-around transactions, so as to be a catalyst for the growth of volumes traded on the stock market.

**New market mechanisms – “volatility interruption” and “random market-close mechanism”.** BVB will change in 2018 the mechanisms of the price limits through the implementation of a new module “volatility interruption/circuit breakers” which will lead to the improvement of the market quality. This will replace the current price limit with a fixed tunnel of +/- 15%, to an evolved model, with two types of limits, statics and dynamic. The new model will determine to:

- decrease of the uncertainty on the volatile markets or related to the companies’ notifications;
- Decrease of the cases in which the instruments are manually suspended from trading;
- a better control of the operational risk for the market participants.

In order to improve the degree of objectivity through the closing price/ reference price is determined, the fixing processes will be carried out at the time frames randomly generated from a pre-set interval after a certain fixed time.

# Business strategy

## 2018 Market architecture, mechanisms, infrastructure and services (2/2)

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**New services for the retail investors.** BVB will launch in 2018 a new version of the online-trading platform, Arena-XT, for investors and retail brokers with new orders execution techniques, a more efficient transaction allocation mechanism, and a new module designed for the derivatives market.

**MiFID II Project.** 2018 is the year of MiFID II, when all stock exchanges have continued adapting platforms and procedures to comply with the new related regulations, which imply also for BVB a continuation of the series of technical developments in the field of monitoring systems, the procedure related to the resumption of operational activity in case of disaster, efficient clock synchronization mechanisms, automated monitoring and detection of stress conditions for the market.

**Update of the BVB's technological infrastructure and the cyber-security framework.** BVB's business is based on the digital environment of interaction with other systems of its partners (Central Depository, ASF, communication services providers), its customers (market participants, listed companies, data providers) and public space. The efficiency and stability of the BVB market is based on robust support for technology infrastructure and related cyber space. BVB is thus obliged to maintain and protect a secure and stable cyber space that provides an efficient and resilient platform for market operator's operations, by allocating dedicated investment budgets and dedicated personnel for day-to-day operations and cyber security projects.

To better manage operational risk, to maintain operational capacity in relation to the resources demand, and to cope with the compliance with incumbent regulations in this area (MiFID2 and Norm 6 / ASF), in terms of operating infrastructure, BVB is developing an infrastructure project that involves replacing parts of the technology platform and adding new ones (replacing some components with the "disaster-recovery" data-center, enhancing and expanding the electronic archive and backup capabilities, replacing a part of their communication servers, and completion of the implementation of "MIFID II failover time synchronization" mechanisms).

**Launch of indices.** The development of the regional indices that will be support for the development of ETF products by relevant providers in the field of passive asset management. This demarche envisages the collaboration with other stock exchanges from the region, which allows the combination of know-how and potential synergies, given that passive managed investments have seen significant global growth and, in some markets, it is estimated that the weight of passive asset management will outperform those that are actively managed.

**Extension of the services of the data sales.** Reconfiguring services of data sales for attracting new clients. There is an important growth potential in the data sales segment and a better segmentation of the products offered will encourage data providers to acquire new services that can bring added value.

**Approaches to attract new Participants.** BVB considers continuing the initiatives to attract new Participants, inclusive through the presentation of a flexible operational framework provided by BVB, as well as through the facilities related to the indirect participant at Central Depository. This facility allows to a BVB's member to carry out the clearing and settlement of the trades through the Central Depository, but without being member of this institution.

**Initiatives to support the activity of the BVB Participants.** With regard to the existing Participants, BVB targets to support their activity, taking into account the specific requirements, of the commitment to attract more investors and private companies for listing, and to promote the capital market on internal and external plan.

### 2018 Improving the offer

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The trading activity on the secondary markets cannot be separated from the attraction of new companies (issuers of shares, bonds), and depends on the measures taken by BVB and market participants to expand the customers base. Thus, all BVB projects in this field serve to activate the primary market for new companies. In addition, the BVB has launched many initiatives to attract new listings, both from the private sector and that of the Romanian-owned companies.

**Attracting companies to be listed on the BVB.** The Bucharest Stock Exchange will continue to attract new private companies on the market and will remain an active supporter of the privatization of state-owned companies through the BVB market as well as to change the incidental legislative framework. The BVB will act in this direction and will address directly the decision-makers of the public authorities and state institutions, but will also support the similar initiatives of the professional organizations whose member is (Foreign Investors' Council, AmCham, Romanian Development Coalition).

**Made in Romania / BVB League.** The first edition of "Made in Romania: The League of 15 Companies for the Growth of the Romanian Economy" project was launched in February 2017. Successfully completed, the BVB launched in January 2018 the nominations for the second edition of the project. The aim of the initiative is to select and promote 15 of the most innovative Romanian companies that have the greatest potential for growth and chances to become players with an impact in the local and perhaps even regional economy.

**Participation in forums and workshops.** In order to connect potential issuers with investors, BVB will facilitate and organize presentations and programs for companies in the most important industries. BVB will be present at conferences and events dedicated to specific business sectors to promote capital market financing. The promotion of raising capital through BVB will continue in 2018 through partnerships with the capital market stakeholders, seminars and events in Bucharest and the country.

## 2018 Improving the demand

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Numerous education and promotion measures will continue in 2018 to increase the involvement of individual investors in the capital market: initiatives related to financial education (Fluent in Finance, Investor Clubs, Individual Investor Forums, Trading Contests, Open Door Days), and improving the existing means of communication for investors and issuers.

**Fluent in Finance.** The "Fluent in Finance" program, launched in 2015 for multinationals employees and later extended to version 2.0 dedicated to individuals, version 3.0 for students and version 4.0 representing an online learning platform, will continue also in 2018. Seminars will be held in Bucharest and in the country and we will continue to attract partners in this project from the area of open-end investment fund managers, pension funds, insurance companies or from the capital market intermediation area.

**Individual Investors Forum.** Individual Investors' Forums, which have become a tradition among the capital market community, will also be organized in 2018. The objective is to attract both beginners and experienced investors by creating workshops specific to each category. Two editions are planned for this year in March (with expectations for 500+ people) and October (with expectations for 700+ people). The events will provide interactive simulations, debates and presentations on identifying participants' needs and objectives, and explain the tools available for saving and investing.

**Developing InvestingRomania Portal.** The InvestingRomania portal, launched in cooperation with Agerpres news agency in April 2017, is an online source of information of listed companies for investors by focusing on more than one source of information. For 2018, we aim to make InvestingRomania.com one of the basic information tools for capital market investors and a portal that adds value through its content.

