BVB Directors' Consolidated Report for 2017

BUCHAREST
STOCK
EXCHANGE

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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 2017 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. 1/2006 on issuers of and operations with securities (the information presented herein is equivalent to that required by Annex no. 32).

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

2017 has been one of the most active and best years in the history of the capital market, both in terms of listings from private companies and of corporate bond listings, thus leveraging the capital market to finance companies and, implicitly, of the national economy.

The development of the domestic capital market is also highlighted by the fact that although few years ago analysts expected a number of companies to be listed on other stock exchanges, in the last 18 months we witnessed their listing only in Bucharest.

In 2017, we had four IPOs worth over RON 1 billion, and at the beginning of 2018 we witnessed the first listing of a Moldovan company on the Bucharest Stock Exchange.

In addition, there were nine corporate bond issues of over RON 5 billion, a value that also includes bonds in Euro, and it is important to mention here that in 2017, for the first time in the Romanian market, the settlement could be done directly in the Europe unique currency.

The increase of the listed companies value reached a record of EUR 35 billion. At the same time, the average daily trading volume increased by 32% in 2017 compared to the previous year.

We also had challenges in 2017. The merger by absorption between BVB and SIBEX was a complex project. We have it and we are now operating in the Centenary Year after the principle of one country, one stock exchange.

By shaping the financial education programs, we try to facilitate to our partners the direct and indirect investments of Romanians in shares listed on the BSE, based on the principle of diversification and having not only bank deposits.

The more we increase the level of financial education of Romanians, the better our citizens will live and prosper through what they have saved.

The BSE will also continue in 2018 to increase market liquidity in order to promote it in the medium term as an emerging market by global index providers.

Lucian-Claudiu Anghel

BVB Chairman

Executive summary

RON 13.91 bn, +24%

Total trading value, growth compared with 2016

(all markets, offers included)

The Bucharest Stock Exchange (BVB) had one of the most dynamic years in its history in 2017, marked by the listing of four new private companies on the main market of the BVB and by the effervescence in the corporate bond segment.

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.

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). In December 2017, MedLife (M) successfully completed the share capital increase operation through the Bucharest Stock Exchange. During the operation, 2,053,082 new shares were issued, with a nominal value of RON 0.25. MedLife thus managed to finance RON 65,563,435 (EUR 14.2 mn), financial resources for the implementation of the growth plans and development of the company.

RON 48.02 mn, +32%

Average daily trading value, growth compared with 2016

(regulated shares market, offers included)

The year 2017 recorded a dynamic bond sector on the BVB, consisting in the issuing of bond offers totaling EUR 279 mn, the first execution of bonds with EUR settlement, followed by their listing on the BVB, as well as the dual listing of bond issuers, the total value of these bonds listing exceeds Ron 5 bn. The stock market capitalization of Romanian companies listed on BVB increased by 20% in 2017 compared to 2016 and reached almost EUR 20 bn. A historic record of more than EUR 35 bn was also registered in the capitalization of all listed companies on the main market of the BVB.

The BET, expanded from June 2017 to 13 companies by inclusion of Digi Communications (DIGI), reached 7,753 points at the end of 2017, an increase of 9% YTD. The shares that investors bought in the companies included in the BET-TR index, which includes also dividends paid by the companies included in the BET index, increased by more than 19% in 2017. Nearly 24% growth was also registered by BET-XT-TR, the index that includes the most traded 25 companies listed on the BVB and the dividends granted by them.

In December 2017, the BVB Board approved the granting of Participant status in the BVB trading system on the regulated spot market and registration in the Participants' Register for ING Bank N.V. Amsterdam Bucharest Branch.

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. Starting with January 1, 2018, the effective merger implementation process took place.

BVB-SIBEX merger has become effective

As a result of the merger, starting October, a number of 12 companies listed at SIBEX decided to list on ATS market of BVB, following the legal steps related to this process according to BVB regulations, and were admitted to trading within the Financial Instruments Section admitted to trading within BVB ATS, shares segment - AeRO Standard. Also, a number of 24 companies listed on SIBEX have been legally transferred to BVB ATS, according to the Financial Supervisory Authority (FSA) regulations, in the AeRO Base category, 18 of which are tradable.

RON 38.06 mn, +21%

Operating revenues of BVB Group in 2017, growth compared with 2016

(as per consolidated IFRS reporting)

During 2017, the BVB Group recorded **consolidated operating revenues** of over RON 38.06 mn (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, representing the Group's **trading segment**, amounted to RON 23.35 mn (excluding intra-group transactions) in 2017, up by 20% compared with 2016 (2016: RON 19.43 mn), amid the increase in traded values.

The local and cross-border **settlement activity** of the Central Depository (DC) registered an increase in 2017 due to the increase of the volumes traded on the BVB and the increase of the cross-border activity of the participants. In 2017, DC's operating revenues reached RON 13.69 mn (excluding intra-group transactions), which corresponds to an increase of 17% compared to 2016.

In 2017 **post-trading revenues** grew by 19% compared to the previous year up to RON 9,70 mn (2016: 8,12 million lei), 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.

RON 9.24 mn, +53%

Operating profit of BVB Group in 2017, growth compared with 2016

(as per consolidated IFRS reporting)

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 **operating profit** to RON 9.24 mn (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.

RON 14.69 mn, +89%

Net profit of BVB Group in 2017, growth compared with 2016

(as per consolidated IFRS reporting)

The **financial income** of RON 3.65 mn was mainly represented by the interests generated from the government bonds and bank deposits, in RON and foreign currency, of the Group entities and the sale of available-for-sale financial assets (shares held in other stock exchanges). The unrealized exchange rate differences related to the foreign currency financial investments amounted to RON (1.15) mn, (2016: RON 0.57 mn, positive exchange rate diff.) were recorded due to the appreciation of RON against the USD, partially counterbalanced by the depreciation of the RON against EURO. Thus, in 2017, a **net financial profit** of RON 2.51 mn was recorded (2016: RON 3.04 mn).

The **consolidated net profit for the year 2017** reached the level of RON 14.69 mn (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 profit attributable to the shareholders of the parent company was RON 14.20 mn (2016: RON 7.59 mn).

Without taking in consideration the merger impact, BVB recorded an **individual net profit** of RON 9.90 mn (2016: RON 7.50 mn), an increase with 32% and a 100% achievement of the 2017 Budget.

RON 3.75 mn, +4.89%

Share capital increase due to SIBEX merger

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. As the absorption of SIBEX was done by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the calculation of the merger records resulted in a share premium amounting to RON 6,598,896, as a difference between the value of the shares issued by the BVB at nominal value and the value of the BVB share at the effective date of the merger of RON 29.6 / share, representing the equivalent of the consideration paid by the BVB.

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*".

The use of the tax loss carried over by SIBEX, as a result of BVB-SIBEX merger, and the compensation of the fiscal profit computed for the BVB 2017 result before the merger, led to a neutral tax result and a corporate income tax impact of RON 0.94 mn, compared to an expense of RON 1.32 mn registered by the Group in 2016, and to a revenue from deferred income tax of RON 0.33 mn., based on the fiscal result carry over and unused at the end of 2017.

Financial highlights

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

	2017	2016	Change (%)
Operating revenue	38.06	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	-	-
(Losses)/Gains from the impairment in associates	(0.03)	-	-
Profit before tax	14.59	9.08	61%
Profit for the period	**14.69**	**7.76**	**89%**
Total comprehensive income	14.68	7.72	90%
EPS (RON/share)	1.8499	0.9888	87%

Profitability ratios – BVB Group (%)

	2017	2016	Change (%)
Operating margin	24%	19%	26%
Net margin	39%	25%	56%
Return on equity	12%	7%	71%

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

	2017	2016	Change (%)	2017 - without merger impact	2016	Change (%)
Operating revenue	23.69	19.75	20%	23.69	19.75	20%
Operating expenses	16.03	14.04	14%	15.69	14.04	12%
Operating profit	**7.66**	**5.71**	**34%**	**7.99**	**5.71**	40%
Net financial revenue/(expenses)	3.43	3.32	3%	3.43	3.32	3%
Gain on bargain purchases	2.88	-	-	-	-	-
(Losses)/Gains from the impairment in associates	(0.06)	(0.27)	-79%	(0.03)	(0.27)	-89%
Profit before tax	13.92	8.76	58%	11.40	8.76	30%
Profit for the period	**14.25**	**7.50**	**90%**	**9.90**	**7.50**	32%

BVB Operating highlights

(RON mn; all markets)

BVB trading values	2017	2016	Change (%)
Trading value – shares, units, rights,*	12,073	9,467	6%
Trading value – certificates	264	428	6%
Trading value – fixed-income*	1,576	1,353	-52%
Total trading value	**13,913**	**11,248**	**-8%**
Avg. daily value (shares, incl. offers)**	48,02	36,45	4%

Notes: * Numbers refer to all markets and include offers. **Values calculated for the regulated market

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 129 paragraph 1 of Law no. 297/2004 on the capital market, no shareholder of a market operator can hold, directly or indirectly, more than 20% of the total voting rights. On 31 December 2017, there were no shareholders holding stakes exceeding this threshold.

As at 31 December 2017, the company's shareholders' structure was as follows: Romanian legal entities 68.74%, foreign legal entities 13.05%, Romanian individuals 12.42%, foreign individuals 1.14%, new shareholders coming from SIBEX shareholding 4.66%.

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;

- Bucharest Clearing House (Casa de Compensare București), 52.53% owned by BVB, performs operations such as Market research and public opinion polling (investigation services of the capital market potential);
- Corporate Governance Institute (Institutul de Guvernanță Corporativă), fully owned by BVB, offers training services to listed companies and capital market participants, in corporate governance and sustainable development areas.
- SiIBEX Depository (Depozitarul SIBEX), 73.14% owned by BVB, had performed clearing / settlement operations for transactions with securities carried out at SIBEX. This entity was acquired by BVB through the merger by absorption of SIBEX and at this moment its activity is suspended.

The consolidated financial statements of BVB for the financial year ended as at 31 December 2017 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

January 3 - Wood & Company Financial Services will act as the Super Market Maker for the BVB shares. Wood & Company has been acting exclusively as Super Market Maker for other relevant shares listed on the stock exchange and has decided to become Market Maker for BVB shares to increase liquidity.

January 4 - BVB has made it easier for intermediaries to operate on the stock market by allowing them to become indirect participants at Central Depositary. The move allows a BVB participant to choose how to perform post-trading operations.

January 26 - BVB launch "Leii BVB", a new project that aims to engage and reward individual investors who are actively trading on BVB. "Leii BVB" is a special project which will be carried out throughout the whole year 2017 as a manner of celebrating the 150th anniversary of Leu becoming the national currency of Romania.

January 31 - BVB announces Capital Market Awards Winners at the Stock Exchange Year 2017. BVB has awarded prizes to nine categories, three of which were voted by the public, with almost 3,500 votes cast

February 1 – BVB kicked off 2017 with new heights in January, being the best first month of the year in terms of value traded on the main market for shares since 2012. According to BVB data, the total trading value for equities went up by nearly 25% last month compared to December 2016 and 12% compared to the first month of 2016, to RON 710 mil.

February 2– BVB organizes at the National Bank of Romania the conference "Capital Market in Romania - The following capital developments

February 6 – BVB launches “Made in Romania”: the league of 15 companies for the growth of the Romanian economy. Organized for the first time in the history of the Romanian capital market, “Made in Romania” is a unique project that will identify and promote next most innovative Romanian companies.

February 15 – The new guidelines will become effective starting from February 15. According to the BVB decision, the companies will be included in the AeRO Premium category based on several criteria such as liquidity and management of investor relations.

February 17 - The participants of the contest of “ Condus de Randament “ enrolled in the contest until December 16, 2016, were able to make purchase transactions according to the rules of the contest until February 17, 2017. "Condus de Randament" is the first real-time trading competition in Romania organized by BVB.

February 23 - The BET index recorded the highest value in the last nine years on 23 February, 8,045 points at the end of the meeting.

February 27 - Driven by Return, the first real-life trading competition organized by the BVB, has come to an end: the winner of the 4-month trading competition registered a return of 30.34 percent. The winner of the competition will be awarded a Dacia Duster SUV.

February 28 - BVB together with the Rotary International District 2241 Romania signed a partnership agreement in which virtue the two institutions will contribute to the development of education in areas such as the economy, financial investments and entrepreneurship through training programs destined for, but not limited to, the young people.

March 2 – BVB launch the first edition of the Bucharest Entrepreneurship Forum,, will be organized on April 4t following the big interest of the Romanian entrepreneurs in *Made in Romania* project,

March 2 –_BVB has signed a partnership agreement with Radio Romania Actualitati (RRA) to improve on the information framework, support and promote financial literacy to a national audience.

March 3 - The BVB Index Committee decided, during its quarterly meeting, to expand the number of companies included in the BET and BET-TR indices from 10 to 12. CONPET and MedLife are the new additions to the main indices.

March 7 - An investor, 37 years, is the winner of Condus de Randament competition, the first real-life trading contest organized by BVB. The top 10 competitors have returns of over 15%, nearly 50 participants register two-digit returns.

March 8 - BVB announces that the process of shortlisting 50 companies that will enter the last stage of *Made in Romania* project has ended. 25 companies were selected through the votes casted by the Nomination Committee Members while the additional 25 were chosen by the Bucharest Stock Exchange representatives.

March 10 – BVB starts *Investment spring*, a debate dedicated to investment opportunities in Romania.

March 18 – Over 500 people attended the 6th edition of the Individual Investors Forum, organized by the BVB at Romexpo. The participants who were interested in investments and the management of personal finances were presented the up-to-date situation of the capital market, took part in interactive sessions regarding behavioral finances and had the opportunity to attend seminars dedicated to either beginner or advanced investors.

April 3 - BVB announced and awarded 15 companies that have qualified into the final stage of the Bucharest Stock Exchange's *Made in Romania*. At the Gala attended by over 100 top Romanian entrepreneurs and CEOs, Nomination Committee as well as Jury members

April 6 - BVB launches the first of a kind initiative allowing Romanians to express support for enforcing a National Investment Day by signing an online petition on www.primainvestitie.ro, part of the most ambitious national project ever undertaken by a European stock exchange to increase financial literacy.

Aprilie 11 – BVB and Agerpres launch InvestingRomania the first informational engine dedicated to the Romanian capital market. InvestingRomania.com include relevant content from the Romanian capital market using four sources of information: AGERPRES news, analysis and estimates of financial analysts, current and periodic reports submitted to the Bucharest Stock Exchange and news coming from listed companies.

April 12 - BVB and Rotary started the virtual trading competition Invest Quest.

April 12 - In the Ordinary and Extraordinary General Shareholders Meeting of the BVB shareholders, BVB shareholders decide on a new structure of commissions, the absorption of SIBEX by the BVB and the adoption of a Stock Options Plan as an extrapolation of a BVB redemption scheme, which has also been approved.

April 19 - BVB together with prominent US based CEE and domestic financial institutions and Romania organized at New York the yearly conference "Romania Investor Day". The event was attended by 43 investors, representing 32 investment funds, managing over USD 750bn, who met 13 Romanian companies.

May 11 - BVB publishes the second edition of the Whitebook on Listed Companies, an assessment to analyze the quality and accuracy of information provided to investors by listed companies on the BVB's main market.

May 15 - BVB and its partners from the financial sector support the existence of a National Investment Day to be celebrated each year on the 15th of May, My First Investment", which includes the stories of the first investments of several Romanian investors.

May 16 - DIGI shares start trading on the Bucharest Stock Exchange as the company sets a new record for the Romanian capital market, the value of the offering was over RON 944 mn (EUR 207 mn).

May 17 - BVB together with National Trade Register Office and Prime Transaction launch a project aimed at encouraging the Romanian entrepreneurship environment Entrepreneurs and professionals visiting ORCTB will be able to get information about the BSE, its activity, as well as the funding and investment alternatives offered to entrepreneurs and investors.

May 30 - BVB announces partnership with the Romanian Game Developers Association (RGDA), a non-profit organization whose purpose is to promote the Romanian video game developing market and support it to become more successful and profitable on both local and international markets.

June 14 - BVB launches APPLY BVB, a free online application for those interested in BVB's activity as a listed company. The application is a tool that brings a new quality to investor relations. It gives immediate access to the latest BVB financial results, stock prices, news for investors, analysts' reports and press release

June 19 - The main index of the Bucharest Stock Exchange expands to 13 companies as DIGI joins in.

June 19 - AAGES shares, a company which designs and manufactures induction heating systems for a wide range of applications, began trading on the BVB, following a bid through which shareholders have sold 15% of the company for RON 5.49 mn.

June 22 - Companies MedLife and CONPET, which were included in BET index three months ago, are now part of the InvestingRomania.com project, the first informational engine dedicated to investors launched by the BVB and AGERPRES.

July 5 - BVB releases *Guidebook on Best Practices in IR Communication,* a document which will help current and prospective issuers in the process of improving their investor relations activities.

July 11 - BVB informs that the company holds a Legal Entity Identifier Code (LEI code), as part of the process of alignment with the requirements imposed on financial market participants by the most recent European package of measures (MAD/MAR and MIFID II/MIFIR), applicable also to the issuers of financial instruments.

July 11 - Patria Bank shares, a credit institution that operates on the Romanian banking sector, are traded under a new symbol (PBK) on the BVB market, following the successful merger with Banca Comerciala Carpatica.

July 20 - BVB is the second capital market in Central and Eastern Europe where initial public offers (IPOs) were successfully concluded in the second quarter of this year according to IPO Watch Europe Q2 2017, a PricewaterhouseCoopers (PwC) analysis.

July 31 - Globalworth announces the listing of EUR 550 million corporate bonds the largest corporate bond issue in the history of the BVB.

August 7 - UniCredit Bank issues corporate bonds worth RON 610 million on Bucharest Stock Exchange.

August 8 - Shares of Romradiatoare, a leading Romanian company specialized in designing and manufacturing heat exchangers, cooling systems and metal components for a broad range of applications, start trading on the AeRO market of the BVB.

August 17 - BVB launched the book "My first investment.The book includes investors' ten stories about the local capital market. The book is available in the main book and bookstore networks in Bucharest and the country

September 14 - BVB was awarded for „Best IR Department of a listed company in Central and Eastern Europe" at the third edition of the Central and Eastern European Capital Markets Awards held in Warsaw.

September 19 - BET - main capital markets index - turns 20 years.

September 20 - Corporate bonds of Superbet Betting & Gaming one of the most important gambling operators in Romania, have started trading on the Alternative Trading System managed by BVB. The bonds which are non-guaranteed, RON denominated, have a total value of approximately RON 9.7 million.

September 28 - The third issuance of corporate bonds issued by International Investment Bank on the Romanian capital market is admitted to trading on the main market of the BVB. The issue is structured in two tranches, both with 3 years maturity.

Octomber 9 - Bucharest Stock Exchange publishes the 3rd edition of the Whitebook on Communication of Listed Companies.

November 2 - Shares of Transilvania Broker de Asigurare, a leading insurance brokerage company, began trading on the Main Market of the BVB starting under the symbol TBK.