**Regulations.** BVB will continue to be involved in all approaches to the general regulatory framework of the capital market, trying to build direct channels of communication with all the decision makers.

**7/24 Capital.** In May 2017, the Bucharest Stock Exchange launched its own video production of financial education, 7/24 Capital, where we deal with topics related to the capital market in an unconventional manner. Throughout 2017, 23 episodes were made available to the public on the YouTube channel of the Bucharest Stock Exchange. BVB aims to continue this video production, with a significant impact on the public (people without experience in the capital market and / or start-up investors) but also on listed or potential listing companies.

**Real-life trading contests.** After the first real-life trading contest organized by BVB, Conduc de Randament ended in February 2017 with hundreds of investors attracted and tens of thousands of potential investors, BVB will launch the second edition of the contest. The first edition of the competition was carried out using all the mechanisms and rules specific to the trading activity on the Bucharest Stock Exchange. The goal of the participants was to obtain the highest return on the portfolio.

**Improving markets' visibility.** BVB will continue to attract new partnerships and support the partnerships built so far. We believe that attracting new media partners, including those with a presence in the territory, will support the growth of investors' interest in the capital market and investment.

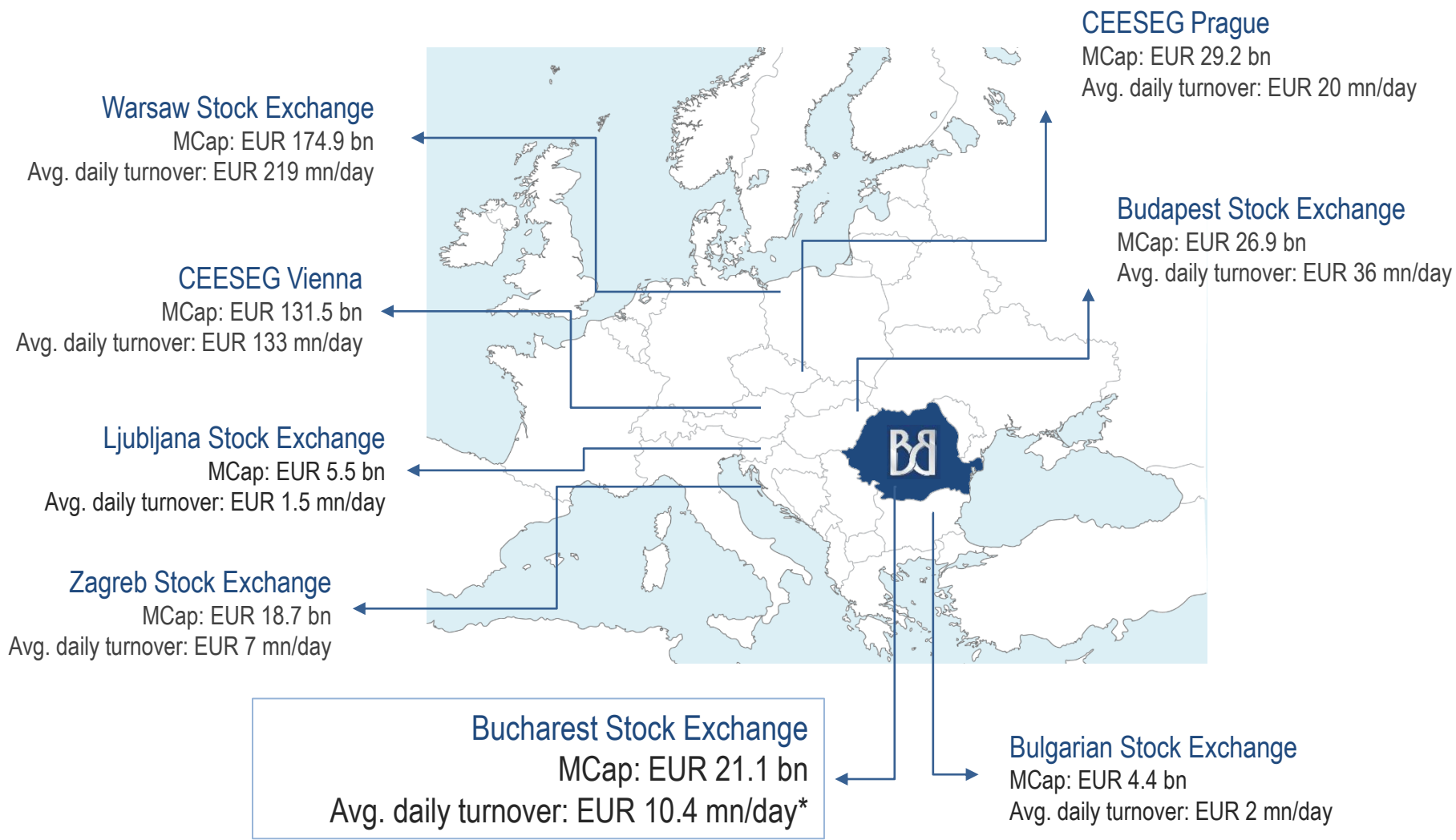
**Campaigns to promote the Romanian capital market.** BVB will organize or participate in 2018 to events dedicated to institutional investors, both in Romania and abroad, to promote the local capital market and the progress made in recent years. There will be events dedicated to institutional investors, in partnership with brokerage companies, focusing on major financial centers in Europe but not only: London, Vienna, Warsaw, Prague, Zagreb and New York.

**Integrated communication campaigns for BVB projects.** In order to support the projects for individual investors, which promotes the advantages of capital market investments, BVB will conduct dedicated promotional campaigns for the Individual Investors Forum, Fluent in Finance, National Investment Day and Conduc de Randament (Driven by Return).

# Romanian Capital Market Overview



## Regional perspective



## Positive macroeconomic outlook

Indicator	2011	2012	2013	2014	2015	2016	2017f	2018f
Real GDP, yoy change (%)	1.1	0.6	3.5	3.0	3.8	4.8	7.1	6.1
Inflation rate (%)	5.8	3.3	4.0	1.1	-0.6	-0.5	1.3	3.7
Key interest rate (%)	6.00	5.25	4.00	2.75	1.75	1.75	1.75	2.50
Population (mn)	20.2	20.1	20.0	20.0	20.0	19.8	19.8	19.8
Exchange rate, eop. (RON/EUR)	4.3	4.4	4.5	4.5	4.5	4.5	4.57	4.59

Source: ECB, Eurostat, NBR, National Statistics Office, Romanian National Commission for Prognosis.

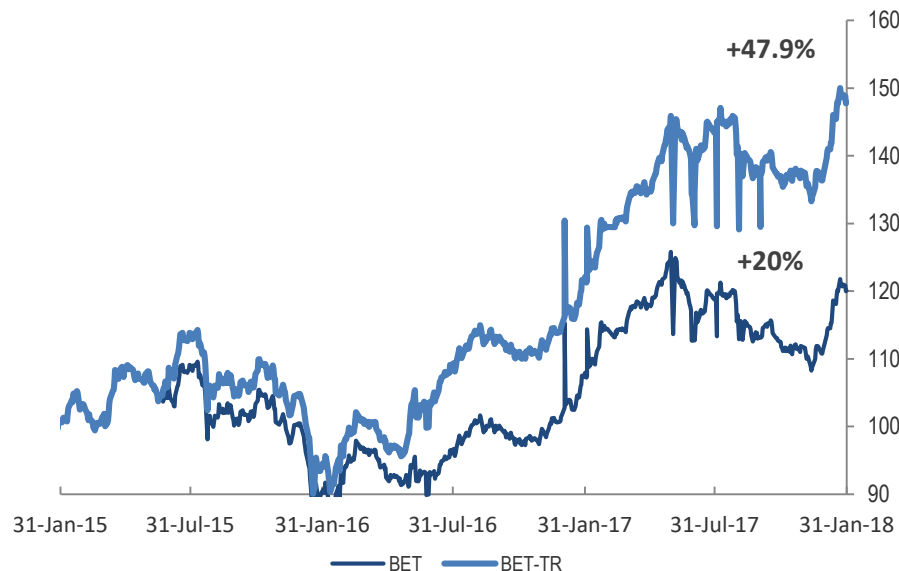
Long-Term Credit Rating	Credit ratings	Outlook
Fitch (Jan 12, 2018)	BBB-	stable
Moody's (April 21, 2017)	Baa3	stable
Standard & Poor's (May 16, 2014)	BBB-	stable

Capital Markets in the CEE	Market capitalization (EUR bn)					
	2013	2014	2015	2016	2017	2018 YTD*
<b>Bucharest Stock Exchange</b>	<b>17.8</b>	<b>18.4</b>	<b>16.9</b>	<b>18.0</b>	<b>19.6</b>	<b>21.1</b>
Budapest Stock Exchange	14.4	12.0	16.2	21.5	26.3	26.9
Bulgarian Stock Exchange	5.1	5.0	4.4	4.3	4.5	4.4
Ljubljana Stock Exchange	5.2	6.2	5.5	5.1	5.2	5.5
CEESEG - Prague	22.0	22.6	23.5	22.2	26.4	29.2

Source: FESE, LJSE, BGSE, \*January 2018

## High dividend yields

BET vs. BET -TR index (2015-2018 YTD)\*

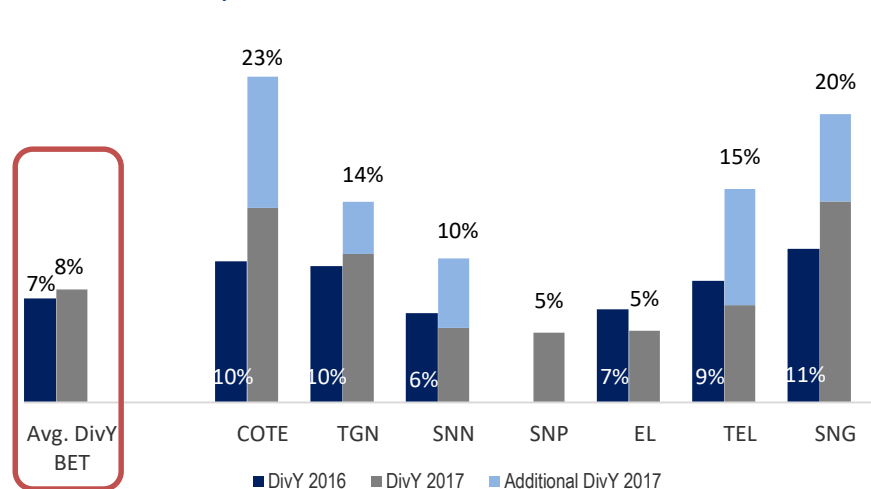


\*As of January 31, 2018

- At the end of January 2018, BET index gained almost 8%, recording the second best performance in EU.
- In 2017, BVB expanded its main indices, BET and BET-TR, to 13 companies, additionally including CONPET (COTE), MedLife (M) and Digi Communications (DIGI).
- BET index recoded the 9-year high once it reached 8,769 points in May, the highest value recorded in 2017.