November 9 - Shares of Sphera Franchise Group start trading on Bucharest Stock Exchange following an offer of over a quarter billion RON.

November 20 - BVB celebrate 22 years from the first trading on Bucharest Stock Exchange BVB fundamental institution of the capital market, was reopened in 1995, and the first transactions took place on November 20th. During the first session, 45 transactions were performed with a total of 905 shares belonging to 6 listed companies

November 28 - Bittnet launched its second corporate bonds issuance worth a total of RON 4.5 million.

December 14 - BVB launches the publication "Made in Romania": 15 companies for the growth of the Romanian economy and their unique stories" and announces the start of the second edition of a project Made in Romania.

Projects and accomplishments

The Bucharest Stock Exchange (BSE) had in 2017 one of the most dynamic years in history. Four private companies listed their shares on the BSE and in the last year it was the largest IPO of a private company in the history of the local capital market.

DIGI Communications started the listings of the last year once the sale of a 25.6% stake in the amount of RON 944 million (EUR 207 million), which was the highest initial public offer made by a private company on Bucharest Stock Exchange. The listings continued and other companies chose to become public: AAGES (sold 15% of shares for RON 5.5 million or EUR 1.2 million), Transilvania Insurance Broker (25% of the shares for RON 9 million or EUR 2 million), and Sphera Franchise Group (25% of the shares for RON 285 million or EUR 62 million).

The year 2017 recorded a dynamic bond sector on the BVB, consisting in the issuing of bond offers totaling EUR 279 mn, the first execution of bonds with EUR settlement, followed by their listing on the BVB, as well as the dual listing of bond issuers.

The stock market capitalization of the Romanian companies listed on BSE rose last year by 20% compared to 2016 and reached almost EUR 20 billion euros. A historic record of more than EUR 35 billion was also recorded in the capitalization of all listed companies on the main market of the BSE. Total value of transactions in 2017 at BSE exceeded EUR 3 billion, 24% above the 2016 level or 28% over the last 10 years.

The daily average of traded values on all types of financial instruments reached 20.1 percent in 2017 at EUR 12.1 million, up 25 percent from 2016. On the shares market, the average daily trading value increased by 32 percent compared to 2016 and has reached the maximum of the last 3 years.

The shares that investors bought in BET-TR companies, which includes dividends from BET companies, increased by over 19% last year. Nearly 24% growth also occurred for BET-XT-TR, the index that includes the most traded 25 companies listed on the BSE and the dividends they granted.

The most important events, projects and measures implemented in 2017 are described below.

Measures to improve liquidity

Continue to apply the market making program. Launched in January 2014, the market making program has been expanded and improved in several stages, including a revenue-sharing component for market makers. In July 2015, the program entered in a new phase, which was continued in 2016 and 2017, whereby, depending on certain criteria, two types of market makers were defined:

• **super market maker** - is a special type of market maker registered for a company that, over the other type of market maker, has additional obligations to create a more active trading framework: must place trading orders (purchase / sales) for a larger volume of shares and for a longer period than those placed by the classic market maker. The super market maker will pay half the trading fees to the classic market maker.

• **classic market maker** - is the standard type of market maker that must meet a number of specific assumptions.

Following the redefinition of the market making program, the Revenue Share-Part Scheme was also revised, which became applicable only to super market makers.

One of the components of the program also aims to stimulate market maker's customers to make more intraday transactions with the shares for which their broker is a market maker.

At the end of 2017, four market makers were registered for 11 issuers, most of them being super market makers. The weight of the value traded by market makers for the shares they are registered in the total trading value in their main market recorded in 2017 is 2.75%. At the end of 2016, the efforts to extend the list of market makers for BVB's shares were made, thus in January 2017 Wood & Company began its market-making activity on BVB shares. Also, starting with January 2018, Raiffeisen Centrobank AG acts as market maker for Transelectrica and Transgaz shares.

Indirect participants to the Central Depository

In January 2017, the BSE simplified the procedures for intermediaries operating on the capital market and allowed them to be indirect participants in the Central Depository. Thus, a BSE participant can choose the way to perform post-trading operations. The new option will create the premises for easier access to the market managed by the BSE of the potential new members, which will take into consideration to obtain BSE membership in order to activate on the Romanian capital market, while the related post-trading services will be provided by specialized institutions, such as custodians.

Lending&Borrowing and Short Selling

The Bucharest Stock Exchange and the Central Depository took a new step towards improving the quality of the capital market, offering the possibility of carrying out lending&borrowing financial instruments, short selling and buying margin starting with 2 August 2016, in a new and flexible regulatory framework, which allows investors to benefit from any market trend. Among the most important changes made to BSE regulations are:

• Possibility to perform short selling operations for financial instruments admitted to trading at the Bucharest Stock Exchange, regardless of their type and characteristics;

• Possibility to enter orders for sale without limitation of price, minimum volume or type of order;

• Elimination of mandatory marking of short selling orders.

Among the most important changes to Central Depository regulations are:

• Elimination of the obligation to use a standard loan agreement and its transmission to the Central Depositary;

• Possibility to carry out loan operations with all financial instruments registered in the Central Depository system;

• Establishing guarantees on a wider range of financial instruments;

• Expanding the purposes for which borrowing operations can be carried out;

• Elimination of the maximum number of working days related to a financial instrument loan.

Improving offer

Attract new companies

In 2017, BSE continued its efforts to promote the advantages of listing medium and large companies, state or private companies. There were over 190 meetings with private companies that might be interested in listing on the BSE.

In 2017, the largest IPO of a private company in the history of the local capital market took place. DIGI Communications shares, having DIGI symbol, a major provider of telecommunication services in Romania and Hungary, started trading on BSE on May 16, 2017 following the successful completion of the largest private IPO launched by a private company on the Romanian capital market. The share price in the offer was RON 40 / share. At this price, the value of the offer was over RON 944 million (EUR 207 million).

The listings continued and other companies chose to become public: AAGES (sold 15% of shares for RON 5.5 million or EUR 1.2 million), Transilvania Insurance Broker (25% of the shares for RON 9 million or EUR 2 million) and Sphera Franchise Group (25% of the shares for RON 285 million or EUR 62 million).

The year 2017 recorded a dynamic bond sector on the BVB, consisting in the issuing of bond offers totaling EUR 279 mn, the first execution of bonds with EUR settlement, followed by their listing on the BVB, as well as the dual listing of bond issuers, the total value of these bonds listing exceeds Ron 5 bn.

Starting with October 10, 2017, the Financial Instruments listed on ATS Section, the Shares Sector (AeRO) was structured into three categories: AeRO - Premium, AeRO - Standard and AeRO - Base. The third new category, AeRO-Base, includes the shares of issuers that have been legally transferred from the alternative trading system administered by SIBEX on the alternative trading system administered by BSE. This measure took place following the closing of SIBEX's activity on October 9, 2017 as a result of the merger with the BSE.

The BSE encourages issuers to hold meetings and phone conferences with analysts and investors and revised the rules for including the listed companies in the AeRO Premium category, dedicated to small and medium-sized businesses in Romania. The new requirements entered into force on February 15, 2017. For more transparency in the relationship with investors, the issuers whose shares will be in the AeRO Premium category will have to: include on the company's website a section dedicated to the investors relationship; to prepare and submit quarterly reports within 60 days of the end of the reporting period containing at least the balance sheet, the profit and loss account (in accordance with the regulations applicable to interim reports); to use the IRIS platform for transmission and publication of reports and communications; to meet the deadlines assumed in the financial communication calendar at the beginning of each year.

BVB launched in 2017 Made in Romania - the League of the 15 companies for the growth of the Romanian economy. Made in Romania is a unique project, organized for the first time in the history of the Romanian capital market, to identify and support the future engines of the local economy or the region. The 15 award-winning companies in the last stage of the project are: 2Performant Network, Agricover, Amber, Autonom Rent-aCar, Blue Air, Cris- Tim, Electrogrup, Good People, Ivatherm, IRUM, Softelligence, Prut and Vola.ro. Following the success of the first edition, the second edition of the project was launched in January 2018.

The Bucharest Entrepreneurship Forum, the first edition, took place on April 4, 2017, when 21 workshops were organized during the day, where topics such as growth finance, business development, strategy and innovation, branding, or digital marketing sessions. The Forum included several expert-led workshops and took place simultaneously in three sessions dedicated to start-ups, SMEs and large companies.

Change in the composition of the BET and BET-TR indices. The BSE changed the composition of the main indexes for the first time since their launch. The Index Commission decided on March 3, 2017, at its quarterly meeting, to expand the number of companies that are part of the BET and BET-TR indices, from 10 to 12 companies. The two new BET and BET-TR companies are CONPET (COTE symbol) and MedLife (M symbol). CONPET has as main activity the transport by pipeline and by rail of domestic and imported crude oil, gasoline, condensate and liquid ethane to refineries in Romania, while Medlife is the largest private health service operator in Romania. On June 19, the Index Commission decided to expand to 13 companies by including DIGI Communications, DIGI symbol, a major provider of telecommunication services in Romania and Hungary.

White Paper on the Communication of Listed Companies. Launched in 2016, the White Paper is the result of an internal study conducted by BSE to evaluate information provided by companies listed on the regulated market on their own web pages. The analysis aimed to improve the communication of listed companies with investors in the online environment by evaluating each website and identifying issues that can be improved. In 2017, the BSE published the second edition of the White Paper on Listed Companies' Communication, an evaluation aimed to analyze the quality and accuracy of information provided to investors by listed companies on the BSE's main market. The evaluation was conducted between April 10 - May 4, 2017 and included 83 listed companies on the Bucharest Stock Exchange's main market. In October 2017, BVB published the third edition of the White Paper on Listed Companies' Communication.

Information desk at the Registry of Commerce. The BSE together with the National Trade Register Office (ONRC) and the Prime Transaction brokerage company started on May 17, 2017 a pilot project that wants to bring Romanian entrepreneurs closer to the capital market opportunities. The pilot project involves the location of an information point at the headquarters of the Trade Registry Office attached to the Bucharest Court, which is visited daily by more than 2,000 professionals. They will be able to obtain information about the Bucharest Stock Exchange, its activity, as well as the financing and investment alternatives offered by it to entrepreneurs and investors.

Improving demand

Investors Forum. One of the reference events dedicated to retail investors, the Forum of Individual Investors, organized by the Bucharest Stock Exchange, attracted over 500 people at the sixth edition. During the entire Saturday, March 18, 2017, participants interested in investment and personal finance management had presentations on the capital market situation, interactive behavioral finance sessions, and seminars dedicated to beginner or advanced investors.

National Investment Day. BSE launched for the first time an initiative by which Romanians will be able to support the establishment of the National Investment Day by signing a petition on the online platform www.primainvestitie.ro as part of the most ambitious national project launched by an European stock exchange to raise the degree of financial education. Under the umbrella of the National Investment Day, the Bucharest Stock Exchange organizes a series of public events between May 14-15 to stimulate the Romanians' appetite for investment and to contribute to raising the level of financial education. More than 116,000 users visited www.primainvestitie.ro from April 6 to May 16, 2017 and more than 3,000 signatures were signed for the online petition to support the National Investment Day. The "First Investment" publication with ten stories about stock exchange, distributed in 4,000 copies, and the "Bucharest Stock Exchange and Financial Identity" exhibition were launched at the event.

Fluent in Finance. BSE launched the "Fluent in Finance" Universal Investor Platform in 2016, the platform being the largest and most comprehensive educational platform in Romania. It is also the first platform that focuses entirely on capital markets. The platform is made up of several segments, such as: educational videos, online courses, glossary of terms, financial culture tests, interactive map of Romania with all authorized brokerage houses on the Bucharest Stock Exchange, clubs of investors in the country and others.

The platform was awarded by Radio Romania Cultural for the best educational initiative. The platform contains over 100 minutes of educational videos, and the FinLit app available on Google Play and the App Store. The platform has over 13,000 visitors since launch, out of which 60% are returning.

InvestingRomania.com. BVB and AGERPRES, the leading provider on Romanian and international news, have launched in April InvestorsRomania.com, the first information aggregator that links companies with investors and analysts. InvestingRomania.com includes relevant content for the Romanian capital market using four sources of information: AGERPRES news, analysis and estimates of the financial analysts, current and regular reports to the stock exchange, presentations and news from listed companies. Altogether, 23 analysts from 10 institutions publish reports and analyzes on the site.

Apply BVB. BVB launched APPLY BVB, a free online application for those interested in BVB. The application is a tool that brings a new feature to the relationship with investors. It gives immediate access to BSE's latest financial results, stock prices, news for investors, analysts' reports and BSE's press releases. In addition, APPLY BVB includes details of the strategy, business model and governance system. Investors can choose to include the following financial events in the calendar and receive alerts about news, events and results. APPLY BVB is available for free on Google Play and the App Store.

Driven by Return Trading Contest. In 2016, after several editions of the BVB Invest Quest virtual competition, the BVB launched the first Driven by Return real-time trading contest. The competition took place from October 17 to February 17, 2017, using all the mechanisms and rules specific to the trading activity at the Bucharest Stock Exchange. The goal of the participants is to obtain the highest return on the portfolio of the contest. In just four months of trading, the winner of the first place achieved a 30.34% return, awarded on March 7, 2017 with a Dacia Duster SUV, in the Laureate equipment version. The main partner of the project is Raiffeisen Bank.

Invest Quest. BSE together with Rotary International District 2241 Romania and Moldova launched the virtual trading competition, Invest Quest. The contest is part of a larger project developed by the two institutions to develop education in areas such as economics, financial investment and entrepreneurship through programs designed especially for young people. The Invest Quest virtual demonstration trading tournament ran from April 5 to May 31 (8 weeks), and participants could register and open demo accounts anytime during this period directly on iq.arenaxt.ro. After registration, each participant received an account of virtual RON 20,000 that was used to buy shares in listed companies on the BSE and included in the BET-XT index. Winner is the competitor who gets the best return, and the prize of RON 5,000 was offered by the Rotary Club.

7/24 Capital. 24 hours, 7 days out of 7, about the stock exchange, unconventional, 7/24 Capital is a video production of the Bucharest Stock Exchange where we discuss about the stock exchange and the people that give it life, we ask questions and we are looking for the most relevant answers for professionals or novices in the field. Launched in 2017, at 7/24 Capital we have a new approach, we bring current issues and provide indispensable information in the investment world and all the videos are accessible from the YouTube page of the Bucharest Stock Exchange.

Improving market visibility

Campaigns to promote the Romanian capital market. The BSE organized and participated in 2017 to events dedicated to institutional investors, both in Romania and abroad, to promote the local capital market and the progress achieved in recent years. Institutional investor events were organized in partnership with brokerage firms, focusing on major financial centers across Europe and not only: London, Vienna, Warsaw, Prague, New York, Chicago and Washington.

Integrated communication campaigns for BSE projects. In order to support the projects for retail investors, which promotes the advantages of investments on the capital market, the BVB has developed dedicated promotion campaigns for the Driven by Return, National Investment Day, Individual Investors Forum, Fluent in Finance, Made in Romania and Bucharest Entrepreneurship Forum.

In cooperation with the Central Depositary and brokerage firms, the BSE continued the public information campaign on the actions taken during the mass privatization process in the 1990s.

Media Coverage. BSE has developed new media partnerships and has focused on expanding coverage of investment topics by general media in Bucharest and territory.

Other projects

Merger with Sibex. 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. Effective implementation of the merger took place on January 1, 2018.

Following the merger process, since October, a number of 12 companies listed at SIBEX decided to be listed to the ATS market of BVB, going through the legal steps related to this process according to BSE regulations, being admitted to trading within the Financial Instruments Section admitted to trading within ATS BVB, share class -

AeRO Standard. Also, a number of 24 listed companies at SIBEX were transferred by law to ATS BVB, according to ASF regulations, in the AeRO Base category, 18 of which are tradable.

Implementation of MiFID II. Starting with January 2018, BSE accommodates operationally the requirements of the European delegated regulations MiFID II and MiFIR. Year 2018 is MiFID II, the year in which all stock exchanges continue to adapt platforms and procedures to comply with the new related regulations, which also implies for BSE a continuation of the series of technical developments in the field of monitoring systems, procedures for resuming operational activity in the case of disaster, effective timing synchronization mechanisms, automated monitoring and detection of stress conditions for the market.

Central Depository

Implement EU market standards for corporate event processing

Since February 1, 2017, Central Depository (DC) implemented the European Union's market standards for corporate events performed by the issuers and provided a new application for issuers and participants to provide information on corporate events associated with financial instruments for which the institution is the depositary of the issuer. The Central Depositary was the first institution of its kind in the region to implement European standards for corporate events. On February 14, 2017, the first corporate event was successfully completed in line with EU market standards.

Settlement of TARGET2-Securities Platform (T2S) on transactions in Euro on the Bucharest Stock Exchange for financial instruments denominated in Euro

Starting September 2017, the Central Depositary has made available to its clients the T2S Platform Settlement Service of the EUR-denominated transactions at the Bucharest Stock Exchange for financial instruments denominated in Euro, the first settlements being made in September 2017.

DC re-authorization according to European Regulation no. 909/2014 on the improvement of securities settlement in the European Union and on securities central depositories

On 28.09.2017 the Central Depository submitted to the Financial Supervisory Authority the file for re-authorizing the institution as a central depository, according to the requirements of the European Regulation no. 909/2014 on the improvement of securities settlement in the European Union and on securities central depositories.

The Central Depository's authorization according to European standards will confirm that the procedures, practices and rules of the Central Depository, as a Romanian financial market infrastructure, are in line with the new EU regulatory framework, the institution being prepared to provide standardized and high-quality services throughout the European Union with regard to the recording and retention of financial instruments, the management of financial instruments accounts at the highest level and the settlement of transactions. The Central Depository's reauthorization project is extremely complex and required both changes in the Central Depository system and at the organizational regulatory level.

Distribution of dividends

In 2017, the distribution of dividends and other amounts due to holders of securities continued centrally through the Central Depositary. The Central Depositary continued its efforts to improve the Dividend Central Payments Service to implement as much as possible the requests of entities from the issuer- depository - paying agent - shareholder chain. In this context, the Central Depository initiated and made the necessary steps with the paying agents used by the issuers in order to distribute the dividends from an distribution account opened on behalf of the issuer, without the need to transfer those amounts to an account opened in the name of the Central Depositary.

Issuing LEI codes

The Central Depositary is in the process of being licensed as a Local Operating Unit (LOU) for issuing LEI codes. In December 2017, the Central Depositary concluded a contract with the central depository KDD - Central Securities Clearing Corporation of Slovenia - "LEI agency agreement" - in order to facilitate, as an intermediary, the issuance of Legal Entity Identifier (LEI) codes for Romanian entities.

International cooperation

Central Depositary continued to offer cross-border settlement services in 20 countries, processing both Free of Payment (FoP) and Delivery versus Payment (DVP) transfers for all existing connections.

In order to harmonize their own activities with the new European regulatory tendencies, the Central Depository continued to work with the European Central Depositary Association (ECSDA). Through the Public Policy Working Group WG2, the Settlement Working Group WG3 and the ECSDA Executive Committee, the Central Depository was also actively involved in 2017 in legislative projects in the ECSDA analysis, both with regard to central depository activity and other areas of interest that could have an impact on central depositaries. To facilitate the adaptation of depositories to the new licensing requirements, a Compliance Working Group has been set up at ECSDA level in which the Central Depositary has two representatives who have actively participated in every meeting of its members.

The development of international cooperation was also supported by the activity of the Central Depository as a national numbering agency, as a full member of ANNA (Association of National Numbering Agencies). Starting with July 2017, the Central Depository allocates Financial Instrument Short Name (FISN) codes according to ISO 18774 and ANNA Guidelines for all Romanian financial instruments.

Bucharest Clearing House

According to the resolution of the General Meeting of Shareholders of Bucharest Clearing House dated 29.07.2016, the object of activity of the company is: "to carry out the activities classified in class 7320 - market research and public opinion polling and consists of the following activities: services to investigate capital market potential, acceptance and familiarization with products, new operations and tools, investor behavior towards products and services, public opinion polling services on economic issues, including statistical analysis of results. "

As the premises of any activity included in the scope of the Bucharest Clearing House were not established, until the clarification of the role and place of the Bucharest Clearing House in the architecture of the financial instruments field, the management of the company continued to apply the measures for the drastic reduction of all expenses, for the most judicious use of the limited amount of resources at the disposal of the Bucharest Clearing House.

Investors Compensation Fund

In 2017, the Investors Compensation Fund opened the compensation procedure for MOBINVEST S.A. based on the Decision no. 1193 / F / 2016 issued by the Bihor Court in file no. 7717/111/2013, dated 12.10.2016. By this ruling, Bihor Court ordered the insolvency proceedings for MOBINVEST S.A. which held the Investors Compensation Fund membership until 05.12.2008. For this compensation case to be carried out as accurately and efficiently as possible, Investors Compensation Fund has maintained an open and efficient communication with capital market institutions, investors and the liquidator, trying to fulfill all the obligations set out in its mandate.

At the end of 2017, Investors Compensation Fund was not a creditor or a party to the insolvency file because several steps were not taken, such as the publication of the rectified preliminary table and the final table of claims, and therefore no compensation to the injured investors was granted.

On 31 August 2017, the Ministry of Public Finance (MFP) published on its website, for public consultation, the draft of Investor Compensation Fund (FCI) Law proposal, which transforms the current Investor Compensation Fund in legal entity governed by public law, whose statute of organization and functioning is approved by the Financial Supervisory Authority (FSA). Within 90 days of the entry into force of the Act, the patrimony of the current Investor Compensation Fund S.A. becomes the FCI's property, and within 90 days, it will be ordered to restitution to the current shareholders of the fund the equivalent of the shares held in the company's share capital. The liquidation of the FCI subsidiary will change the structure of the BVB Group.

Analysis of financial results for 2017

Macroeconomic background and financial markets overview in 2017. Year 2017 was characterized by synchronized global economic growth against the backdrop of a modest rebound of inflation expectations that favored robust earnings growth and returns that exceeded expectations set out at the beginning of the year. Also, in 2017 we've begun to see the central banks entering a more normalized path for the monetary regime against the positive economic outlook. Emerging markets benefited from both synchronized global growth environment and the reflation trade. To this extend, stock market volatility remained low and most global stock market indices generated positive returns, some of them reaching multiannual peaks.

Locally, Romanian economy advanced the most in Europe, the latest estimates of the National Prognosis Commission indicating, for 2017, a real GDP growth of 7.1%, higher than most expectations. For 2018, according to National Prognosis Commission, the GDP is estimated to grow another 6.1%. In terms of monetary policy, National Bank of Romania maintained the 1.75% key rate during the whole year, thus continuing the relatively expansionary monetary policy. However, the expectations are that the NBR will increase the key rate a few times during 2018 due to the rapid acceleration of inflation. While the average inflation rate in 2017 is estimated, by the same commission, at 1.34%, in 2018 expectations are that it will reach 3.7%.

Analysis of the consolidated financial results for 2017 and of the consolidated financial position of BVB.

The operating revenues of the BVB Group recorded a level of RON 38.06 mn during 2017, up by 21% year-on-year, as a result of the increase in all the business segments of the Group.

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

Operating revenues	2017	2016	Change (%)
Trading services	23,345,067	19,432,925	20%
Post-trading services	9,700,191	8,118,738	19%
Registry services	3,991,152	3,591,257	11%
FCI services and other services	1,019,165	435,000	134%
Total operating revenues	**38,055,575**	**31,577,920**	**21%**

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 segment ratios (RON mn., all markets)	2017	2016	Change (%)
Trading value – shares, units , rights*	12,073	9,467	28%
Trading value – certificates	264	428	-38%
Trading value – fixed-income *	1,576	1,353	16%
Total trading value	**13,913**	**11,248**	**24%**
Avg. daily value (shares, incl. offers)**	48.02	36.45	32%

Notes: * Numbers refer to all markets and include offers. **Values calculated 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:

Post-trading and registry segment indicators	2017	2016	Change (%)
Registry activity			
No. companies with a registry contract at the Depository:	914	884	3%
- listed companies	426	397	7%
- closed companies	488	487	0%
No. procedures resulted from issuers' corporate events, of which:	276	205	35%
- share capital changes	56	56	0%
- dividend payments	220	149	48%
Settlement activity			
a) Admission and maintenance			
No. of intermediaries / participants to the clearing & settlement system	35	38	-8%
No. of custodians	10	11	-9%
Avg. monthly portfolio managed by custodians (RON bn)	38.8	32.48	19%
No. of clearing participants paying maintenance fees	3	3	0%
b) Local settlement			
Value of trades settled on net basis (RON bn)*	31.94	24.82	29%
Value of trades settled on gross basis (RON bn)**	4.41	2.5	76%
c) Settlements through T2S platform (euro)			
Value of trades settled on gross basis (RON bn)	0.14	-	-

* 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.

In 2017, the Bucharest Clearing House has not performed any compensation activities related to trades with derivative financial instruments executed at BVB, taking into consideration that FSA according to the Decision no. 44/7.01.2016 withdrew the authorization of the term regulated market managed by BVB market operator. The Bucharest Clearing House registered the decrease of the share capital reducing the nominal value, covered the accumulated losses, existent on 30 June 2016, considering the reserves, the capital premiums and the share capital and started the reimbursement to the shareholders of a quota of their contribution.

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, ie 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 increased by 13% to RON 28.82 mn in 2017 (2016: RON 25.53 mn), mainly due to the increase of the other operational expenses by 27% from RON 7.58 mn to RON 9.59 mn as a base effect, as the reversal of the provision for litigations registered by the Central Depository in previous years, amounting to RON 1.35 mn, generated a decrease of the operating expenses in 2016. Also, compared to the previous year, there was an increase in the rent and utilities expenditures according to the rental contracts of the BVB Group, the expenses with other taxes, respectively those due to FSA having as a basis the operational revenues but also the expense with non-deductible VAT, partly offset by the decrease of the other categories of expenditure, such as transport and travel expenses, telecommunication and other operating expenses.

Personnel expenses include salaries, bonuses and benefits for employees and management as well as related contributions, the impact of capitalization of the salaries expenditure as result of the in-house production of intangible assets (software), the expense related to the statutory days off not claimed by the staff at the end of the year 2017, as well as other post-employment compensation (non-competing clause) granted to management.

The increase of 4% compared to the previous year comes in the context of the results achieved in 2017 and the fulfillment of the performance criteria of the former CEO’s mandate contract, and comes mainly from the rights granted according to the contract.

According to the decision of the GSM to implement an Stock Option Plan for the employees, management and the Board of Governors (BoG), in December 2017 the first expenses related to the granting of shares to the eligible members of BoG, amounting to RON 0.17 mn were recorded, on the basis of the fulfillment of the conditions stipulated in the Allocation plan. The granted rights will be exercised after the allocation of the BVB shares necessary for the transfer.

During 2017 there was a 24% increase in the expenditures for **services provided by third parties** due to the recording of the expenses for the preparation of the BVB-SIBEX merger (legal, financial and fiscal consultancy, evaluation reports and due diligence, etc.) in amount of RON 0.34 mn, but also due the increase of other expenditures provided by third parties, generated by the ongoing projects of the Group, while the expenses for the financial, IT and internal audit, as well as the services rendered by third parties for different events decreased during this period, diminishing the negative impact of the increases of the above expenditure.

The **consolidated operating profit** of the BVB Group for the year 2017 was RON 9,24 mn, up by 53% compared to 2016 (2016: RON 6,04 mn), as a result of the 21% increase in the operational revenues while the operating expenses advanced by 13%.

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

Operating profit	**2017**	**2016**	**Change** (%)
Trading services	7,319,165	5,411,988	35%
Post-trading services	1,312,256	(268,659)	n/a
Registry services	513,642	1,181,598	-57%
FCI services and other services	92,320	(280,313)	n/a
Total operating profit	**9,237,383**	**6,044,615**	**53%**

The financial income of RON 3.65 mn was mainly represented by interest the interests generated by government bonds and bank deposits, in RON and foreign currency, of the Group entities and the sale of available-for-sale financial assets (shares held in other stock exchanges). The unrealized exchange rate differences related to the foreign currency financial investments amounted to RON (1.15) mn, (2016: RON 0.57 mn, positive exchange rate diff.) were recorded due to the appreciation of RON against the USD, partially counterbalanced by the depreciation of the RON against EURO. Thus, in 2017, a **net financial profit** of RON 2.51 mn was recorded (2016: RON 3.04 mn).

Thus, in 2017, there was registered a **net financial profit** of RON 2.51 mn, a decrease from RON 3.04 mn recorded in 2016.

The completion of the merger BVB-SIBEX determined the recording of an **income/gain from bargain purchases** of RON 2.88 mn, in accordance with the provisions of IFRS 3 "*Business combinations*".

The use of the tax loss carried over by SIBEX, as a result of BVB-SIBEX merger, and the compensation of the fiscal profit computed by BVB for 2017 result before the merger led to a neutral tax result and **a corporate income**

tax impact of RON 0.94 mn, compared to an expense of RON 1.32 mn registered by the Group in 2016 and to a revenue from deferred income tax of RON 0.33 mn., based on the fiscal result carry over and unused at the end of 2017.

The consolidated net profit increased by 89% up to RON 14.69 mn (2016: RON 7.76 mn), the profit attributable to shareholders of the parent company being RON 14.20 mn (2016: RON 7.59 mn).

The total comprehensive result of the period, which also includes the differences in the revaluation of available-for-sale financial assets and the revaluation reserves of tangible assets that are not recognized in the income statement, was RON 14.68 mn (2016: RON 7,72 mn).

At the end of December 2017, the **total assets** of the BVB Group amounted to RON 203.24 mn (31 December 2016: RON 173.00 mn), up by 17% compared to the beginning of the year, mainly due to the increase in current assets represented by funds available for dividend payments by the Central Depository to the shareholders of the listed companies, clients of the Central Depositary and the cash taken over from SIBEX in amount of RON 12,33 mn, after the merger.

Fixed assets decreased by 27% compared to the beginning of the year mainly due to the fact that some long-term financial assets held to maturity have been reclassified as short-term financial assets held to maturity as the maturity became less than 12 months, while **current assets** increased by 58% to RON 142.16 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, the cash taken over from SIBEX in amount of RON 12,33 mn, after the merger and due to the reclassification of RON 25.83 mn. as short term financial assets held to maturity. The amounts available for dividends payment to the Central Depositary's clients were presented in **Other restricted assets** and recorded, at the end of December 2017, the amount of RON 50.16 mn (31 December 2016: RON 38.47 mn).

Within the current assets, the assets of the SIBEX Depositary, are recorded as assets held for sale as a single position amounting to RON 1.55 mn, in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", given the intention of closing the company.

The **total debts** of the Group are only short-term and at the end of December 2017 they amounted to RON 78.23 mn (31 December 2016: RON 64.97 mn), approximately 64% of this value, amounting to RON 50.16 mn, is represented by the dividends to be paid by the Central Depository on behalf of its clients and 26% representing guarantee funds, compensation and margin for the settlement of transactions amounting to RON 20.69 mn. The increase in total debts comparing with the beginning of the year is mainly due to the increase in the debts representing funds for dividend payments that the Central Depository must distribute to the shareholders of the listed companies, clients of the Depositary.

The remaining debts include the amounts of debts to various suppliers, other liabilities to the state budget and the social security budget, not due at the end of the analyzed period, as well as dividends to be paid from current and previous years, not yet claimed by the BVB shareholders (RON 0.71 mn).

The debts related to SIBEX Depositary are also presented as a single position, within the current debts, amounting to RON 0.41 mn.

Shareholder's equity reached RON 114.30 mn as at 31 December 2017, 17% higher than at the beginning of the year, amid a net current result higher than the dividends granted in the year corresponding to the result of 2016, but also because of the increase in the share capital determined by BVB-SIBEX merger.

As a result of the merger by absorption between BVB and SIBEX, the **share capital** of the BVB increased by RON 3,750,480, respectively 375,048 shares at the nominal value of RON 10 per share. As the absorption of SIBEX was done by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the calculation of the merger records resulted in a share premium amounting to RON 6,598,896, as a difference between the value of the shares issued by the BVB at nominal value and the value of the BVB share at the effective date of the merger of RON 29.6 / share, representing the equivalent of the consideration paid by the BVB.

Within the equity, there are included **treasury shares**, as the result of the redemption, in accordance with the legal provisions, of the shares held by the shareholders who did not vote in favor of the BVB-SIBEX merger, which could withdraw from the shareholding of the company. Thus, in September 2017, BVB acquired 28,276 own shares, representing 0.35% of the share capital. The acquisition price of the shares was RON 35.6376 / share, determined by an independent expert established by the National Trade Register Office.

Perspectives

Bucharest Stock Exchange was in 2017 a dynamic company dedicated to transforming the local capital market into a modern trading space by engaging in a broad process of technical improvements implemented both individually and at BVB Group level. The Bucharest Stock Exchange demonstrated in 2017 the ability to absorb significant initial public offerings (DIGI, Sphera Franchise Group), adapting to the challenges of the economic environment and its ability to diversify the offer of companies listed. One of the functions of the Bucharest Stock Exchange, which is to offer an alternative source of funding to issuers, has been actively used by some listed companies, by issuing preference rights, raising capital or issuing bonds.

The year 2017 was also a reference point for the effervescence of the communication and investor relations activities, a direction that the Bucharest Stock Exchange will continue in the years to come. Emphasis will be placed on already established projects, raising public awareness and raising the level of financial education among investors, corporate governance and transparency of listed companies.

BVB shall continue its efforts in the same direction of action as in 2017, following the strategy and the goals established until 2020, focusing on the attraction of new issuers and investors, on the development of the individual investors base, as well as the improvement of the market mechanisms. Bucharest Stock Exchange will also support regulatory changes needed to simplify market processes, such as implementing a central counterparty solution, relaunching the derivatives market, and increasing the stock market liquidity. Also, the BSE will continue the projects started in 2017 that can change the architecture of the local capital market. Guided by the saying *One Country, one Stock Exchange*, Bucharest Stock Exchange team will implement the merger by absorbing SIBEX.

Some of the projects considered for year 2018 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 2018	**Value** (thousand RON)
Business and IT projects,*Out of which*	2,556
Licenses and annual software development	1.020
Partial renewal of infrastructure (servers, network equipment, operations follow-up system and unit log analysis)	1.536
Other fixed assets for BVB's headquarters	230

Other information

Subsequent events

The Ordinary General Meeting of Shareholders of BVB summoned for 16/17 April 2018 has on the agenda proposals regarding the approval of the annual financial statements for 2017, the distribution of dividends to BVB shareholders, amounting to RON 13,550,791 (gross amount), the budget and business plan for 2018, as well as the remunerations of the directors.

On January 19, 2018, the Central Depository registered the new shareholders as a result of the merger of BVB-SIBEX in the BVB shareholders' register.

On January 23, 2018, The Financial Supervisory Authority approved the appointment of Mr. Adrian Tanase as CEO of the BVB. As of this day, ceases the mandate as Interim CEO of Mr. Marius-Alin Barbu, who returned to his position of Deputy CEO.

Statistics for BVB shares

BVB shares ended 2017 at a price of RON 27.6 per share, while the weighted average price registered during the year was RON 31.55.

(RON, unless otherwise stated)

	2017	**2016**	**Change** (%)
Closing price (e-o-p, RON)	27.60	29.00	-5%
Weighted average price (RON)	31.55	26.08	21%
High – intraday (RON)	35.50	29.70	20%
Low – intraday (RON)	26.20	20.60	27%
Total trading value (RON mn)	25.64	10.91	135%
Average trading value (RON mn)	0.10	0.04	141%

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 2018, is presented in the table below:

Year	**Gross dividend/share** (RON)	**Total dividends** (RON)	**GMS date**	**Registration date**	**Payment date**
2017	1.68348	13,550,791	16/17 April 2017	22 May 2018	11 June 2018
2016	0.92028	7,062,423	12/13 April 2017	16 May 2017	6 June 2017
2015	0.8687	6,666,555	26/27 April 2016	17 May 2016	6 June 2016

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

By distributing in full the amount of RON 13,550,791 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 1.6834. 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).

Assessment of details regarding employees

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

	2017		2016	
	End-year	Average	End-year	Average
Bucharest Stock Exchange	43	43	47	46
Central Depository	51	51	51	52
Investors Compensation Fund	4	4	3	3
Bucharest Clearing House	3	3	4	4
Total number of employees	**101**	**101**	**105**	**105**

Investments in subsidiaries

On 31 December 2017, the Bucharest Stock Exchange was a shareholder in other entities, as follows:

Value of share	31 December 2016	31 December 2017
Central Depository	20.243.932	20.243.932
Bucharest Clearing House	125.626	125.673
Investors Compensation Fund	214.843	214.843
Foundation Corporate Governance Institute of BVB	50.000	50.000
SIBEX Depository	-	828.066
Total	**20.634.401**	**21.462.515**

During year 2016, the Bucharest Clearing House, proceeded to reduce the share capital following the reduction of the nominal value of the shares, the reimbursement to the shareholders of a quota and the coverage of the reserves accumulated losses, premiums and share capital. The cash of RON 2.150.791 of the shares held, resulted in the cancellation of the adjustment corresponding to the accumulated losses with the amount of RON 1.375.076. Following the evaluation of the situation on 31 December 2017, factors were identified regarding the impairment of the value of share held by BVB so that it was proceeded to adjust the value of the participation interests with the amount of RON 27.276, the net value of the investment in BCH as at 31 December 2017 being fully impaired.

The company acquired control over the SIBEX Depositary on 29 December 2017 as the result of the merger by absorption between BVB and SIBEX, thus taking over the share held by SIBEX of 167,846 shares representing 73,135% of the share capital. The shareholding was assessed and recorded at the fair value of RON 828,066.