Note: The chart is rebased at 100 and uses data until January 31, 2018

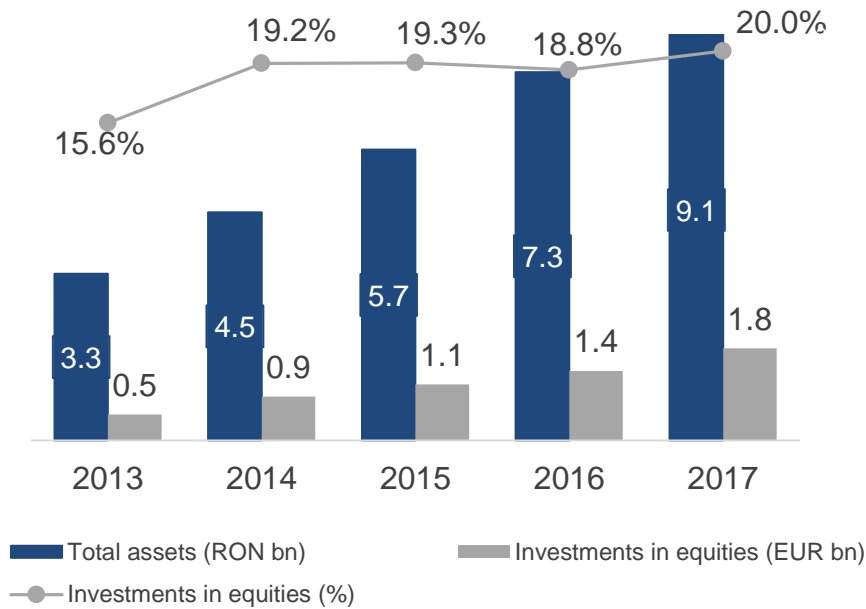
Top DivY BET Index – 2017 vs 2016



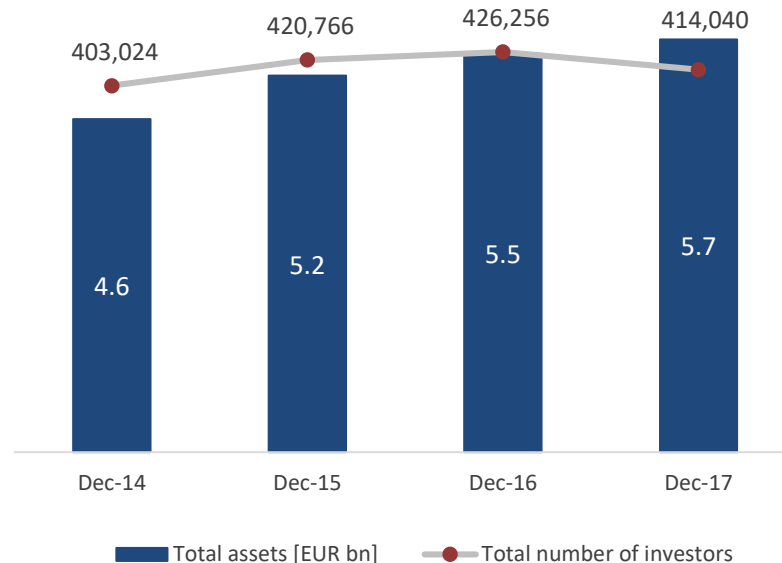
- Romanian capital market recorded one of the highest dividend yields in the world in 2016 and 2017, BET-TR, the total return index, which includes dividends, gaining more than 19% in RON terms only last year.
- In February 2018, the Government wrote a memorandum requiring its representatives in the general shareholder's meetings of the companies where the Government is a majority shareholder, to take all the necessary actions for requiring dividends of at least 90% of the companies' Net Income related to year 2017.

# Growing pension funds and asset management industry

Pension funds: total assets and allocation in Romanian equities, 2013 - 2017 [EUR bn, %]



Asset managers: net assets [EUR bn], number of investors, 2014 - 2017



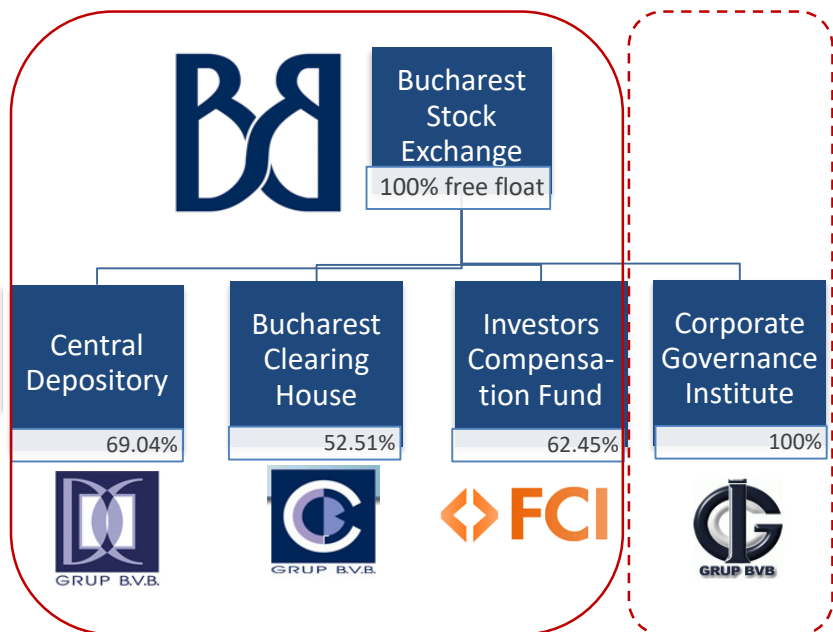
- Advance of 26% of pension funds' total assets (pillar II and III) in 2017, after another comparable increase of 28% Y-o-Y in 2016.
- During 2017, investments in equities increased in value (from EUR 1.4 bn registered in 2016 to EUR 1.8 bn), and in percentage of funds' total assets, from 18.8% to 20%.

- Steady growth rate of AM's net assets over the past 4 years, reaching EUR 5.7 bn at the end of 2017.
- Number of investors slightly decreased in 2017, following an increase in over 25,000 new investors between 2014 and 2016, however there can be seen a rise in the risk appetite of investors due to more and more subscriptions to multi-assets and equity funds.

# Appendix: Financial Data



# BVB Group and the operated markets



Entities included in the consolidation process

Not included in the consolidation process

## Segments within BVB Group:

- **Trading segment** – Bucharest Stock Exchange
- **Post-trading segment** - Clearing & settlement services of the Central Depository
- **Registry segment** – Registry activities of the Central Depository
- **Other services** – Activities of the Investors Compensation Fund and of the Bucharest Clearing House
- **SIBEX Depository** - was acquired on 29/12/2017 and there is no impact on revenues or expenses for year 2017

## Markets operated by BVB



### Main Market

**Listed companies:**  
85 domestic and 1 foreign

**Domestic market cap:**  
EUR 21.1 bn

**Total market cap:**  
EUR 38.5 bn

**Instruments:**  
shares, rights, corporate and municipal bonds, government securities, structured products, fund units, tradable UCITS (ETFs), warrants



### AeRO market for SMEs

**Listed companies:**  
299 domestic and 2 foreign

**Domestic market cap:**  
EUR 1.27 bn

**Total market cap:**  
EUR 1.36 bn

**Instruments:**  
shares, rights, bonds

## Key financial highlights – BVB Group consolidated

Financial performance, BVB Group (RON mn, unless otherwise stated)

	2017 (prelim)	2016	Change (%)
Operating revenues	38.05	31.58	21%
Operating expenses	(28.82)	(25.53)	13%
Operating profit	9.24	6.04	53%
Net financial revenue/(expenses)	2.50	3.04	-18%
Gain on bargain purchases	2.88	-	-
Profit before tax	14.59	9.08	61%
Profit for the period	14.68	7.76	89%
Total comprehensive income	15.52	7.72	101%
EPS attributable to owners (RON/share)	1.7600	0.9888	78%

\* The preliminary financial results for 2017 are prepared in accordance with IFRS and are not audited.