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

Extraordinary General Shareholders Meeting of April 12, 2017 approved the amendment of the Company Constitutive Act to reflect the value and the final structure of capital, due to changes arising from implementation of the merger between BVB and Sibex – Sibiu Stock Exchange SA, empowering in this regard the Board of Governors to establish the final value of the share capital increase, pursuant to conditions set forth in the Merger Plan, including the cancellation of those shares of BVB which have been allocated to the SIBEX shares that exercised the right of withdrawal in accordance with art. 134 of Law no. 31/1990 and the cancellation of those shares issued by BVB, and which, because of rounding operations are not allocated to SIBEX shareholders. On December 14, 2017, Bucharest Court admitted the request on the merger by absorption between BVB as absorbing company and Sibex – Sibiu Stock Exchange S.A. ("Sibex") as absorbed company, and disposed the registration at the Trade Registry of the mentions regarding the merger.

Also, the shareholders approved in the same meeting of April 12, 2017 an amendment to the Constitutive Act for elimination of a redundant provision regarding the competence of "relocating the Company's headquarter abroad".

Thus, the applicable version of BVB Constitutive Act, consequently amended, is available on the Company's website at http://www.bvb.ro/InvestorRelations/Overview.

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

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

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.

At the beginning of 2017, the composition of the Board of Governors was as follows:

- Lucian-Claudiu Anghel, President, independent
- Valerian Ionescu, Vice-President, independent
- Robert-Cosmin Pană, Vice-President
- Cristian Micu, Secretary General, independent
- Gabriel Marica, Member, independent
- Octavian Molnar, Member
- Otto Emil Naegeli, Member, independent
- Dan-Viorel Paul, Member
- Radu Toia, Member, independent

Giving up the mandate of Mr. Radu Toia, starting with February 13, 2017, led to the vacancy of a position in the Board of Governors. This position was occupied by the shareholders election, in the Ordinary General Shareholders Meeting dated April 12, 2017 of Mrs. Claudia - Gabriela Ionescu, for the remaining term of the mandate given to Mr. Radu Toia. Mrs. Claudia - Gabriela Ionescu was validated by the Financial Supervisory Authority on July 20, 2017, the date on which she started to exercise her mandate.

The decease of Cristian Micu on June 16, 2017 produced another change in the Board's composition. On the vacant position, the Board of Governors has appointed an interim administrator, namely Mr. Radu Hanga, who was also elected by the shareholders, in the Ordinary General Shareholders Meeting of September 14, 2017, as member of the Board of Governors for the remaining term of the mandate given to Cristian Micu. Mr. Radu Hanga was validated on this position by the Financial Supervisory Authority on November 1, 2017, the date on which he started to exercise his mandate.

In its November 2017 meeting, the Board of Governors designated Mrs. Claudia-Gabriela Ionescu as Secretary General of the Board.

Therefore, the composition of the Board of Governors at the end of 2017 was as follows:

- Lucian-Claudiu Anghel, President, independent
- Valerian Ionescu, Vice President, independent
- Robert-Cosmin Pană, Vice President
- Claudia–Gabriela Ionescu, Secretary General, independent
- Gabriel Marica, Member, independent
- Octavian Molnăr, Member
- Otto Emil Naegeli, Member, independent
- Dan-Viorel Paul, Member
- Radu Hanga, Member, independent

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-present: President of the Board of Governors, Bucharest Stock Exchange
- 2015-present: President of the Executive Committee, CEO BCR Banca pentru Locuințe
- 2013-present: Professor, Scoala Nationala de Studii Politice si Administrative
- 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 positions in the BVB Committees:

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

Relationship with BVB 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-present: 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 BVB Special Commissions/ Advisory Committees:

- Member, Audit Committee

Relationship with BVB shareholders owning more than 5%: -

Mr. Robert Cosmin Pană – Vice-President

Year of birth: 1979

Nationality: Romanian

Education:

- Degree in Law

Professional experience:

- 2016-present: Vice President of the Board of Governors, Bucharest Stock Exchange
- 2011-present: Legal Advisor, Swiss Capital SA
- 2016-2017: Member of the Supervisory Board, 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 BVB Special Commissions/ Advisory Committees:

- Vice-Chairman, Appeal Commission

Relationship with BVB 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-present: Secretary General of the Board of Governors, Bucharest Stock Exchange
- 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 BVB Special Commissions/ Advisory Committees:

- Chairman, Remuneration Committee

Relationship with BVB 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-present: Member of the Board of Governors, Bucharest Stock Exchange
- 2014-present: CEO/President of the Board of Directors, SSIF ROMINTRADE, 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
- Member of the Board of Directors, Casalco SA, Sf. Gheorghe
- Administrator, Norvea SA, Brasov

Other positions in the BVB Special Commissions/ Advisory Committees:

- Chairman, Appeal Commission

Relationship with BVB 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-present: 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
- 1994-1999: Contributor, EXPERT SA, Arad
- 1994-1997: Reviewer, Financing Department; Chief of Feasibility Studies Unit, New Investments 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 BVB Special Commissions/ Advisory Committees:

- Vice Chairman, Listing Commission

Relationship with BVB 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-present: Member of the Board of Directors, Bucharest Stock Exchange
- 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 BVB Special Commissions/ Advisory Committees:

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

Relationship with BVB shareholders owning more than 5%: consultancy contract with EBRD

Mr. Dan Viorel Paul – Member

Year of birth: 1968

Nationality: Romanian

Education:

Capital Markets Specialist, BVB in collaboration with University of Wisconsin (USA)

Degree in Economics, Academy of Economic Studies, Bucharest

Professional Experience:

2016-present: Member of the Board of Directors, Bucharest Stock Exchange

2005-present: President, Brokers Association

1997-present: President & CEO, SSIF Finaco Securities SA

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 BVB Special Commissions/ Advisory Committees:

- Member, Remuneration Committee

Relationship with BVB 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-present: 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: Member in the Board of Directors of 4 companies belonging to BT Grup (BT Leasing Transilvania IFN, BT Direct IFN, BT Operational Leasing, 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 BVB Committees:

- Chairman, Listing Commission

Relationship with BVB shareholders owning more than 5%: -

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

During 2017, there were convened 47 meetings of the Board of Governors – out of which 29 were organised exclusively by remote participation of its members, with an average participation of 89%.

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

During 2017, the Board of Governors took into discussion the following main topics:

- The merger process by absorption between BSE and Sibex - Sibiu Stock Exchange SA: monitoring of the status of the potential merger process, approval of the Merger Project, election of the independent evaluator regarding the examination of the Merger Project, approval of the Directors' Report on the Merger Project, BSE shareholders withdrawal procedure as a result of the approval of the merger, the determination of the final value of the BSE share capital based on the approval of the merger, the designation of the independent valuator to determine the price paid by the BSE to the shareholders exercising the right to withdraw from the Company, determining the maximum estimated amount for the redemption by the BSE of the shares held by the shareholders who submitted applications for withdrawal from the BSE in the context of the merger, the date of unavailability for the withdrawal of BSE shareholders from the Company, implicitly updating the BSE shareholder withdrawal procedure, in order to observe by the BSE of the incidental legal framework, monitoring the operational implementation of the merger;
- Execution of the strategy and future developments;
- MiFID2 implementation status;
- Admission or withdrawal to/from trading of several Participants or financial instruments;
- Ammendments of the BVB Rulebook – market and system operator;
- Development of the exchange index activity segment, implicitly amending the BVB indices manuals;
- Election of the BVB internal auditor for 2017, 2018 and 2019;
- Evaluation of the activity of internal control, internal audit and risk management;
- Review and update of the risk management framework;
- Evaluation of the suitability of the candidates for the position of interim member of the Board of Governors and nomination of an interim administrator;
- Convening the General Shareholders Meetings for approving the 2016 financial statements and profit distribution, 2017 budget and business plan, remuneration and the general limits of the additional remuneration for the administrators, designation of the Company's financial auditor and establishing the term of the financial audit contract, election of two members of the Board of Governors, approval of the maximum level of the fees and commissions charged by the Company for the specific operations on the regulated market, continuing the supply of services related to the space dedicated to the BVB headquarter by International Business Center Modern S.R.L., final approval of the merger with Sibex – Sibiu Stock Exchange, amending the Constitutive Act, buy-back of its own shares by the Company for implementing a stock-options plan for employees, executives and members of the Board of Governors;
- Preliminary evaluation of the suitability of the new members of the Board of Governors, appointed by the General Shareholders Meeting;
- Completing the composition of Advisory Committees and Special Commissions;
- Establishing the terms and conditions of the mandate contract for the CEO position;
- Defining and performing the selection process of the candidates to the CEO position, nomination of the new BVB CEO and preliminary evaluation of his suitability;
- Establishing the actual amount of fees and tariffs approved by the shareholders and the date of application;
- Activity of the Advisory Committees and Special Commissions;
- Regular analysis of the operational and financial indicators and their budgeting;
- The results and actions following the periodic control of ASF carried out at the BSE;
- Revision and update of the investment policy, sponsorship and donation policy;
- Exercising the rights of the Company as shareholder in the entities in which it has holdings;
- Annual assessment of the suitability of the management structure.

With the support of an external consultant, the Board of Governors performed the self-evaluation of the performance and efficiency. The measures resulting from this evaluation are in the area of consolidating the relationship between members, reviewing responsibilities and delegations and strengthening the importance of confidentiality.

In order to comply with the requirements of FSA Rule no. 39/2015, the Board of BVB, the parent company of BVB 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. BVB 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 BVB 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 BVB 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 BVB.

During 2017, the Commission met in 14 sessions in which it analyzed and gave favorable approval for admission to trading on the regulated market and the alternative trading system for shares / bonds / preference rights issued by 25 companies, as well as the withdrawal from trading on the regulated market of two bond issues maturing.

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

During 2017, the Appeals Commission met in a single meeting for the analysis of the appeals formulated by two stock exchange agents against the decisions of the BVB CEO regarding their sanctioning with a written warning, submitting to the Board of Governors its advisory opinions which proposed rejection of the contestations, in full, and maintaining as final the decisions of the CEO regarding the sanction of the stock exchange agents.

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

During 2017, the Commission met in 7 sessions, both for current indices management and for decisions on the development of this segment activity, in line with the strategic objectives assumed. For example, the changes made to the index methodology in 2017 allowed the inclusion in the representative indexes of companies relevant to the local market, even if they are legally not considered to be Romanian companies, but their main activity is running in Romania. Updates to index manuals have been proposed for approval to the Board of Governors.

At the beginning of 2017, the composition of the BVB Special Commissions was the following:

Listing Commission: Cristian Micu – Chairman, Radu Toia – Vice-Chairman, Liviu George Avram – Member, Șerban Marin – Member, Razvan Florin Pasol – Member.

Appeal Commission: Gabriel Marica – Chairman, Robert-Cosmin Pană – Vice-Chairman, Mihai Mureșian – Member, Cătălin Nae-Șerban – Member, Ionut Stafie – Member.

Index Commission: Lucian Anghel – President of the Board of Directors, Ludwik Sobolewski – BVB CEO, Dorin Alexandru Badea - Member, CFA Association Romania, Ovidiu-George Dumitrescu - Member, Participants representative, Mihai Lazar - Member, Participants representative.

During 2017, the composition of the Special Commissions underwent changes because of Mr. Radu Toia resignation, the decease of Cristian Micu, the expiration of the mandate contract of Mr. Ludwik Sobolewski and his resignation, as well as the resignation of Mr. Ovidiu-George Dumitrescu as member of the Index Commission.

Thefore, at the end of 2017, the composition of the Special Commissions of the BSE was as follows:

Listing Commission	Composition
	Radu Hanga – Chairman Octavian Molnar – Vice Chairman Liviu George Avram - Member Șerban Marin - Member Răzvan Florin Pașol – Member

Appeal Commission	Composition
	Gabriel Marica – Chairman Robert-Cosmin Pană – Vice-Chairman Mihai Mureșian – Member Cătălin Nae-Șerban – Member Ionut Stafie – Member

Index Commission	Composition
	Lucian Anghel – BVB President Marius-Alin Barbu – BVB CEO Dorin Alexandru Badea – CFA Association Romania Bogdan Câmpianu – Member, Participants' representantive Mihai Lazar – Member, Participants' representantive

Advisory Committees

According to Companies Law no. 31/1990, within BVB 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 BVB, 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 BVB 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 2017, 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.

During 2017, the Audit Committee met in 17 sessions, in which it analyzed the following main topics, making recommendations to the Board of Governors where necessary:

- The report on the BVB preliminary simplified consolidated financial results, drafted as of December 31, 2016;
- BVB individual and consolidated financial statements for the financial year 2016;
- Declaration on the application of the principles of corporate governance, according to the ASF Regulation no. 2/2016;
- BVB Financial Auditor's Report for 2016 and the Auditor's Letter of Independence;
- Annual Report of BVB Directors for 2016;
- Budget and Business Plan for 2017;
- Buy-back by the Company of its own shares for implementing a stock-options plan for the Company employees, executives and directors, submitted to the shareholders for approval;
- Election of the financial auditor of the Company and establish the financial auditor mandate period;
- Investment Policy, updated;
- The limits for the transactions with the affiliated parties;
- The Risk Management Policy, revised;
- Discussions with the internal auditor on the internal audit process for 2016 and analysis of the Internal Auditor's Report for 2016;
- Selection of the new internal auditor, taking into account ending the mandate of Mazars Romania SRL; discussions with the new internal auditor on the internal audit process for 2017, members of the Audit Committee expressing their availability to be contacted by the internal auditor whenever necessary;
- The 2016 Activity Report and the 2017 Investigation Plan of the Internal Control Department;
- The BVB quarterly and semi-annual financial statements for 2017, individual and / or consolidated;
- ASF decisions taken following regular control to BVB; the implementation of the imposed measure plan; BVB appeals to ASF decisions;
- Quarterly risk management reports for 2017;
- Internal control and internal auditors' reports, prepared upon the request of ASF;
- Obligations of the market and system operator regarding the reporting and deadlines for reporting to ASF;
- Authorization of the risk officer;
- Aspects regarding the mandate contract with the BVB CEO;
- Implementation of the stock-options plan for employees, executives and directors and granting the performance bonuses;
- Draft of the Budget for 2018;
- 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:

- Until the ASF authorizes the risk officer and the legislative change to allow for the cumulative internal control and risk management functions, proposes that, in order to carry out the risk assessments and the reporting included in the Risk Management Policy, BVB shall work with a external consultant for such services;
- To undertake the necessary steps to challenge the ASF decisions issued following the periodic control carried out at the end of 2016;

- The BVB Annual Report should also contain the amounts representing the remuneration of the members of the Board and the executives, based on the Corporate Governance Code;
- Inclusion in the Risk Management Policy, revised, also the transfer risk and political risk;
- Implementing an internal alert system for all reporting deadlines, a better definition of the replacement process, the head of the department to establish and define an automatic replacement of persons in case of temporary unavailability;
- The Audit Committee does not recommend the abrogation of the position of Deputy CEO - employee, proposing this topic to be discussed, as well as the one regarding the second position of Deputy CEO (with a mandate contract), in the strategy meeting of the Board;
- Taking also into account the auditor's recommendations made in the IT audit report, recommends as a retention measure to be included in the stock-options plan also the IT staff;
- To be developed a proposal to modify the investments management regarding holdings in other stock exchanges;
- Updating the succession plan and implementing of an efficient personnel replacement policy;
- Attenuation of the reputational risk by press releases and events;
- All Board members to sign the minutes of the Board meeting;
- To be assesed the modification of the Regulation on remote meetings of the Board regarding the use of the extended electronic signature;
- Accelerating the process of occupying the position of risk officer, including by using the services of a recruitment firm;
- To be developed a Policy for granting bonuses to the employees and management at BVB Group level.

The Audit Committee performed the self - evaluation of the activity carried out in 2017, 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.

Until February 13, 2017, starting when Mr. Radu Toia resigned to the mandate as BVB administrator, the Committee members were: Mr. Radu Toia – Chairman, Mr. Lucian-Claudiu Anghel – Member and Mr. Otto Emil Naegeli – Member.

In its meeting of February 22, 2017, the Board of Governors appointed a new member in the Nomination Committee, namely Mr. Robert-Cosmin Pana; Committee members elected Mr. Lucian – Claudiu Anghel as Chairman of the Committee.

Thus, at the end of 2017, the composition of the Nomination Committee was the 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.

During 2017, Nomination Committee met in 15 sessions.

For the most part, the activity of the Committee was focused on the stages of the process for nomination of new directors, on the vacant positions following the resignation of Mr. Radu Toia and the decease of Cristian Micu, namely analyzing and formulating recommendations to the Board of Governors on:

- Preliminary evaluation of the suitability of the candidates for the position of interim administrator, in order to submit a proposal to the Board of Governors;

- The procedure for election of the new members in order to complete the Board of Governors, subject to shareholders approval;

- List of candidates proposed for the position of member of the Board of Governors, to be submitted to the shareholders;

- The preliminary evaluation of the suitability of the new directors, elected by the BVB General Shareholders Meeting.

Also, following the expiration of mandate contract with the CEO, Mr. Ludwik Sobolewski, and his resignation, the Nomination Committee discussed and submitted recommendations to the Board of Governors on the definition of the recruitment and selection process, the list of candidates, the evaluation and selection of the new CEO, as well as the terms and conditions of the mandate contract.

At the end of 2017, the Nomination Committee carried out the annual assessment of the adequacy of the management structure, assessing that its members meet the requirements regarding competence and professional experience, integrity and good reputation and governance, as provided by the ASF Regulation no. 14/2015.

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 BVB management structure.

Until February 13, 2017, the date from which Mr. Radu Toia resigned to his mandate as BVB administrator, the Committee members were Mr. Cristian Micu – Chairman, Mr. Radu Toia – Member and Mr. Otto Emil Naegeli – Member. In its meeting of February 22, 2017, the Board of Governors appointed Mr. Dan Viorel Paul on the vacant position.

Also, on the position remained vacant following the decease of Cristian Micu on June 16, 2017, the Board of Governors designated in its meeting of November 8, 2017 Mrs. Claudia-Gabriela Ionescu as member of the Remuneration Committee, and the Committee members appointed Mrs. Ionescu as Chairman.

Thus, at the end of 2017, the composition of the Remuneration Committee is the following:

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

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

During 2017, the Remuneration Committee met in two sessions, in which discussed and made recommendations to the Board of Governors on:

- the remuneration policy and the related budget, in view of preparing the Budget for 2017;
- the remuneration of the Company's directors for the financial year 2017 and the general limits of the additional remuneration for the Company's directors, submitted for approval to the BVB shareholders;
- buy-back by the Company of its own shares, in order to implement a share option plan for the employees, executives and directors of the Company, submitted to the BVB General Shareholders Meeting.

Executive management

Person	Function
Ludwik Leszek Sobolewski	CEO, director as per Law no. 31/1990, contract for 4 years, Aug 2013-Aug 2017
Alin Marius Barbu	Deputy CEO, director as per Law no. 31/1990, contract for unlimited period

On August 21, 2017, the mandate contract concluded with Mr. Ludwik Sobolewski as CEO has expired. A decision on the extension of the CEO's contract or a decision to revoke Mr. Ludwik Sobolewski were not taken. On October 27, 2017, Mr. Ludwik Sobolewski notified the Company of his resignation as BSE CEO. In the meeting on November 1, 2017, the Board of Governors decided to appoint Mr. Marius-Alin Barbu, Deputy CEO, on the position as interim CEO.