### Profitability ratios, BVB Group (%)

	2017 (prelim)	2016
Operating margin	24%	19%
Net margin	39%	25%
Return on equity (ROE)	12%	7%

\* Indicators based on consolidated preliminary financial results

# Individual financial performance – BVB individual

Financial performance, BVB individual (RON mn, unless otherwise stated)

	2017 (prelim)	2016	Change (%)	2017 (prelim) without merger impact	2016	Change (%)	4Q 2017 (prelim)	4Q 2016	Change (%)
Operating revenue	23.69	19.75	20%	23.69	19.75	20%	5.14	5.26	-2%
Operating expenses	<u>16.03</u>	<u>14.04</u>	14%	<u>15.69</u>	<u>14.04</u>	12%	<u>4.31</u>	<u>3.87</u>	+11%
Operating profit	<b>7.66</b>	<b>5.71</b>	<b>34%</b>	<b>7.99</b>	<b>5.71</b>	40%	<b>0.83</b>	<b>1.39</b>	<b>-40%</b>
Net financial revenue/(expenses)	3.43	3.32	3%	3.43	3.32	3%	1.95	1.69	15%
Gain on bargain purchases	2.88	-	-	-	-	-	2.88	-	-
(Losses)/Gains from the impairment in associates and subsidiaries	(0.06)	(0.27)	-79%	(0.03)	(0.27)	-89%	(0.04)	(0.15)	-70%
Profit before tax	<u>13.92</u>	<u>8.76</u>	58%	<u>11.40</u>	<u>8.76</u>	30%	<u>5.62</u>	<u>2.93</u>	92%
Profit for the period	<b>14.25</b>	<b>7.50</b>	<b>90%</b>	<b>9.90</b>	<b>7.50</b>	32%	<b>7.12</b>	<b>2.50</b>	<b>184%</b>

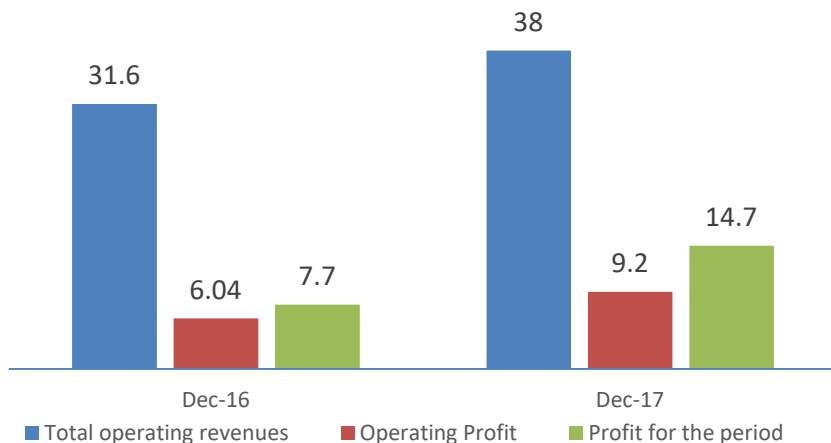
\* The preliminary financial results for 2017 are prepared in accordance with IFRS and are not audited.

## BVB-SIBEX Merger

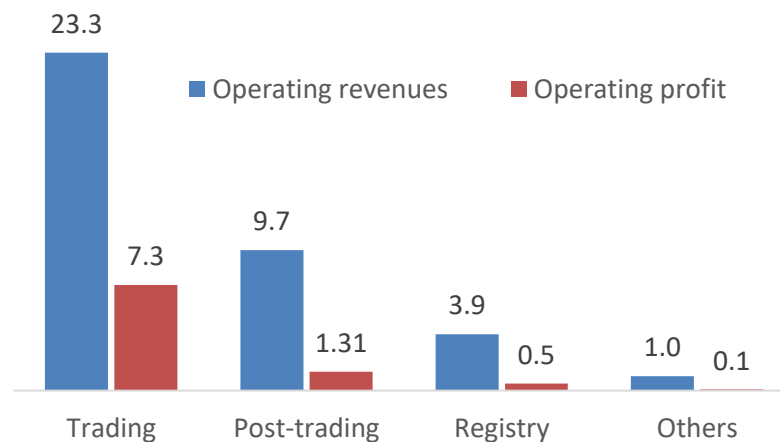
- On December 15, 2017, the Bucharest Court admitted the merger between the Bucharest Stock Exchange SA and SIBEX - Sibiu Stock Exchange S.A., the effective date of the merger being December 29, 2017.
- As a result of the merger by absorption between BVB and SIBEX, the share capital of the BVB increased by RON 3,750,480 and 375,048 shares at the nominal value of RON 10 per share.
- The fair value measurement at the effective date of the merger (December 29, 2017) of both, the assets and liabilities taken over and the consideration transferred (BVB shares) generated an income from a gain from bargain purchases of RON 2.88 mn, in accordance with the provisions of IFRS 3 "Business combinations".

# Analysis of the consolidated results for 2017

Main financial indicators, BVB Group, 2016 - 2017  
(RON mn)



Distribution of operating revenues and result, by segment, BVB Group, 2017 (RON mn)



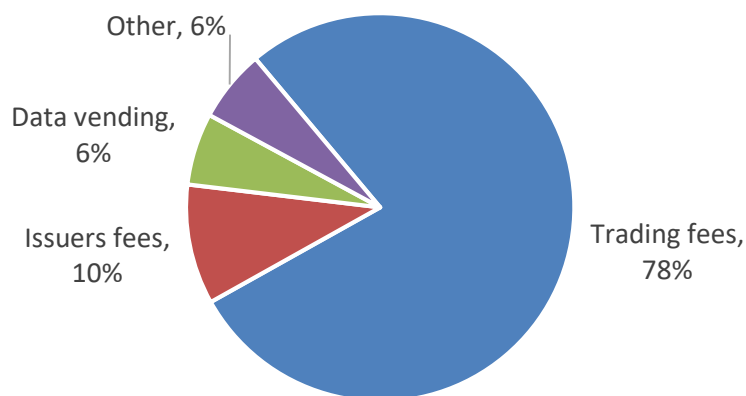
- During 2017, the BVB Group recorded consolidated operating revenues of over RON 38.05 mn (12 months 2016: RON 31.58 mn), an increase of 21% compared to the same period of the previous year, growth generated by all segments of the Group's activity.
- The revenues generated by BVB (standalone), representing the Group's trading segment, amounted to RON 23.35 mn (excluding intra-group transactions) in 2017, up by 20% compared with 2016 (12 months 2016: RON 19.43 mn), amid the increase in traded values.