In the meeting of December 4, 2017, the Board of Governors appointed Mr. Adrian Tanase as BSE CEO, for a four-year term, which comes into force on the date when the appointment is approved by the ASF, in accordance with the provisions of Regulation 2/2006 and Regulation 14/2015. At the date when the appointment of Mr. Adrian Tanase as the CEO of the Company is approved by the ASF, it ceases the mandate as interim CEO of Mr. Marius-Alin Barbu, who returns to the position of Deputy CEO.

On January 23, 2018, the Financial Supervisory Authority approved the appointment of Mr. Adrian Tanase as BSE CEO; since this date, the mandate of interim CEO of Mr. Marius-Alin Barbu has ceased, who returns to the position of Deputy CEO of the Company.

BVB 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, BVB is not aware of the existence in 2017 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 BVB shares as of December 31, 2017 of the members of the Board of Governors and the executive management are presented below:

Lucian Anghel	835	BVB shares
Valerian Ionescu	975	BVB shares
Robert Pană	830	BVB shares
Claudia-Gabriela Ionescu	0	BVB shares
Radu Hanga	0	BVB shares
Gabriel Marica	490	BVB shares
Octavian Molnăr	783	BVB shares
Otto Emil Naegeli	0	BVB shares
Dan Viorel Paul	2,747	BVB shares
Marius-Alin Barbu	0	BVB shares

Remuneration for the members of the Board and executives

During 2017, the remuneration for the members of the Board and executives was made based on the mandate contracts, respectively the decision of the BSE OGMS no. 4/12.04.2017, which approved the remuneration of the directors for the 2017 financial exercise and the general limits of the additional remuneration for the Company's administrators.

The Remuneration Policy establishes the guidelines for the remuneration of the management structure (non-executive – Board of Governors and executive - officers, as per Law no. 31/1990 and BSE Constitutive Act) and of the members of the Special Commissions/Advisory Committees of the Company. For consulting the policy, please visit BVB website http://www.bvb.ro/InvestorRelations/Overview.

Internal control and risk management systems

The internal control systems at BVB are organized as procedures meant to detect and minimize any risk of BVB of not fulfilling its obligations as per the stipulations of CNVM Regulation no. 2/2006 and of EC Regulation no. 1287/2006, as well as the associated risks. These standards define the standards which BVB as a company and its personnel must apply, the objective of the standards being an uniform and coherent model for internal control. The standards make a reference system, relative to which it is evaluated and are identified the zones and directions of change.

The risk management systems at BVB are organized as procedures which establish the necessary framework for identifying, analyzing and manage the risks in a controlled and efficient way, with the purpose of BVB reaching its specific objectives. The purpose of the risk management procedures is to establish the risk tolerance limits, the necessary activities for identifying and evaluating risks, as well as establishing the type of reaction to risk.

Chairman,	CEO,
Lucian Claudiu Anghel	Adrian Tanase
Deputy CEO	CFO,
Marius Alin Barbu	Virgil Adrian Stroia

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

Principle	Requirement	Status at 31 December 2017	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	Comply	

	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.		
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*: Lucian Anghel, 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*: 6 martie 2018

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*: 06.03.2018

Perioada de raportare / *Reporting Period*: 2017

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 înconjurător 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 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)?*	☒ 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)* ☐ 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*	☒ 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.*
• Recompensă egală pentru munca egală / *Equal pay for work of equal value*	☒ Da / *Yes* ☐ Nu / *No*	
• Împotriva hărțuirii și intimidării / *Anti-harassment/bullying*	☒ Da / *Yes* ☐ Nu / *No*	
• Promovarea echilibrului între muncă și viața personală / *Promoting family friendly work and the work/life balance*	☒ Da / *Yes* ☐ Nu / *No*	
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 2017, contains an accurate presentation of all significant matters related to the financial position of Bursa de Valori Bucuresti SA as of 31 December 2017, 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,

Lucian Claudiu Anghel

CEO,

Adrian Tanase

Deputy CEO

Marius Alin Barbu

CFO,

Virgil Adrian Stroia

Contact us

Investor Relations contact information

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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

16/17 Apr 2018	General Meeting of the Shareholders
16/17 Apr 2018	Release of the 2017 Annual Report
9 May 2018	Release of the Quarterly report for the 1st Quarter of 2018 & conference call
10 Aug 2018	Release of the Half-yearly report for the 1st Half of 2018 & conference call
14 Nov 2018	Release of the Quarterly report for the 3rd Quarter of 2018 & 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 2017

CONTENTS

	Note	2017	2016
Revenues from services		37,116,783	31,200,026
Other revenues		938,792	377,894
Operating revenue	7	38,055,575	31,577,920
Staff costs and benefits of the members of Board of Governors	8	(16,353,957)	(15,652,657)
Expenses with services provided by third parties	8	(2,869,049)	(2,322,684)
Other operational expenses	8	(9,595,186)	(7,557,964)
Operating profit		9,237,383	6,044,615
Net financial income	9	2,495,867	3,006,575
Net income from interest related to assets covering the guarantee and clearing funds and the margin	9	5,135	32,384
Net financial income	9	2,501,002	3,038,959
Gain from acquisition	27	2,880,425	-
(Loss) / gain from impairment in associates		(28,035)	0
Profit before tax		14,590,775	9,083,574
Corporate income tax (expense) / revenue	10	94,879	(1,322,168)
Profit for the year		14,685,654	7,761,406
Profit attributable to:			
Non-controlling interests		488,970	173,130
Owners of the Company		14,196,684	7,588,276
Profit for the year		14,685,654	7,761,406
Differences in valuation of available-for-sale financial assets and revaluation of tangible assets	9	(3,916)	(42,685)
Total comprehensive income for the year		14,681,738	7,718,721
Attributable amounts:			
Non-controlling interests		488,970	173,130
Owners of the Company		14,192,768	7,545,591
Total comprehensive income for the year		14,681,738	7,718,721
Basic/ diluted earnings per share	25	1.8499	0.9888

The consolidated financial statements were approved by the Board of Directors on 6 March 2018 and were signed by:

President,	General Manager,	Financial Manager,
Lucian Claudiu Anghel	Adrian Tănase	Virgil Adrian Stroia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 (RON)

	Note	31 December 2017	31 December 2016
Assets			
Tangible assets	11	8,049,892	6,280,678
Intangible assets	12	3,302,310	1,859,031
Deferred tax assets	13	329,965	-
Held-to-maturity financial assets restricted for covering the guarantee and clearing funds and the margin	14	11,007,771	12,574,140
Other held-to-maturity financial assets	14	38,390,394	60,221,776
Available-for-sale financial assets	14	-	2,200,297
Total non-current assets		61,080,332	83,135,922
Trade and other receivables	15	4,530,320	2,850,473
Prepayments	16	388,283	341,978
Bank deposits	14	31,248,521	33,554,786
Restricted bank deposits covering the guarantee fund and the margin	14	2,460,449	1,949,556
Held-to-maturity financial assets restricted for covering the guarantee and clearing funds and the margin	14	7,361,427	5,280,638
Other held-to-maturity financial assets	15	25,833,152	1,397,551
Cash and cash equivalents	18	18,624,936	6,028,375
Other restricted assets	17	50,164,542	38,466,316
Assets classified as held for sale	23	1,545,052	-
Total current assets		142,156,682	89,869,672
Total assets		203,237,014	173,005,594
Equity			
Share capital	24	80,492,460	76,741,980
Treasury shares and and Share-base benefits	24	(834,705)	-
Share Premiums	24	6,303,263	-
Legal reserve	24	9,858,111	8,782,906
Revaluation reserve	24	3,644,141	2,810,429
Fair value reserve	24	-	837,628
Retained earnings	24	14,841,507	8,489,576
Total equity attributable to the owners of the Company		114,304,777	97,662,519
Non-controlling interests		10,695,922	10,372,558
Total shareholders' equity		125,000,699	108,035,077

The explanatory notes to the financial consolidated statements on pages 8 to 77 are an integral part of these consolidated financial statements.

	Note	31 December 2017	31 December 2017
Liabilities			
Trade and other payables	19	56.208.894	43.150.920
Deferred income	20	899.389	930.958
Current corporate income tax payables		28.357	459.477
Deferred tax-liability	13	-	159.548
Guarantee and clearing funds and settlement operation margin	22	20.686.869	20.269.614
Liabilities directly associated with assets classified as held for sale	23	412.806	-
Total current liabilities		78.236.315	64.970.517
Total liabilities and equity		203.237.014	173.005.594

The consolidated financial statements were approved by the Board of Directors on 6 March 2018 and were signed by:

President,	General Manager,	Financial Manager,
Lucian Claudiu Anghel	Adrian Tănase	Virgil Adrian Stroia

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 **(RON)**

	Share capital	Retained earnings	Revaluation reserve	Revaluation reserve of available-for-sale financial assets	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2016	76,741,980	8,050,343	2,810,429	880,313	8,300,415	96,783,480	12,529,523	109,313,003
Comprehensive income for the year								
Profit or loss	-	7,588,276	-	-	-	7,588,276	173,130	7,761,406
Other items of comprehensive income								
Reserve of available-for-sale financial assets	-	-	-	(42,685)	-	(42,685)	-	(42,685)
Legal reserve increase	-	(482,491)	-	-	482,491	-	-	-
Total items of comprehensive income	-	7,588,276	-	(42,685)	-	7,545,591	173,130	7,718,721
Total comprehensive income for the year	**-**	**7,105,784**	**-**	**(42,685)**	**482,491**	**7,545,590**	**173,130**	**7,718,720**
Contributions by and distributions to owners of the Company								
Dividend paid to owners of Bucharest Stock Exchange	-	(6,666,552)	-	-	-	(6,666,552)	-	(6,666,552)
Total contributions by and distributions to owners of the Company	**-**	**(6,666,552)**	**-**	**-**	**-**	**(6,666,552)**	**-**	**(6,666,552)**
Change in interests in subsidiaries that do not result in a loss of control								
Dividend paid to minority shareholders	-	-	-	-	-	-	(384,763)	(384,763)
Decrease of the share capital of CCB's minor shareholders	-	-	-	-	-	-	(3,132,855)	(3,132,855)
Covering the result carried forward – CCB loss	-	-	-	-	-	-	1,187,523	1,187,523
Total changes in interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(2,330,095)**	**(2,330,095)**
Total transactions with owners	**-**	**(6,666,552)**	**-**	**-**	**-**	**(6,666,552)**	**(2,330,095)**	**(8,996,647)**
Balance as at 31 December 2016	**76,741,980**	**8,489,576**	**2,810,429**	**837,628**	**8,782,906**	**97,662,519**	**10,372,558**	**108,035,077**

The explanatory notes to the financial consolidated statements on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 (RON)

	Share capital	Share premiums	Treasury shares	Retained earnings	Revaluation reserve	Revaluation reserve of available-for-sale financial assets	Legal reserve	Total attributable to shareholders	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2017	76,741,980	-	-	8,489,576	2,810,429	837,628	8,782,906	97,662,519	10,372,558	108,035,077
Comprehensive income for the year										
Profit or loss	-	-	-	14,196,684	-	-	-	14,196,684	488,970	14,685,654
Other items of comprehensive income										
Reserve of available-for-sale financial assets	-	-	-	-	-	(837,628)	-	(837,628)	-	(837,628)
Reserve of land revaluation	-	-	-	-	833,712	-	-	833,712	-	833,712
Legal reserve increase	-	(295,633)	-	(779,572)	-	-	1,075,205	-	-	-
Total items of comprehensive income	-	(295,633)	-	(779,572)	833,712	(837,628)	1,075,205	(3,916)	-	(3,916)
Total comprehensive income for the year	**-**	**(295,633)**	**-**	**13,417,112**	**833,712**	**(837,628)**	**1,075,205**	**14,192,768**	**488,970**	**14,681,738**
Contributions by and distributions to owners of the Company										
Acquisition of treasury shares	-	-	(1,007,689)	-	-	-	-	(1,007,689)	-	(1,007,689)
Benefits granted to employees settled in shares	-	-	172,984	-	-	-	-	172,984	-	172,984
Dividend paid to owners of BVB	-	-	-	(7,062,408)	-	-	-	(7,062,408)	-	(7,062,408)
Share capital increase/(decrease)	3,750,480	6,598,896	-	(8)	-	-	-	10,349,368	-	10,349,368
Total contributions by and distributions to owners of the Company	**3,750,480**	**6,598,896**	**(834,705)**	**(7,062,416)**	**-**	**-**	**-**	**2,452,255**	**-**	**2,452,255**
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(469,786)	(469,786)
Aquisition of non controlling interests									304,180	304,180
Adjustment of retained earnings - subsidiaries	-	-	-	(2,766)	-	-	-	(2,766)	-	(2,766)
Total changes in interests in subsidiaries	**-**	**-**	**-**	**(2,766)**	**-**	**-**	**-**	**(2,766)**	**(165,606)**	**(168,372)**
Total transactions with owners	**3,750,480**	**6,598,896**	**(834,705)**	**(7,065,182)**	**-**	**-**	**-**	**2,449,489**	**(165,606)**	**2,283,884**
Balance as at 31 December 2017	**80,492,460**	**6,303,263**	**(834,705)**	**14,841,506**	**3,644,141**	**-**	**9,858,111**	**114,304,776**	**10,695,922**	**125,000,699**

The explanatory notes to the financial consolidated statements on pages 8 to 77 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 (RON)

	Note	2017	2016
Cash flows from operating activities			
Profit for the year		14,685,654	7,761,406
Adjustment for the elimination of non-monetary items and re-classifications:			
Amortisation of tangible and intangible non-current assets	11,12	1,760,097	1,741,951
Interest income	9	(2,308,995)	(2,399,416)
Income from interests related to assets covering the guarantee and clearing funds and the margin	9	(5,135)	(32,383)
Income from sale of available-for-sale financial assets	9	(1,300,363)	-
Loss from impairment of uncollected receivables	15	694,115	205,401
(Income) / Expense from litigations provision	21	-	(1,696,691)
(Income) / Expenses with receivables adjustment		(429,971)	(27,905)
Corporate income tax expense	10	235,086	1,322,168
Loss from impairment in associates		28,035	-
Income from the production of intangible assets		(671,827)	(270,816)
Net provision for holiday not-taken	8	(199,895)	44,618
Deferred income from deferred tax	13	(329,965)	-
Other adjustments		(40,828)	(39,557)
Gain from bargain purchases - non- cash	27	(2,880,425)	-
Expense with employees' benefits settled in shares	27	172,984	-
Net cash from operating activities before changes in working capital		9,408,567	6,608,776
Changes in working capital:			
Change in trade and other receivables		(12,480,736)	4,409,964
Change in prepayments	16	(46,305)	(99,835)
Change in trade and other payables		13,418,726	(5,816,769)
Change in deferred income	20	(31,569)	186,936
Change in the guarantee and clearing funds and the margin	22	417,255	621,533
Corporate income tax paid		(1,801,282)	(1,378,516)
Net cash from operating activities		9,084,551	4,487,471

The explanatory notes to the financial consolidated statements on pages 8 to 77 are an integral part of these consolidated financial statements.

Cash flows from investing activities			
Interest received		2,388,407	2,581,674
Interest received from assets covering the guarantee and clearing funds and margin		120,003	81,460
Payments for acquisitions of held-to-maturity financial assets	14	(12,357,425)	(8,424,037)
Proceeds from sales/maturation of held-to-maturity financial assets	14	9,123,918	11,148,685
Change of deposits balance	14	1,715,960	2,445,430
Acquisition of tangible and intangible assets	11,12	(3,441,675)	(1,769,022)
Dividends received		38,067	39,557
Proceeds from the sale of available-for-sale financial assets		2,492,319	-
Cash taken from SIBEX merger	27	12,335,030	-
Net cash from investing activities		12,414,604	6,103,746
Cash flows from financing activities			
Dividend paid to owners of Bucharest Stock Exchange		(7,032,266)	(6,679,267)
Dividends paid to non-controlling interests in subsidiaries		(469,592)	(348,763)
Repayment of share capital to CCB minor shareholders		(393,047)	(650,696)
Acquisition of own shares	24	(1,007,689)	-
Net cash generated by financing activities		(8,902,594)	(7,714,726)
Total cash flows		12,596,561	2,876,491
Cash and cash equivalents at the beginning of the financial year	18	6,028,375	3,151,884
Cash and cash equivalents at the end of the financial year	18	18,624,936	6,028,375
Net (decrease)/increase of cash and cash equivalents		12,596,561	2,876,491

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 2017 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 2017	Percentage of ownership at 31 December 2016
Depozitarul Central SA	Clearing / settlement operations for transactions with securities carried out on the Bucharest Stock Exchange and keeping the register of shareholders	69.0400%	69.0400%
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	Capital market potential investigation services	52.5280%	52.5080%
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%
Depozitarul SIBEX SA	Has carried out securities clearing / settlement activities performed at SIBEX. This entity was taken over by BVB through the absorption merger of SIBEX and at this moment the activity is suspended	73.1350%	-

The Corporate Governance Institute had on 31 December 2017 a total of net assets amounting to RON 2,060 (31 December 2016: RON 2.060) and a result for 2017 which amounted to RON 0 (2016: profit of RON 7,432). This entity was considered to be insignificant by the BVB management for inclusion in the Group's consolidated financial statements.

As explained in Note 29, the Casa de Compensare Bucuresti General Shareholders Assembly changed during their meeting held on 29.07.2016, the company's object to researching the capital market potential, the acceptance and familiarization with the products, operations and new instruments, the investors' behaviour towards products and services, public opinion polling on economic subjects, including the statistical analysis of the results.

BVB acquired control over SIBEX Depositary on 29 December 2017 as the result of the absorption merger between BVB and SIBEX, thus taking over SIBEX's holdings. Sibex Depositary's assests and liabilities are recorded as assests and liabilities directly associated with assets classified as held for sale as the activity of this entity is suspended and the management of the BVB has prepared a voluntary liquidation plan of the Depositary Sibex SA.

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 2016. 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 the available-for-sale financial assets and land which are measured at fair value.

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

(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.

2. BASIS OF PREPARATION (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Foreign currency differences are recognised in profit or loss, except for the differences arising on the retranslation of the available-for-sale financial instruments 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 2016	Spot exchange rate 31 December 2017	Average exchange rate 2016	Average exchange rate 2017
EUR	4.5411	4.6597	4.4908	4.5681
USD	4.3033	3.8915	4.0592	4.0525

(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.

Bucharest Clearing House SA (“CCB”) recorded a net profit of RON 361.143 in individual financial statements prepared according to IFRS UE during the year ended as at 31 December 2017 (2016: net loss of RON 414.757). These issues together with the details described in Note 29 indicate an uncertainty concerning the capacity of the Bucharest Clearing House to continue its activity in normal conditions.

The management believes that CCB will be able to continue its activity in the near predictable future following the change of the company’s object and therefore the application of the going concern principle on the consolidated financial statements is justified.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 payable.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group classifies financial assets held into the following categories: held-to-maturity financial assets, receivables and cash and cash equivalents, available-for-sale financial assets and other assets.

(i) Held-to-maturity financial assets

If the Group has the intent and ability to hold the debt securities to maturity, then such financial assets may be classified as held-to-maturity investments. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs.

The interest related to held-to-maturity assets, calculated according to the effective interest rate method, is carried in the profit or loss under Financial Income.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The Group may not classify any financial asset as held-to-maturity financial assets if, during the current financial year or the latest two previous years, has sold or transferred such type of assets before maturity. Only traded assets can be classified in this category.

(ii) Receivables and cash and cash equivalents

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

Cash and cash equivalents comprise cash balances, the funds available in bank current accounts, other high-liquidity short term investments with initial maturity deadlines of up to three months.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in any of the above categories of financial assets. The Group's investments in capital instruments and in certain debt instruments are classified as available-for-sale financial assets.

Subsequent to the initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3 (i)) and foreign currency differences on available-for-sale equity securities are recognised in other comprehensive income and presented in the fair value reserve. When an investment is derecognised, the gain or loss accumulated in

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other comprehensive income is reclassified to profit or loss. The fair value reserve is recognised net of fiscal impact, therefore a deferred tax liability is recognised in this respect.

If the fair value cannot be reliably determined, the shares designated as available-for-sale financial assets are recorded at restated cost except the provision for impairment losses.

(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.

Guarantee fund and margin accounts managed by the Bucharest Clearing House S.A.
Casa de Compensare Bucuresti SA ("CCB") acted, until the withdrawal of its authorisation by ASF in May 2016, as a central counterparty for all clearing members admitted in CCB system for registration, guarantee, clearing and settlement of derivative transactions concluded on the Bucharest Stock Exchange.
As at 31 December 2017, CCB no longer held any amount of money representing guarantee funds or margin.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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;
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(i) Deferred expenses and 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

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group considers evidence of impairment for receivables and held-to-maturity investment securities measured at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. Those found not to be significantly impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.
In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's initial effective interest rate. Losses are recognised in profit or loss account and reflected in a receivables adjustment account. Interest on the impaired asset continues to be recognised through the discount depreciation. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investments are recognised by reclassifying in profit or loss the losses accumulated recognised in other comprehensive income and reflected in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from other comprehensive income to the profit or loss account is the difference between the acquisition cost, net of any principal repayment and depreciation, and the current fair value, less any impairment loss recognised previously in profit or loss account. Changes in provisions for impairment losses attributable to time value of money are reflected as a component of interest income.

If, in a subsequent period, the fair value an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss account, then the impairment loss is reversed, and the amount of the reversal is recognised in the profit or loss account. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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;
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

Finance costs comprise losses on disposal of available-for-sale financial assets, losses on the re-measurement of assets and payables in other currencies.

(p) 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.

- 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.

(q) Current and deferred corporate income tax

Corporate income tax for the year comprises current tax and deferred tax. Corporate income tax is recognised in the income of the year, unless it is related to items recognised 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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.

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 2017 was of 16% (31 December 2016: 16%).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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.

(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 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.

(u) 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.

(v) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2017

The following amendments to the existent standards and the new interpretations issued by the International Accounting Standards Board (IASB) adopted by EU are in force for the current reporting period:

- **Amendments to IAS 7 „Statement of cash flows"** – Initiative regarding the disclosure requirement – adopted by EU on 6 November 2017 (applicable for teh annual periods starting with or after 1 January 2017),
- **Amendments to IAS 12 „Income taxes"** – Recognition of deferred tax assets for non-achieved losses – adopted by the EU on 6 November 2017 (applicable for the annual periods starting with or after 1 January 2017),
- **Amendments to IFRS 12** further to the „IFRS improvements (2012-2014 cycle)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating inconsistencies and clarify certain formulations – adopted by EU on February 7, 2018 (the amendments to IFRS 12 are applicable for the annual periods starting with or after 1 January 2017).

The adoption of such amendments to the existent standards did not result in significant changes in the Company's financial statements.

(x) New or revised standards and interpretations which are applicable starting on or after 1 January 2018

IFRS 9 "Financial instruments: *Classification and valuation"* *(issued in July 2014 and effective for annual periods beginning on or after 1 January 2018, effective for the EU for the annual periods beginning on 1 January 2018)* Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three-stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard allows for entities to choose the accounting policy between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedges.

The Group analyses the possible impact of this new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers *(issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018, effective for the EU for the annual period beginning on 1 January 2018).*The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

The Group analyses the possible impact of this new standard on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU). The new standard sets out the principles for the recognition, measurement, presentation of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify contracts as operating leases or finance leases, accounting them differently.

The Group analyses the possible impact of this new standard on its financial statements.

Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017, not yet endorsed by EU). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Group analyses the possible impact of this new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 May 2016 and effective for the annual periods beginning on or after 1 January 2018, not yet endorsed by EU). The amendments do not change the underlying principles of the Standard but clarifies how such principles must be applied. The amendments clarify how to identify an obligation to perform (promise to transfer a good or service to a client) under a contract; how to determine whether a Group has the principal role (supplier of the good or service) or agent (in charge of the arrangements regarding the supply of the good or service) and how to establish whether the license income should be recognised at a given time or in time. Besides the clarifications, the amendments contain two additional facilities to reduce costs and the complexity for a Group applying the new Standard for the first time.

The Group analyses the possible impact of this new standard on its financial statements.

Amendments to IFRS 2, Share-based payments (issued on 20 January 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU). The amendments provide that such performance-based vesting conditions other than the market conditions will affect the evaluation of cash-settled share-based payment transactions in a manner similar to equity-settled benefits. The amendments also clarify how to classify a net settlement transaction in which the entity withholds a specified portion of the shares that would otherwise be issued to the counterparty upon exercise (or vesting) of the share-based payment award in order to settle the counterparty’s tax obligation. Such arrangements are fully categorised as share compensation. Ultimately, the amendments also clarify how to account for cash-settled share-based payments modified for equity compensation as follows: (a) the share-based payment is evaluated based on the fair value upon modification of the equity instruments granted following the modification; (b) the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

debt is derecognised upon modification; (c) equity-settled share-based payment is recognised insofar as the services were delivered up to the modification date and (d) the difference between the book value of the debt as at the modification date and the value recognised in equity on the same date is immediately accounted for in profit or loss.
The Group analyses the possible impact of this new standard on its financial statements.

Annual improvements to the International Financial Reporting Standards for the period 2014-2016 (issued on 8 December 2016 and effective for the annual periods beginning on or after 1 January 2017 for the amendments to IFRS 12, on or after 1 January 2018 for the amendments IFRS 1 and IAS 28, not yet endorsed by EU). The improvements affect three standards. The amendments clarify the scope of the presentation requirements of IFRS 12 specifying that such requirements, other than those relating to the financial data summarised for subsidiaries, joint ventures, associates, apply to an entity's interests held in other entities categorised as held for sale or discontinued operations according to IFRS 5. IFRS was amended and a few short-term exceptions in IFRS regarding the presentation of financial assets, the benefits of employees and investment entities were eliminated having reached their purpose as established.

The amendments to IAS 28 clarify that an entity has the "investment by investment" option to evaluate the investments at fair value according to IAS 28 through a risk capital organisation or a mutual fund, investment fund or similar entities, including insurance funds with an investment component. In addition, a non/investment Group can have an associate or a joint venture that is an investment Group. IAS 28 allows such an entity to maintain the evaluations at fair value used by that investment associate or joint venture whenever applying the equity method. The amendments clarify the fact that this option is available on an investment-by-investment basis as well.
The Group analyses the possible impact of this new standard on its financial statements.

IFRIC 22 - Foreign currency transactions and advance payments (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU). The interpretation addresses how to set the transaction date in order to determine the exchange rate used for the initial recognition of the asset, expense or related income (or a part thereof) upon derecognising a non-monetary asset or liability resulted from making an advance payment in foreign currency. According to IAS 21, the transaction date for the purpose of determining the exchange rate used for the initial recognition of the asset, expense or related income (or a part thereof) is the date on which an entity recognises initially the non-monetary asset or liability resulted from the advance payment. In case of multiple advance payments or collections, the entity will establish the transaction date for each payment or collection. IFRIC 22 only applies in such cases where an entity recognises a non-monetary asset or liability resulted from an advance payment. IFRIC 22 fails to clearly define the monetary and non-monetary elements. An advance payment or the collection of an advance payment generally leads to the recognition of a non-monetary asset or liability but could result in a monetary asset or liability. The entity might need to consider whether an element is monetary or non-monetary.

The Group analyses the possible impact of this new standard on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment property transfer - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU). The amendments clarify the requirements on transfers to or from investment properties of properties in the process of construction. Prior to the amendments, there were no specific clarifications in IAS 40 on the transfers to or from investment properties of properties in the process of construction. The amendment clarifies that there was no intention to forbid the transfer of properties in the process of construction or development previously classified as inventories in investment property when there is an obvious change in use. IAS 40 was amended so as to emphasize the principle of transfers to or from investment properties in IAS 40 with a view to specify that a transfer to, or from, investment property shall only be made when there is a change in use of the property; such a change in use requires the evaluation of how the property can be categorised as investment property. Such a change in use must be supported with evidence.

The Group analyses the possible impact of this new standard on its financial statements.

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 held-to-maturity and available-for-sale equity and debt securities is determined by reference to their quoted closing 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 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 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Available-for-sale financial assets	-	-	2,200,297	2,200,297
Assets carried at cost				
Other held-to-maturity financial assets with a maturity longer than one year	38,390,394	39,606,393	60,221,776	62,300,921
Held-to-maturity financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	11,007,771	11,007,771	12,574,140	12,574,140
Bank deposits	31,248,521	31,248,521	33,554,786	33,554,786
Bank deposits restricted in order to cover the guarantee and clearing fund and the margin	2,460,449	2,460,449	1,949,556	1,784,809
Financial receivables	3,017,807	3,017,807	2,850,473	2,850,473
Other held-to-maturity financial assets with a maturity under one year	25,833,152	25,833,152	1,397,551	1,397,551
Held-to-maturity financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	7,361,427	7,361,427	5,280,638	5,280,638
Other assets, including restricted assets	50,164,542	50,164,542	38,466,316	38,466,316
Available-for-sale assets	1,545,052	1,545,052	-	-
Cash and cash equivalents	18,624,936	18,624,936	6,028,375	6,028,375
Total assets carried at amortized cost	189,654,051	190,870,050	162,323,610	164,402,756
Liabilities carried at amortized cost				
Guarantee and clearing funds and margin	20,686,869	20,686,869	20,269,615	20,269,615
Dividends to be distributed on behalf of customers	50,159,079	50,159,079	38,464,384	38,464,384
Financial payables	1,864,337	1,864,337	1,843,177	1,843,177
Total payables	72,710,285	72,710,285	60,577,176	60,577,176

All available-for-sale financial instruments representing shares quoted on different markets, as well as. held-to-maturity financial assets (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 chas (please see note 17) are clasified as level 2. After financial asset 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 establishes a provision for receivable impairment that represents their estimates of losses from trade and other liabilities 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 is the collective loss component corresponding to losses incurred but not yet identified, calculated on the basis of the age of receivables, after the application of the contamination principle, using historical loss rates.

(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 2017	31 December 2016	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
PIRAEUS BANK ROMANIA S.A.	Caa3	Caa3	Moody's
RAIFFEISEN BANK S.A.	Baa2	Ba1	Moody's
Banca Comerciala Romana S.A.	BBB+	BBB	Fitch Ratings
Bancpost S.A.	Caa2	Caa3	Moody's
Credit Europe Bank (Romania) S.A.	BB-	BB-	Fitch Ratings
ALPHA BANK ROMANIA S.A.	Ba3	Caa3	Moody's
UniCredit Bank S.A.	BBB-	BBB	Fitch Ratings
Citibank Europe Plc, Bucharest branch	A1	A1	Moody’s
Libra Bank	Fara rating	Fara rating	Fara rating
CEC Bank	Fara rating	Fara rating	Fara rating
Romania for treasury bonds	BAA3	BAA3	Fitch Ratings

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 2017	31 December 2016
Other held-to-maturity financial assets with a maturity longer than one year	38,390,394	60,221,776
Held-to-maturity financial assets restricted in order to cover the guarantee and clearing funds and the margin	11,007,771	12,574,140
Available-for-sale financial assets – long term	-	2,200,297
Bank deposits	31,248,521	33,554,786
Bank deposits covering the guarantee and clearing funds and the margin	2,460,449	1,949,556
Financial receivables	3,017,807	2,850,832
Other held-to-maturity financial assets with a maturity less than one year	25,833,152	1,397,551
Held-to-maturity financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity less than one year	7,361,427	5,280,638
Other assets	50,164,542	38,466,315
Available-for-sale assets	1,545,052	-
Cash and cash equivalents	18,624,936	6,028,375
Total	**189,654,051**	**164,524,266**

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		Held-to-maturity financial assets		Cash and cash equivalents and other assets		Available-for-sale financial assets		Bank deposits	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Individually impaired										
Significant risk	1,249,698	1,679,668	-	-	-	-	-	-	-	-
Gross amount	1,249,698	1,679,668	-	-	-	-	-	-	-	-
Adjustment for impairment	1,249,698	1,679,668	-	-	-	-	-	-	-	-
Net amount	-	-	-	-	-	-		-	-	-
Outstanding, individually non-impaired										
Outstanding less than 90 days	220,126	1,107,326	-	-	-	-	-	-	-	-
Outstanding between 90 and 180 days	116,704	189,840	-	-	-	-	-	-	-	-
Outstanding between 180 and 360 days	41,778	221,662	-	-	-	-	-	-	-	-
Gross amount	378,608	1,518,928	-	-	-	-	-	-	-	-
Current, non-impaired										
Without a significant risk	2,639,199	1,331,545	82,592,744	79,474,105	68,789,478	44,492,760	-	2,200,297	33,708,970	35,504,342
Gross amount	2,639,199	1,331,545	82,592,744	79,474,105	68,789,478	44,492,760	-	2,200,297	33,708,970	35,504,342
Adjustment for impairment	-	-	-	-	-	-	-	-	-	-
Net amount	2,639,199	1,331,545	82,592,744	79,474,105	68,789,478	44,492,760	-	2,200,297	33,708,970	35,504,342
Total gross amount	4,267,505	4,530,141	82,592,744	79,474,105	68,789,478	44,492,760	-	2,200,297	33,708,970	35,504,342
Total net amount	3,017,807	2,850,473	82,592,744	79,474,105	68,789,478	44,492,760	-	2,200,297	33,708,970	35,504,342

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.

Casa de Compensare Bucuresti SA (Bucharest Clearing House SA)
Casa de Compensare Bucuresti SA ("CCB") acted, until the withdrawal of its authorisation by ASF in May 2016, as a central counterparty for all clearing members admitted in the system. The CCB role was to perform the registration, guarantee, clearing and settlement operations of the financial derivative transactions concluded on the derivative market at the Bucharest Stock Exchange.

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 2017, the value of transactions having as trading date the end of the year 2017 and paid during 2018, was of RON 79.915 thousand (31 December 2015: there were transactions amounting to RON 64.114 thousand at the end of 2016 and paid in 2017).

(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 2017	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months
Non-derivative financial liabilities				
Guarantee and clearing funds and margin	20,686,869	20,686,869	20,686,869	-
Financial payables	1,864,337	1,864,337	1,864,337	-
Dividends to be distributed on behalf of customers	50,159,079	50,159,079	50,159,079	-
Total	72,710,285	72,710,285	72,710,285	-

31 December 2016	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months
Non-derivative financial liabilities				
Guarantee and clearing funds and margin	20,269,615	20,269,615	20,269,615	-
Financial payables	1,843,178	1,843,178	1,843,178	-
Dividends to be distributed on behalf of customers	38,464,384	38,464,384	38,464,384	-
Total	60,577,176	60,577,175	60,577,176	-

The Group presented the gouaranty and compensation found of FCI with maturity less then 6 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 2017	EUR	USD	RON	Total
Financial assets				
Financial receivables	165,659	2,846	2,849,303	3,017,807
Securities (government securities, bank deposits, cash and cash equivalents)*	16,968,539	16,326,336	151,796,318	185,091,192
Total financial assets	17,134,197	16,329,181	154,645,621	188,108,999
Financial liabilities				
Guarantee and clearing funds and margin	-	-	20,686,869	20,686,869
Financial payables	213,429	362	1,650,546	1,864,337
Dividends to be distributed on behalf of customers	-	-	50,159,079	50,159,079
Total financial liabilities	213,429	362	72,496,493	72,710,285
Net financial assets/liabilities	16,920,768	16,328,819	82,149,127	115,398,715

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

* It contains balance sheet positions: Other held-to-maturity financial assets (assets), Held-to maturity financial assets covering the guarantee and clearing funds and the margin (assets), Other Held-to-maturity financial assets (current assets), Held-to-maturity financial assets covering the guarantee and clearing funds and the margin (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

31 December 2016	**EUR**	**USD**	**RON**	**Total**
Financial assets				
Financial receivables	130,128	5,599	2,714,746	2,850,474
Securities (government securities, bank deposits, cash and cash equivalents)*	13,920,466	15,872,660	129,680,011	159,278,578
Total financial assets	14,050,594	15,878,259	132,394,757	162,323,611
Financial liabilities				
Guarantee and clearing funds and margin	-	-	20,269,615	20,269,615
Financial payables	469,276	119,801	1,254,101	1,843,178
Dividends to be distributed on behalf of customers	-	-	38,464,384	38,464,384
Total financial liabilities	469,276	119,801	59,988,099	60,577,176
Net financial assets/liabilities	13,581,319	15,758,458	72,406,658	101,746,434

* It contains balance sheet positions: Other held-to-maturity financial assets (assets), Held-to maturity financial assets covering the guarantee and clearing funds and the margin (assets), Other Held-to-maturity financial assets (current assets), Held-to-maturity financial assets covering the guarantee and clearing funds and the margin (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 2016 versus 31 December 2015 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 2017	31 December 2016
RON depreciation by 10% against EUR	1,692,077	1,358,132
RON depreciation by 10 % against USD	1,632,882	1,575,846
Total	3,324,959	2,933,975

An appreciation of the RON on 31 December 2017 versus 31 December 2016 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. Held-to-maturity financial instruments 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:

	2017	2016
Total liabilities	78,236,315	64,970,518
Cash and cash equivalents and other assets retricted	68,789,478	44,494,691
Net debt	9,446,837	20,475,827
Total equity	125,000,699	108,035,077
Gearing ratio	8%	19%

Resticted cash and cash equivalents is presented as other assets

(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 Group acquired control over Depozitarul SIBEX SA Sibiu on 29 December 2017, further to the merger by absorption between BVB and SIBEX, thus taking over the participation held by SIBEX of 167,846 shares, representing 73.135% of the share capital. The participation was assessed and registered at the fair value of RON 1,545,052. The company is currently subject to voluntary liquidation, which is why the value of the interest was presented in the current Assets, Assets classified as held for sale.

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 "capital markets – trading", the Bucharest Clearing House falls in the segment "post-trading services" until 2016, while the activities carried out by the Central Depository are divided between the "post-trading services" and "registry services" segments, while the activity of Investors Compensation Fund was stated separately, considering the specific activities of the FCI.