- Over the same period, the Group's consolidated operating expenses increased by 13%, from RON 25.53 mn to RON 28.82 mn, generating combined a 53% advance of the preliminary operating profit to RON 9.24 mn (12 months 2016: RON 6.04 mn) and an improvement with 5 percentage points of the operating margin.
- The preliminary consolidated net profit for the year 2017 reached the level of RON 14.68 mn (12 months 2016: RON 7.76 mn), up by 89% compared to the previous year, 88% generated by the Group's trading segment, which increased from RON 6.61 mn to RON 12.88 mn.

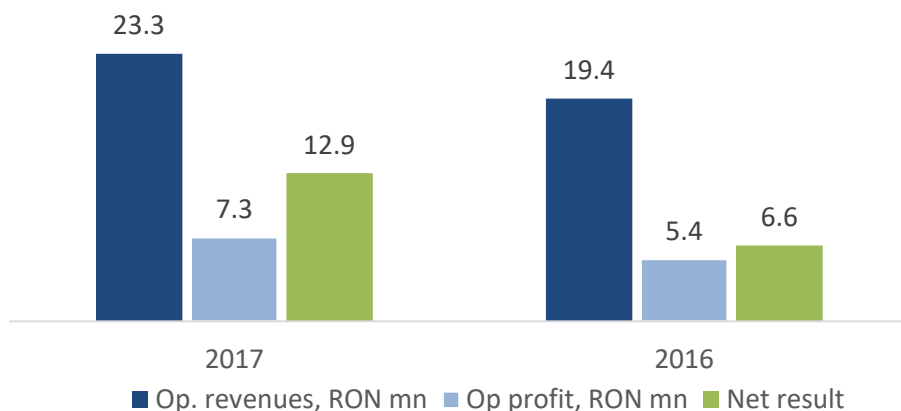
\* The preliminary financial indicators for the 2017 are prepared in accordance with IFRS and are not audited.

# Analysis of the trading segment revenues (1/2)

Breakdown of trading segment revenues in 2017 (%)



Operating revenues and profit, trading segment (RON mn)



\* The preliminary financial indicators for the 2017 are prepared in accordance with IFRS and are not audited.

## Trading segment revenues

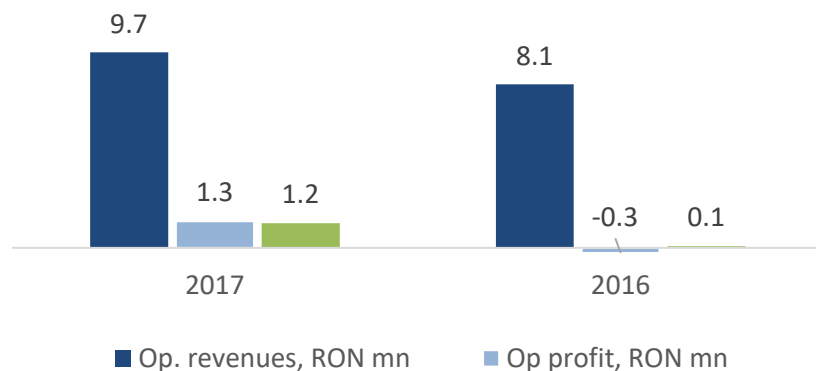
- BVB's **trading activity** on the shares market was more intense in 2017, registering a 28% increase over the previous year to RON 12.07 bn. For the regulated shares market, the average daily turnover increased by 32% in 2017 reaching RON 48.02 mn.
- The fixed-income instruments market (bonds and government securities) also recorded an advanced by 16% compared to the previous year, to a value of RON 1.58 bn (12 months 2016: RON 1.35 bn).
- The structured products market decreased by 38% compared to 2016, to RON 264 mn (12 months 2016: RON 428 mn).

## Trends in trading activity

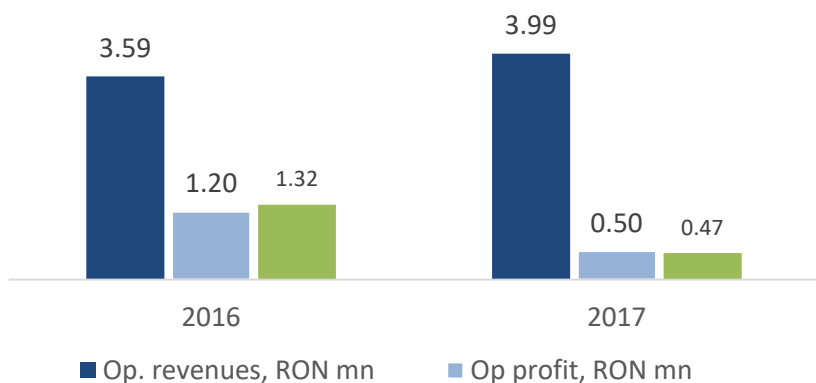
- Initial public offers continued in the last quarter of 2017 by the listing of Sphera Franchise Group (25% of its shares for RON 285 mn) and Transilvania Insurance Broker (25% of its shares for RON 9 mn).
- The value traded on all markets in 2017 was RON 13.91 bn, up 24% over the previous year or by 28% over the average of the last 10 years. The average daily trading value of the regulated market, including initial and secondary public offerings, increased by 32% in 2017 compared to 2016, from RON 36.45 mn to RON 48.02 mn, and reached, the maximum of the last 3 years.

## Analysis of the post trading and registry segment revenues (2/2)

Operating revenues and profit, post-trading segment, BVB Group (RON mn)



Operating revenues and profit, registry segment (RON mn)



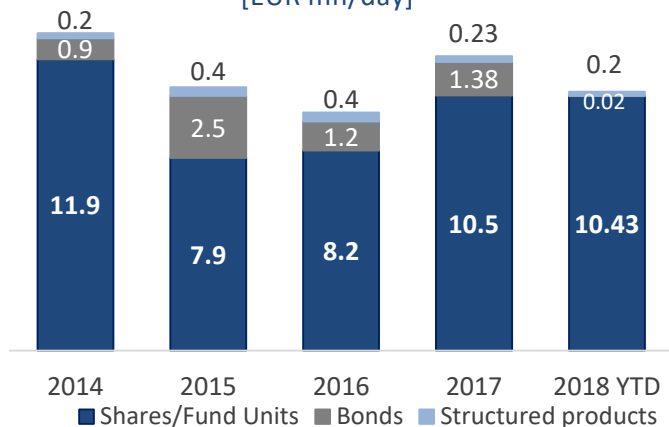
\* The preliminary financial indicators for the 2017 are prepared in accordance with IFRS and are not audited.

### Post-trading and registry segments

- In 2017 **post-trading revenues** grew by 19% compared to the previous year up to RON 9,70 mn (12 months 2016: RON 8,12 mn), due to the increase in trading activity of BVB, which generated a 26% increase in local settlement revenues from RON 2.23 mn to RON 2.80 mn.
- The 15% increase in revenues from the admission and maintenance of the participants in the clearing-settlement system of custodians, from RON 5.62 mn to RON 6.47 mn, due to the increase in the portfolio managed by DC following the registration of new financial instruments listed on BVB at the end of 2016 and during 2017 (ie MedLife, Digi Communications NV, Sphera Franchise Group SA shares and bonds issued by the International Bank for Investments and UniCredit Bank, etc.) contributed also to the increase of the revenues from this segment.
- The revenues obtained from the **registry services** increased by 11% compared to the previous year, from RON 3.59 mn to RON 3.99 mn, due to the increase of the income obtained from the activity of distribution of dividends and other amounts of money.

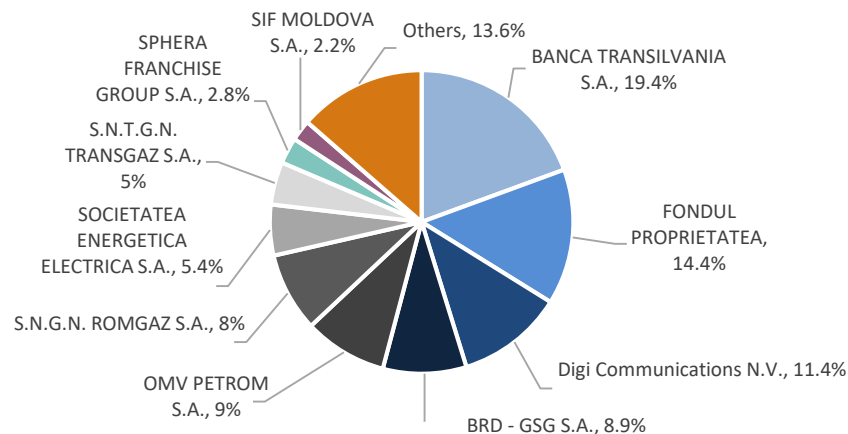
# Market size and structure

Average daily turnover 2014-2018 YTD\*  
[EUR mn/day]



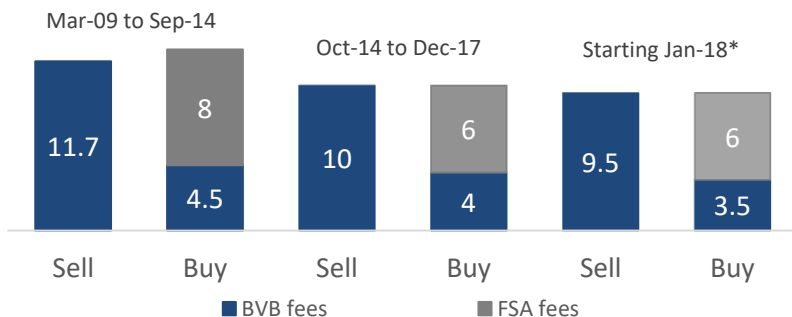
Note: Public offers included. \*Data as of January 31, 2018

Most traded stocks at BVB in 2017, (%)



Note: Public offers included. Data for January 1 – December 31, 2017

Trading fees (bps)



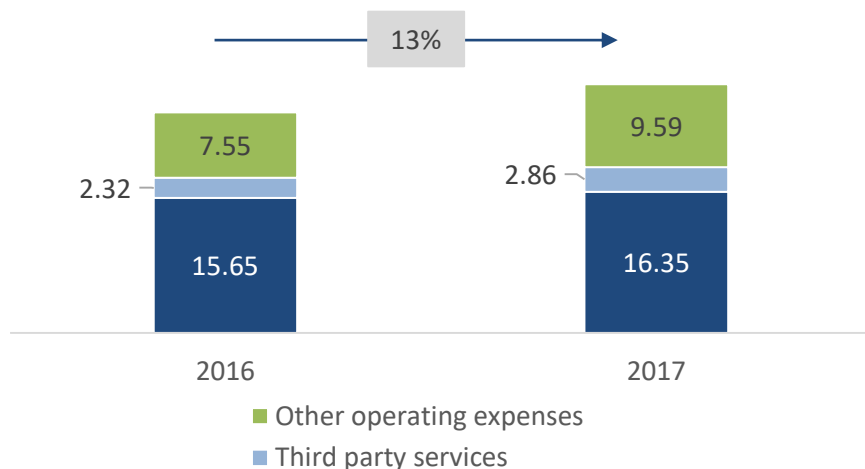
\* Starting 2018, there will be also additional fixed fee of RON 0,95 applied per executed order.

Note: Fees in bps are charged to the value of the trade (buy & sell) and do not refer to Market Makers and DEAL trades.

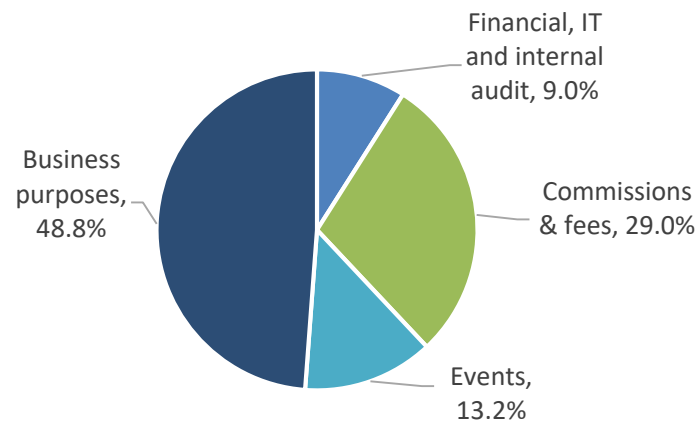
- Equity market has the largest share in total turnover.
- Structured products segment gained importance, following the addition of new products.
- Banca Transilvania (TLV) continued to be most the most traded company on the Bucharest Stock Exchange, followed by Fondul Proprietatea (FP), Digi Communications (DIGI), BRD Groupe Societe Generale (BRD) and OMV Petrom (SNP).
- The weights of Fondul Proprietatea, Digi Communications, OMV Petrom and Sphera Franchise Group were increased due to the public offers carried out in the specified period.