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.

7. SEGMENT REPORTING (CONTINUED)

In the trading services category are included the total ravenues (except the intra group) for the BVB activity
Ravenue generated by DC activity are presented as post tradin and registry services. Same presentation was applied for the balance sheet items

The Group's revenues, expenses and gross income for the financial year 2017 are shown below by the segments described:

2017

	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from external clients	23,345,067	9,700,191	3,991,152	1,019,165	38,055,575
Revenues from transactions with other segments (eliminated on consolidation)	353,112	71,921	29,817	-	454,850
Operating expenses	(16,025,902)	(8,387,935)	(3,477,510)	(926,845)	(28,818,192)
- out of which tangible and intangible asset impairment expenses	(1,153,784)	(423,607)	(175,621)	(7,086)	(1,760,098)
Operating profit	7,319,165	1,312,256	513,642	92,320	9,237,383
Financial income	2,382,774	63,125	26,171	23,797	2,495,867
Net income from interests related to assets covering the guarantee and clearing funds and the margin	-	5,135	-	-	5,135
Net financial income	2,382,774	68,260	26,171	23,797	2,501,002
Earning from acquisition	2,880,425	-	-	-	2,880,425
(Loss) / Profit from current asset impairment	(28,035)	-	-	-	(28,035)
Pre-tax profit	12,554,329	1,380,516	539,813	116,117	14,590,775
Corporate income tax	329,965	(166,187)	(68,899)	-	94,879
Net profit	12,884,294	1,214,329	470,914	116,117	14,685,654

7. SEGMENT REPORTING (CONTINUED)

The Group's revenues, expenses and gross income for the financial year 2016 are shown below by the segments described:

2016	**Trading services**	**Post-trading services**	**Registry services**	**FCI services**	**Group**
Revenues from external clients	19,432,925	8,118,738	3,591,257	435,000	31,577,920
Revenues from transactions with other segments (eliminated on consolidation)	320,000	138,555	61,813	-	520,368
Operating expenses	(14,020,937)	(8,387,396)	(2,409,659)	(715,313)	(25,533,305)
- out of which tangible and intangible asset impairment expenses	1,203,152	368,370	164,314	6,115	1,741,951
Operating profit	5,411,988	(268,658)	1,181,598	(280,313)	6,044,615
Financial income	2,460,858	386,623	159,119	(25)	3,006,575
Net income from interests related to assets covering the guarantee and clearing funds and the margin	-	236	-	32,148	32,384
Net financial income	2,460,858	386,859	159,119	32,123	3,038,959
(Loss) / Profit from current asset impairment	7,872,846	118,200	1,340,717	(248,190)	9,083,574
	(1,261,516)	(41,941)	(18,711)	-	(1,322,168)
Pre-tax profit	7,872,846	118,200	1,340,717	(248,190)	9,083,574
Corporate income tax	(1,261,516)	(41,941)	(18,711)	-	(1,322,168)
Net profit	6,611,330	76,260	1,322,007	(248,190)	7,761,406

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 2017					
Assets	96,615,359	27,202,280	59,842,740	19,576,635	203,237,014
Liabilities	4,297,967	4,234,708	51,914,725	17,788,915	78,236,315
Capital expenditure	2,822,213	1,510,401	626,189	16,617	4,975,421
31 December 2016					
Assets	78,530,841	28,611,948	48,577,370	17,285,435	173,005,595
Liabilities	3,239,822	5,909,106	40,256,289	15,565,300	64,970,518
Capital expenditure	992,735	188,661	84,166	-	1,262,562

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and benefits of the Board of Governors include:

	2017	2016
Staff costs	12,105,281	11,365,994
Benefits of the members of the Board of Governors	1,633,087	1,607,382
Other personnel-related debts	(199,895)	(44,618)
Other liabilities related to members of the Board of Governors	172,984	-
Contributions and taxes related to personnel and benefits	2,642,500	2,723,899
Total	16,353,957	15,652,657

8. OPERATING EXPENSES (CONTINUED)

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

	2017		2016	
	At the end of the year	Annual average	At the end of the year	Annual average
Bucharest Stock Exchange	43	43	47	46
Depozitarul Central SA	51	51	51	52
Fondul de Compensare a Investitorilor SA	4	4	3	3
Casa de Compensare Bucuresti SA	3	3	4	4
Total number of employees	101	101	105	105

Share-based payments (SOP)

The employer's expense for share-based payments is presented separately and in 2017 amounted to RON 172,984 (2016: RON 0)

In 2017 the Company granted options according to the Stock Option Plan, to the 6 eligible members of the Board of Governors.

Option granting date: Immediately, 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.

8.2 Services provided by third parties include:

	2017	2016
Financial, IT and internal Audit Services	258,866	428,963
Commissions fees (legal, contributions, etc.)	831,706	406,754
Services provided by third parties for events	378,882	455,075
Other services provided by third parties	1,399,595	1,031,892
Total	2,869,049	2,322,684

The statutory auditor of the Company for the year 2017 was Mazars Romania SRL. The audit fee, in accordance with the services agreement, was of EUR 28,000. During 2017, 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. Other permitted services, that are not audit services, provided by the statutory auditor include agreed upon procedures in respect of the merger by absorption with Sibex- Sibiu Stock Exchange SA in amount of EUR 6,300.

8. OPERATING EXPENSES (CONTINUED)

8.3 Other operating expenses include:

	2017	2016
Rent and office utilities	2,577,631	2,364,923
Tangible asset amortisation (Note 11)	830,610	980,601
Intangible asset amortisation (Note 12)	929,488	761,351
Costs related to non-deductible VAT, FSA (CNVM) fees and other taxes	1,286,278	1,110,363
Consumables	243,838	188,971
IT Maintenance, service and repairs	1,465,810	1,453,552
Insurance for professional equipment, etc.	194,917	150,164
Protocol	358,330	258,744
Marketing and Advertising	529,569	442,288
Transport of goods and personnel	509,668	603,190
Postage and telecommunications	273,359	284,746
Bank charges	87,274	79,256
Loss from non-paying customers	694,115	205,401
Expenses/(Income) from provisions for disputes	-	(1,696,691)
Net expenses/(income) from adjustment of receivables	(429,971)	(27,905)
Other expenses	44,270	399,010
Total	9,595,186	7,557,964

9. FINANCIAL NET INCOME

Financial net income recognised in profit or loss account include:

	2017	2016
Interest income from held-to-maturity financial assets	2,308,995	2,399,415
Dividends income	38,067	39,557
Gain / (loss) from exchange rate differences	(1,147,725)	573,171
Income from financial assets sold	1,300,363	-
Financial Income	2,495,867	3,006,575
Other financial expenses	(3,833)	(5,568)
Net income from interests related to assets covering the guarantee and clearing funds and the margin	5,135	32,383
Total Net financial income	2,501,002	3,038,958

Financial income and expenses recognised in comprehensive income include:

	2017	2016
Change in fair value of available-for-sale financial assets and the revaluation of tangible assets	(3,916)	(42,685)
Total	(3,916)	(42,685)

10. CORPORATE INCOME TAX EXPENSE

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

	2017	2016
Before-tax accounting profit	14,590,775	9,083,574
Theoretical income tax (16%)	2,334,523	1,453,372
Income tax for non-taxable income tax and assimilated	(1,072,613)	(486,216)
Income tax for non-deductible expenses tax and assimilated	381,951	339,716
Income tax for IFRS adjustments and for fiscal loss used	1,368,447	42,030
Current Corporate income tax (tax profit *16 %)	275,415	1,348,901
Sponsorship deducted from corporate income tax	(40,329)	(26,733)
Current tax expense after deduction of sponsorship amounts	235,086	1,322,168
Income from deferred income tax	(329,965)	-
Total corporate income tax expense	(94,879)	1,322,168

In the 2017 financial year, the Company used the tax losses taken over from SIBEX, further to the merger by absorption, according to the provisions of the Tax Code to determine the income tax. The tax loss taken over through the BVB-SIBEX merger was RON 11,615,758 but was not fully used in the current year, the loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable and income of RON 329,965.

Compensation House Bucharest recorded at the end of 2017 a profit of 361,143 lei, which resulted in the compensation of a part of the fiscal loss registered until the end of 2016 in the amount of 2,230,293 lei, remaining offset the fiscal loss of 1,869,150 lei. However, the management does not expect it to be recovered in the coming years, as it is not expected to meet the income conditions, the last year being characterized by massive cash outflows caused by the share capital reduction decided by the EGSM on 29.07.2016.

11. TANGIBLE ASSETS

	Land and buildings *i)*	Cars	IT, office equipment and furniture *ii)*	Assets in progress	Total
Cost					
Balance as at 1 January 2017	3,721,418	102,791	11,880,699	-	15,704,908
Purchases	-	-	1,867,821	-	1,867,821
Revaluation	833,712	-	-	-	833,712
Outflows	-	(102,791)	(160,611)	-	(263,402)
Balance as of 31 December 2017	4,555,130	-	13,587,909	-	18,143,039
Depreciation					
Balance as at 1 January 2017	143,425	102,141	9,178,212	-	9,423,778
Depreciation during the year	21,735	-	907,755	-	929,490
Outflows	-	(102,141)	(157,980)	-	(260,121)
Balance as of 31 December 2017	165,160	-	9,927,988		10,093,148
Net carrying amounts					
Balance as of 1 January 2017	3,577,993	650	2,702,486	-	6,281,129
Balance as of 31 December 2017	4,389,970	-	3,659,921	-	8,049,892

i) During 2013, the land held by BVB was revalued as at 30 June 2013 by an ANEVAR certified expert; such revaluation showed an increase of the land value by RON 1,173,587 as compared to the entry value. The value of the land before the revaluation was RON 2,171,513.
During 2017, on the occasion of the BVB's valuation by an independent consultant as part of the merger process between BVB and SIBEX, the land was also revalued, thus an increase in its value by RON 833,712 being registered, up to RON 4,178,812.
In Land and buildings, the Group included furnishing articles (cost as of 31 December 2017 and 2016: RON 376,419) for which the accounting policy is cost minus accumulated depreciation and cumulated adjustments for impairment.

Further to the merger, the Group took over tangible assets of RON 24,679.

11. TANGIBLE ASSETS

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.

	Land and buildings *i)*	Cars	IT and office equipment and furniture *ii)*	Assets in progress	Total
Cost					
Balance as at 1 January 2016	3,721,418	284,000	12,121,547	482,975	16,609,940
Purchases	-	-	1,266,209	-	1,266,209
Transfers	-	-	-	(482,975)	(482,975)
Outflows	-	(45,058)	(1,799,142)	-	(1,844,200)
Balance as of 31 December 2016	3,721,418	238,942	11,588,614	-	15,548,974
Depreciation					
Balance as at 1 January 2016	120,665	283,350	9,727,481	-	10,131,496
Depreciation during the year	22,760		957,841		980,601
Outflows	-	(45,058)	(1,798,743)	-	(1,843,801)
Balance as of 31 December 2016	143,425	238,292	8,886,578		9,268,295
Net carrying amounts					
Balance as of 1 January 2016	3,600,753	650	2,394,066	482,975	6,478,444
Balance as of 31 December 2016	3,577,993	650	2,216,502	-	6,280,678

12. INTANGIBLE ASSETS

	Goodwill i)	Licenses, software ii)	Assets in progress	Total
Cost				
Balance as at 1 January 2017	162,000	13,699,878	690,981	14,552,859
Purchases	-	2,766,697	1,709,860	4,476,557
Outflows	-	(205,861)	(2,202,671)	(2,408,532)
Balance as at 31 December 2017	162,000	16,260,715	198,170	16,620,885
Depreciation				
Balance as at 1 January 2017	135,000	12,558,829	-	12,693,829
Depreciation during the year	-	830,607	-	830,607
Outflows	-	(205,861)	-	(205,861)
Balance as at 31 December 2017	135,000	13,183,575	-	13,318,575
Net carrying amounts				
Balance as at 1 January 2017	27,000	1,141,049	690,891	1,859,031
Balance as at 31 December 2017	27,000	3,077,140	198,170	3,302,310

(i) On 31 December 2017 and 2016, the outstanding goodwill, amounting to RON 27,000 resulted from the acquisition 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.

The goodwill resulting from the capital contribution to the Bucharest Clearing House ("CCB") in 2007, amounting to RON 135,000, has been fully impaired before 1 January 2009, in the context of losses recorded by CCB, which led to an increase in the net assets compared to the time of setting-up the goodwill.

(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.
The increase in the license value is mainly due to the completion of projects related to the development of the ARENA trading and post-trading system (the book value of ARENA increased following the capitalisation of internal costs) and following the completion and the commissioning of the new BVB websites; such assets will be depreciated during the next three years.
Further to the merger between BVB and SIBEX, the Group took over intangible assets of RON 698.

12. INTANGIBLE ASSETS (CONTINUED)

	Goodwill *i)*	Licenses, software *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2016	162,000	13,930,334	-	14,092,334
Purchases		566,402	746,326	1,312,728
Outflows		(796,858)	(55,345)	(852,203)
Balance as at 31 December 2016	162,000	13,699,878	690,981	14,552,859
Depreciation				
Balance as at 1 January 2016	135,000	12,593,957	-	12,728,957
Depreciation during the year		761,730	-	761,730
Outflows		(796,858)	-	(796,858)
Balance as at 31 December 2016	135,000	12,558,829	-	12,693,829
Net carrying amounts				
Balance as at 1 January 2016	27,000	1,336,377	-	1,363,377
Balance as at 31 December 2016	27,000	1,414,049	690,981	1,859,031

13. DEFERRED TAX

13.1 Deferred tax liabilities are attributable to the following items:

	31 December 2017	31 December 2016
Available-for-sale financial assets	-	159,548
Total	-	159,548

Variation of temporary differences during the year:

	Active financiare disponibile pentru vanzare
Balance as at 1 January 2017	159,548
Recognised in other items of the comprehensive income	(159,548)
Balance as at 31 December 2017	-

13 DEFERRED TAX (CONTINUED)

13.2 Deferred tax assets are attributable to the following items:

	31 December 2017	31 December 2016
Tax loss carryforward from Sibex	329,965	-
Total	**329,965**	-

Variation of temporary differences during the year:

	Tax loss carryforward from Sibex
Balance as at 1 January 2017	-
Recognised in Profit or loss	329,965
Balance as at 31 December 2017	329,965

In 2017, BVB used the tax losses taken over from SIBEX further to the merger by absorption according to the provisions of the Tax Code. The tax loss taken over through the BVB-SIBEX merger was not fully used in the current year, the loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable of RON 329,965.

14. FINANCIAL INSTRUMENTS

The Group's financial instruments are the following:

	31 December 2017	31 December 2016
Financial assets with maturity longer than one year *i)*	38,027,350	59,855,052
Financial assets with maturity longer than one year restricted in order to cover the guarantee and clearing funds and the margin ii)	11,007,771	12,574,140
Available-for-sale financial assets *iii)*	-	2,200,297
Other assets – guarantees *iv)*	363,044	366,724
Total long term financial instruments	49,398,165	74,996,213

14. FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2017	31 December 2016
Bank deposits with maturity between 3 months and one year *v)*	31,248,521	33,554,786
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 *vi)*	2,460,449	1,949,556
Held-to-maturity financial assets *vii)*	25,833,152	1,397,551
Held-to-maturity financial assets restricted in order to cover the guarantee and clearing funds and the margin *viii)*	7,361,427	5,280,638
Total current assets	66,903,549	42,182,531

i) The held-to-maturity financial assets 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 held-to-maturity financial assets restricted in order to cover the guarantee and clearing fund and the margin are bonds issued by the Romanian government, with maturities between 2015-2023, and a coupon rate between 1.39% and 5.27%.

iii) The available-for-sale financial assets are shares at foreign stock exchanges, listed on international markets and shares held in the Sibiu Clearing House and Chisinau Stock Exchange. Listed shares are valued at the closing price of the stock exchanges that are listed on the last trading day before the balance sheet date.

Further to the merger between BVB and SIBEX, the Group took over a participation of 4,454,550 shares representing 41.194% of the share capital of Casa Romana de Compensatie SA. Sibiu. The value of the participation was assessed at the fair value of RON 16,823 and fully impaired on 31 December 2017, the company being in voluntary liquidation.

iv) Other assets – guarantees are recorded in the consolidated financial position as assets held to maturity

v) Term deposits with Romanian with maturity from 3 months to one year are made in RON with Romanian banks, at interest rates between 0.25% and 2.30% depending on period, for deposits in RON, between 0.3% and 1.0% for deposits in EUR and between 0,75 % and 1.35% for deposits in USD.

vi) 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.

14 FINANCIAL INSTRUMENTS (CONTINUED)

vii) Held-to-maturity financial assets 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 %.

viii) Held-to-maturity financial assets 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%.

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 2017	59,855,052	12,574,140	1,397,551	5,280,638
Purchases (less effective interest) and exchange rate differences	5,229,931	717,872	2,661,194	3,748,427
Reclassifications	(22,926,293)	-	22,926,293	-
Redemptions (less effective interest*)	(4,131,339)	(2,284,241)	(1,151,887)	(1,667,638)
31 December 2017	**38,027,350**	**11,007,771**	**25,833,152**	**7,361,427**

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

Variation in available-for-sale financial instruments is shown below:

Available-for-sale financial assets	**2017**	**2016**
1 January	2,200,297	2,083,434
Increase / decrease in value after re-measurement (before deferred tax)	-	116,863
Sales	(2,200,297)	-
31 December	-	2,200,297

15. TRADE AND OTHER RECEIVABLES

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

	31 December 2017	31 December 2016
Trade receivables – gross value *i)*	4,064,795	4,197,063
Adjustment after trade receivable Impairment *ii)*	(1,249,698)	(1,679,668)
Income tax to recover	1,170,847	35,771
VAT not due	53,212	15,309
Other receivables	491,164	281,998
Total	4,530,320	2,850,473

Financial receivables taken into account in the calculations of Note 5 are made of RON 3.017.807 at 31 December 2017 and RON 2.850.473 at 31 December 2016.

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 2017	31 December 2016
Adjustment after receivable impairment – individual component	1,249,698	1,679,668
Total	**1,249,698**	1,679,668

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2017	2016
Adjustment for impairment – individual component		
Balance as at 1 January	1,679,669	1,707,573
Impairment losses	264,144	233,980
Impairment reversal	(694,115)	(261,885)
Balance as at 31 December	1,249,698	1,679,668
Total	**1,249,698**	**1,679,669**

16. ACCRUED EXPENSES

Prepayments amounting to RON 388.283 (31 December 2016: RON 341.978) 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 2017, Depozitarul Central holds on behalf of customers amounts to be distributed to shareholders qualified as dividends amounting to RON 50,159,079 (31 December 2016: 38,464,384 lei).