# Analysis of operating expenses for BVB Group

Breakdown of operating expenses, BVB Group, 2016 vs. 2017 (RON mn)

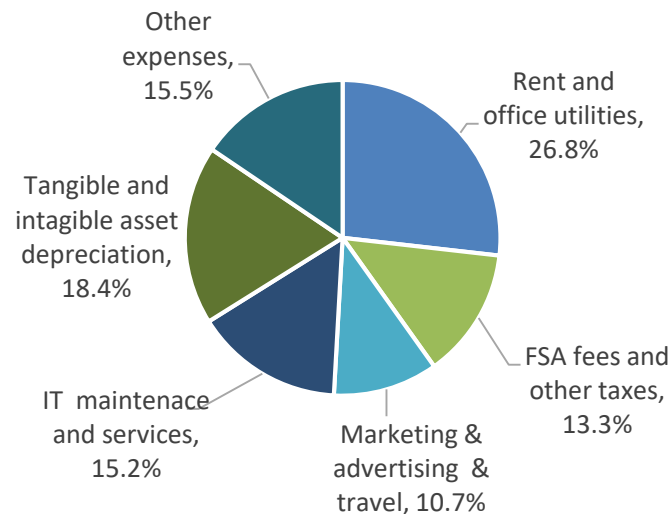


Third party services, 2017 (%)



- The Group's consolidated operating expenses increased by 13%, from RON 25.53 mn to RON 28.82 mn, generating combined a 53% advance of the preliminary operating profit to RON 9.24 mn (12 months 2016: RON 6.04 mn) and an improvement with 5 percentage points of the operating margin.
- Expenditure growth was driven mainly by the increase of the other operating expenses as a base effect, as the reversal of the provision for litigation recorded by the Central Depository in previous years, amounting to RON 1.35 mn generated a decrease in operating expenses in 2016, and to a lesser extent due the increase in personnel expenses and the recording of expenses for the preparation of the BVB-SIBEX merger.

Other operating expenses, 2017 (%)



\*The preliminary financial results for 2017 restated figures in accordance with IFRS and are not audited

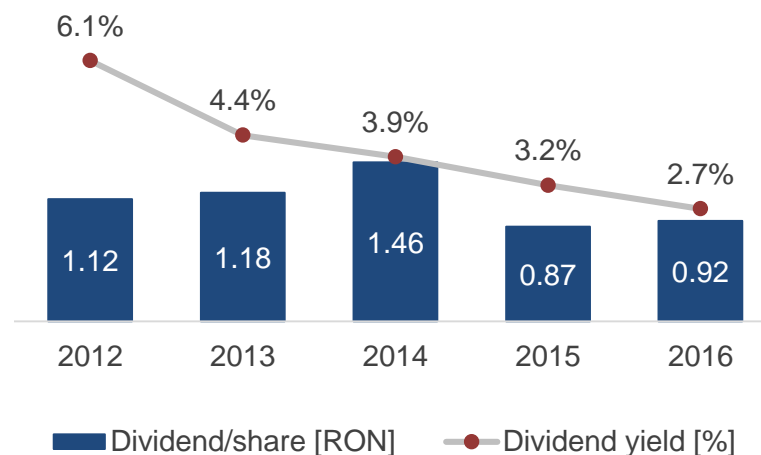
# Overview of the consolidated financial position

## Consolidated financial position (RON mn)

	2017 (prelim)	2016
Non-current assets	84.0	83.1
Current assets	113.4	89.9
<b>Total assets</b>	<b>197.5</b>	<b>173.0</b>
Shareholders' equity attributable to owners of the Company	114.1	97.6
Minority interest	10.7	10.4
Short-term liabilities	72.6	65
<b>Total equity and liabilities</b>	<b>197.5</b>	<b>173.0</b>

- At the end of December 2017, the **total assets** of the BVB Group amounted to RON 197.50 mn (31 December 2016: RON 173.00 mn), up by 14% compared to the beginning of the year
- Fixed assets** increased by 1% compared to the beginning of the year, while **current assets** increased by 26% to RON 113.50 mn (31 December 2016: RON 89.87 mn) as a result of the granting of extraordinary dividends by a number of issuers for which the shareholders of these companies did not claimed the transfer of these amounts until December 31, 2017 and the cash taken over from SIBEX in amount of RON 12,33 mn, after the merger.

## Dividends and dividend yield



Note: Dividend yields are calculated using the price on the corresponding ex-dates

- On June 6, 2017, BVB paid the dividends from the 2016 net profit of RON 7.06 mn, representing 100% of the net profit after reserves. The gross dividend approved for 2016 was RON 0.92028/share.
- Stable dividend policy, with a payout ratio of 100%, after legal reserves
- The dividend policy is expected to remain unchanged

## Upcoming events:

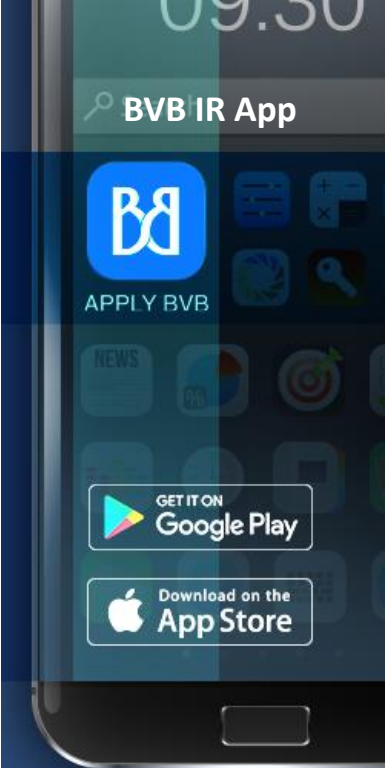
April 16/17 2018 - General Meeting of  
Shareholders & Annual report

May 9, 2018 - Q1 Financial results

## IR Contact:

Mariana Ciurel  
Director  
Email: [ir@bvb.ro](mailto:ir@bvb.ro)  
Mobile: +40 740 104 193  
Phone: +40 21 307 95 07

Natalia Negru  
IR & PR Specialist  
Email: [ir@bvb.ro](mailto:ir@bvb.ro)  
Mobile: +40 742 431 111  
Phone: +40 21 307 95 00



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BURSA DE VALORI BUCURESTI SA • Bulevardul Carol I nr. 34-36, Etaj 13-14, Sector 2, 020922, Bucuresti, Romania • Tel.: +40 21 307 95 00 • Fax: +40 21 307 95 19 Website: [www.bvb.ro](http://www.bvb.ro) • E-mail: [bvb@bvb.ro](mailto:bvb@bvb.ro) • Registrul Comertului: J40/12328/2005 • CUI: 17777754 • Capital social, integral subscris si varsat: 80.492.460 lei  
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