18. CASH AND CASH EQUIVALENTS

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

	31 December 2017	31 December 2016
Deposits at banks with original maturity less than 3 months	2,529,079	593,198
Bank current accounts	16,082,060	5,411,326
Petty cash	13,797	23,851
Total	18,624,936	6,028,375

19. TRADE AND OTHER PAYABLES

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

	31 December 2017	31 December 2016
Trade liabilities *i)*	856,267	952,413
Salary contributions due	575,575	243,077
Taxes due	92,826	100,230
VAT payable	136,860	91,931
Dividends payable to the Company's shareholders	707,414	677,255
Dividends to be distributed to the Central Depository	50,092,530	38,464,455
Prepayments received from customers	361,996	233,198
Guarantees received	27,278	27,278
Other payables related to management and staff *iii)*	1,538,604	-
Estimates for leave days not taken and for compensation of Board of Governors members *ii)*	323,946	498,605
Debts to CCB minor shareholders	901,585	1,294,632
Other liabilities	594,013	567,847
Total	56,208,894	43,150,920

19. TRADE AND OTHER PAYABLES (CONTINUED)

Financial paybles taken into account in the calculations of Note 5 are made of RON 1.864.337 at 31 December 2017 and RON 1.843.178 at 31 December 2016.

i) Trade payables are mainly obligations to internal suppliers, some of them with a maturity less than 30 days, paid in early 2018.

ii) The estimates for leave days not taken and for the compensation of the Board members include the estimated amounts of provisions related to leaves not taken, and the amounts consisting in compensation for the BSE Board members.

iii) Other payables to the management and staff consist in amounts related to performance bonuses granted to the BVB and DC management and staff for 2017, and will be paid in 2018.

20. DEFERRED INCOME

Deferred income/revenue include:

	31 December 2017	31 December 2016
Revenues from registry activities	112,908	102,300
Revenues from fees for continuance of trading activity	786,481	828,658
Total	899,389	930,958

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.

21. PROVISIONS

Provisions include:

	31 December 2017	31 December 2016
Provisions for litigations	-	-

Provision variations during the financial years 2017 and 2016 are as follows:

	2017	2016
Provisions on 1 January	-	1,676,088
Provisioning during the year	-	-
Reversals of provisions during the year	-	1,676,088
Provisions on 31 December	-	-

21. PROVISIONS (CONTINUED)

Provision for litigation – Pitesti Court

In 2007, 295 people have been defrauded by a criminal group made of 22 people, 5 of them being employees of the Depozitarul Central SA. The victims were holders of shares registered with the Central Depository, and the criminal group defrauded them by unlawful trading of their shares.

The legal proceedings in this case began in 2009, under file no. 2320/109/2009 pending before the Pitesti Tribunal – The Criminal Department. By criminal sentence no. 35/27.01.2011, the Court ordered Depozitarul Central SA and the defendants to jointly pay RON 1,817,742 in damages to all the civil parties in this case.

The final and irrevocable decision was given on 1 November 2013 by the Court of Appeal Pitesti. The Court rejected the appeal filed by the Central Depository and ordered it to pay, jointly with the defendants, the amount of RON 1,765,742 representing damages for the civil parties of the case and the amount of RON 73,400 in court fees.

As a result of the prescription of the damage payment deadline as per civil code, the Group reversed the provision in amount of RON 1,676,088.

22. GUARANTEE AND CLEARING FUNDS AND MARGIN

The guarantee and clearing funds and margin comprise:

	31 December 2017	31 December 2016
Guarantee fund for transactions with derivative financial instruments interest as of 31 December	-	593,102
Guarantee fund for transactions in securities	2,971,169	3,210,712
Margin for transactions in securities	898,240	950,759
Investors compensation fund	16,817,460	15,515,041
Total	20,686,869	20,269,614

23. ASSETS CLASSIFIED AS HELD FOR SALE

The Group acquired control over SIBEX Depositary on December 29, 2017 as the result of the merger by absorption between BVB and SIBEX, thus taking over the shareholding held by SIBEX. Within the current assets / liabilities, all the assets / liabilities of the SIBEX Depositary are recorded as assets held for sale / liabilities directly related to the assets held for sale, as currently the activity of this entity is suspended and the BVB management has prepared a voluntary liquidation plan for Depositary Sibex SA.

24. CAPITAL AND RESERVES

(a) Share capital

On 31 December 2017, 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 2017	31 December 2016
Ordinary shares (no)	8,049,246	7,674,198
Total	8,049,246	7,6474,198

Shareholding structure as at 31 decembrie 2017	**Number of shares**	**% of the Share capital**
Legal entities, of which:		
- romanian	5,532,706	68.74%
- foreign	1,050,131	13.05%
Individuals, of which:		
- romanian	999,390	12.42%
- foreign	91,971	1.14%
New shareholders coming from SIBEX	375,048	4.66%
Total	8,049,246	100%

In compliance with the provisions of the Government Emergency Ordinance no. 90/2004 on amending and supplementing the Law no. 297/2004 regarding the capital market, a shareholder of a market operator shall not hold, either directly or indirectly, more than 20% of the voting shares. Also, according to the BVB Bylaw subscription, acquiring and holding the Company's shares will be subject to the condition that no shareholder should own directly or indirectly more than 20% of total voting rights. Accordingly, on 31 December 2017 and 2016, no shareholder of BVB held more than 20%.

By the 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 BSE of its own shares was approved. On 8 June 2010 the first transactions in shares issued by BVB took place.

The closing price for the last trading session of 2017 was of RON 27.6 /share (2016:RON 29 /share).

24. CAPITAL AND RESERVES (CONTINUED)

As a result of the merger by absorption between BVB and SIBEX, the share capital of the BVB was increased by RON 3,750,480, or 375,048 shares. Since the absorption of SIBEX was made by exchange of shares (the exchange rate being 0.01200795 SIBEX shares for 1 BVB share), the shares newly issued by the Company were allocated to SIBEX shareholders and thus no cash payment was made in consideration of the issued shares.

(b) Treasury shares and benefits to directors and employees

Changes occurred in the year of 2017 in the structure of the equities of the Company, as, in compliance with the legal provisions, the shareholders not having voted in favour of the merger of BVB with SIBEX were able to withdraw from the body of shareholders of the company, so that, in the month of September 2017, the Company purchased 28,276 own shares, representing 0.35% of the share capital. The purchase price of the shares was of RON 35.6376 /share, determined by an independent expert established by the Trade Register Office.

In 2017, the Company granted options, according to the Stock Option Plan, to the 6 eligible members of the Stock Exchange Board, the benefit granted in equity instruments (own shares) amounted to RON 172,984 (2016: 0 lei). See also Note 8.

Movements on 31 December 2017 are as follows:

	2017
Balance at January 1	-
Own shares redeemed	1.007.689
Share-based benefits granted to Members of the Board	(172.984)
Balance at December 31	834.705

(c) Dividends

BVB's Board of Directors submitted to the General Shareholders Meeting a proposal for the distribution of the Company's net profit for 2017, amounting to RON 14.246.624, as follows: RON 695.833 as legal reserve and the rest as gross dividends. Thus, the amount proposed to the General Shareholders Meeting set for 16/17 April 2018 for approval to be shared in 2018 as gross dividends for 2017 is RON 13.550.792.

By distributing in full the amount of RON 13,550,791 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 1.6834. 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).

In 2017, Depozitarul Central SA distributed dividends amounting to 1.517.514 RON out of the 2016 net profit, whereas out of the 2017 statutory net profit the Company will propose the amount of RON 1.355.972 to be approved for dividends distribution during 2018.

24. 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.
Further to the merger between BVB and SIBEX, the Company also took over a Legal reserve amounting to RON 295,633.

Legal reserves may be used to cover losses on operating activities.

(e) Fair value reserve

This reserve includes the cumulative net change in fair values of available-for-sale financial assets from their classification into this category until the date they have been derecognized or impaired.
Movements in other reserves are as follows:

Reserve for available-for-sale assets	**2017**	**2016**
Balance as at 1 January	837,628	880,313
Reserve of available-for-sale financial assets - impact deferred tax (Note 13)	159,548	(159,548)
Reserve for the assets available for sale – computed during the year	303,187	116,863
Reclassification to the profit and loss account as result of the sale	(1,300,363)	-
Balance as at 31 December	-	837,628

(f) 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.

25. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2017 is based on profit attributable to Company's shareholders in the amount of RON 14.685.654 (2016: RON 7.761.405) and the weighted average number of ordinary shares outstanding of 7,674,198 (2016: 7,674,198).

26. TRANSACTIONS WITH RELATED PARTIES

Management key personnel

31 December 2017

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

The executive management was ensured by:

• Mr. Ludwik Sobolewski	General Manager until August 2017
• Mr. Alin Barbu	Deputy General Manager and Interim General Manager

In 2017, the remuneration granted to the key management personnel of BVB amounted to RON 2,406,067 (2016: RON 1,778,511), the remunerations paid being 1,423,595 lei (2016: 1,778,511 lei). As at 31/12/2017 the Company records a liability, related to the provisions of the mandate contract, to the former General Manager, Ludwik Sobolewski, amounting RON 982,472, not due as at 31/12/2017.

In 2017, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 687,740 (2016: RON 686,480).

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

27. GAIN FROM ACQUISITION

Further to the merger by absorption between BVB and SIBEX the Company's share capital was increased by RON 3,750,480, respectively 375,048 shares, at the nominal value of RON 10 /share. Since SIBEX absorption was made by exchange of shares (the exchange rate being of 0.01200795 SIBEX shares for 1 BVB share), a share premium of RON 6,598,896 resulted from the calculation of merger registrations, as a difference between the value of new shares issued by the Company, at the nominal value, and the value of the BVB share on the merger actual date of RON 29.6 /share, representing the equivalent of the counter performance paid by the Company.

According to the provisions of IFRS 3 "Business combinations", measurement at fair value on the actual merger date (29 December 2017), of both the taken over assets and liabilities and of the transferred counter performance (BVB shares) determined the registration of an income representing a gain from purchases under advantageous conditions of RON 2,880,425.

The assessment report for the taken over assets and liabilities was drafted by CMF Consulting SA, independent valuator member of ANEVAR.

The fair value of net assets taken over from Sibex	**RON**
Intangible assets	698
Tangible assets	24,679
Shares held at Sibex Depositary	828,066
Shares held at Casa de Compensare Bucuresti	47
Shares held at Casa Romana de Compensare	16,823
Cash	12,335,030
VAT to recover	26,406
Total net assets taken at fair value	**13,231,749**

28. 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 2013, the Financial Supervisory Authority („FSA") suspended the authorizations of Harinvest SA and Eurosavam SA, capital market brokers and members of the FCI-administered Fund.

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

According to the regulations in force, the Fund should compensate the investors when a competent judiciary authority, for reasons directly or indirectly related to the financial position of a Fund's member, has issued a final decision which leads to the suspension of the investors' possibility to exercise their rights concerning the recovery of their receivables from the respective company.

In 2015 the Investor's Compensation Fund had two compensation cases, namely Harinvest SA and Eurosavam SA.

Eurosavam SA

In august 2013, the Court Resolution was issued in File 4889/105/2013 for the trial of the civil action concerning the bankruptcy, filed by Eurosavam SA. The debtor requested the appointment as official receiver of Hodos Business Recovery SPRL - Bucharest Branch

The consolidated list of creditors was made by official receiver Hodos Business Recovery SPRL and was published on 30.10.2013 in the Insolvency Procedures Bulletin no. 17868.

In March 2014, Prahova Court of Law appointed Victrix Capital SRL having its head office in Bucharest, as official receiver and ordered the termination of the duties of the provisional official receiver Hodos Business Recovery SPRL - Bucharest Branch.

Victrix Capital SPRL sent the Consolidated list comprising four compensation requests to the Fund. Following the review of the investors' eligibility performed by the Fund's executives and based on the opinion of several law firms, the payment list was approved in the meeting of the Board of directors of 27.02.2015 for the investors to be compensated in the compensation procedure opened for Eurosavam SA. The Payment List included a single investor, with a compensation amount of RON 76,734, whereas the other persons were not able to prove their capacity as customers of company Eurosavam SA so as to meet the legal requirements for their compensation by the Fund.

The Fund is currently involved in a litigation with two of these persons.

Harinvest SA

In 2016, the Investor's Compensation Fund completed the compensation in the Harinvest S.A. case. The Harinvest S.A. compensation case was opened in September 2014 and was carried out throughout 2015, being completed in February 2016.

The consolidated list issued by the official receiver of company Harinvest SA included 104 natural persons and 6 legal entities that submitted compensation requests together with supporting documents.

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Following the review thereof, the investors mentioned by the official receiver in the consolidated list were included in the Fund-approved Payment List, except for the investors excluded from compensation in compliance with the legal provisions in force.

As a result, the Payment List in the case of Harinvest SA includes 102 natural persons and 2 legal entities.

In November 2015, the Fund paid the total amount of RON 3,099,813 to 88 investors, whereas for 88 investors payment was postponed because their receivables were provisional and not final as in the case of the others, until the clarification and finalization of the receivables in the file before the Valcea Court of Law.

In February 2016, considering the Decision of Valcea Court of Law by which the receivables of the 16 investors were clarified, the Fund made the payment for such receivables, amounting to RON 1,261,200.

Consequently, the total amount of the compensations paid by the Fund to the investors in company Harinvest S.A. is RON 4,361,013.

As at 31 December 2017, the Fund completed the payments in the Harinvest case and has no indication of further compensation cases in the future.

29. SITUATION OF CCB

During 2012, there were issued European Market Infrastructure Regulation ("EMIR") new common regulations for existent central counterparties, which CCB could not fully met.

Despite all efforts and measures taken by CCB, the minimum share capital limit could not be reached, consequently in 2016, ASF by its Decision 1135 from 26 may 2016 withdraw its operational licence

Previously, by Decision 44 from 7 January 2016, ASF withdrew the licence related to term regulated market, managed by BVB as market operator. Consequently, in 2016, CCB did not performed setlement operations related to derivative financial instruments.

Under such circumstances, the CCB' General Shareholders Assembly ("GSA") held on 29 July 2016, decided, among others, to amend the Company's main object activity as follows:

The Company's main object of activity:

The Company's main object is performning activities mapped in NACE code 7320 - "Activities of market studies and public opinion" and will include the following:

29. SITUATION OF CCB (CONTINUED)

a) researching the capital market potential, acceptance and familiarization with the products, operations and new instruments, investors' behaviour towards products and services, public opinion polling on economic subjects, including the statistical analysis of the results.

This GSM decision creates the premises for continuing CCB's activity subject that the capital market institutions will find the services of Casa de Compensare Bucuresti useful.

The decision for the object of activity also considered also the fulfilling the legal requirements which state in what companies BVB can act as a shareholder (depending on the object of activity of the subsidiary). Please see note 1 for the ownership percentage of BVB in CCB.

However, until the clarification of CCB's role and place within the financial instruments architecture, the Company's management has taken measures to cut down all expenses, for ensuring the best use of the low resource volume available to CCB.

Please note that in GSM from 29 July 2016 it was also decided the share capital reduction in 2 steps:

- covering the acumulated losses and decreasing the nominal value of the shares;
- restitution to shareholders a portion of capital, also by decreasing the nominal value of the shares.

As a result, there was the partial repayment of the shareholder's contribution together with significant decrease of financial resources of CCB in amount of RON 4,096,120.

The process of repaying CCB's shareholders a part of their share capital through the reduction if the share nominal value started in October 2016; at the end of the year, there was a debt to shareholders amounting to RON 901 thousand recorded.

CCB's share capital as at 31 December 2017 was RON 239,254.

30. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 19, 2018, the Central Depository registered the new shareholders as a result of the merger of BSE-SIBEX in the BSE shareholders' register.

On January 23, 2018, the Financial Supervisory Authority approved the appointment of Mr. Adrian Tanase in the position of General Manager of the Company, the date when ceased to act as Interim Managing Director Mr. Marius-Alin Barbu, who rejoined the post of Deputy General Manager.

The General Meeting of the Depository Sibex SA dated February 15, 2018 decided the voluntary liquidation of the company and the appointment of a liquidator.

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 2017

BURSA DE VALORI BUCURESTI SA

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT

31 DECEMBER 2017

CONTENTS

BURSA DE VALORI BUCURESTI S.A.

SEPARATE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 *(RON)*

	Note	Financial year ended at 31 December 2016	Financial year ended at 31 December 2017
Revenues from services	7	19,442,496	23,395,901
Other revenues		310,429	296,436
Operating revenues		19,752,925	23,692,337
Staff expenses and indemnities of the Board of Directors	8	(7,991,975)	(8,738,153)
Expenses with services provided by third parties	8	(1,339,469)	(1,975,581)
Other operational expenses	8	(4,711,303)	(5,317,602)
Operating profit		**5,710,178**	**7,661,001**
Net financial income	9	3,318,954	3,430,497
Gain from bargain purchase	24	-	2,880,425
(Losses)/Gain from asset impairment – affiliated companies	6	(267,091)	(55,264)
Profit before tax		8,762,041	13,916,659
Corporate income tax expense	10	(1,261,516)	329,965
Profit for the period		7,500,525	14,246,624
Reserves from the valuation and revaluation of financial assets available for sale	13	(42,684)	(3,917)
Total comprehensive income for the period		7,457,841	14,244,707
Earnings per share:			
Earnings per share basic / diluted (RON)	22	0.9774	1.7699

The separate financial statements were approved by the Board of Directors on 6 March 2018 and were signed by:

President,	General Manager,	Financial Manager,
Lucian Claudiu Anghel	Adrian Tanase	Virgil Adrian Stroia

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 *(RON)*

	Note	31 decembrie 2016	31 decembrie 2017
Assets			
Non-current assets			
Tangible assets	11	4,790,411	6,091,713
Intangible assets	12	805,147	1,169,444
Investments in subsidiaries		20,486,004	20,458,775
Defferred tax receivables	13	-	329,965
Held-to-maturity financial assets	14	49,049,410	20,768,892
Available-for-sale financial assets	14	2,200,297	-
Total non-curent assets		77,331,269	56,818,789
Current assetsCurrent assets			
Trade and other receivables	15	1,547,902	2,816,480
Prepayments	16	196,475	245,005
Bank deposits		18,381,509	15,710,313
Held-to-maturity financial assets	14	-	22,926,293
Cash and cash equivalents	17	1,603,833	17,050,918
Other assets		-	1.000
Assets classified as held for sale		-	828,066
Total current assets		21,729,719	59,578,075
Total assets		99,060,988	116,396,854
Equity			
Share capital	21	76,741,980	80,492,460
Treasury Shares and Share-base benefits	21	-	(834,705)
Share premium	21	-	6,303,263
Legal reserve	21	7,283,529	8,274,995
Revaluation reserve	21	1,173,587	2,007,299
Fair value reserve	21	837,628	-
Retained current earnings	21	9,712,979	16,201,355
Total equity		95,749,703	112,444,667

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

	Note	31 decembrie 2016	31 decembrie 2017
Liabilities			
Trade and other payables	18	1,863,602	3,165,716
Deferred income	20	828,658	786,481
Current corporate income tax payables		459,477	-
Deferred tax-liabilities	13	159,548	-
Total current liabilities		3.311.285	3,952,197
Total liabilities and equity		99,060,988	116,396,864

The separate financial statements were approved by the Board of Directors on 6 March 2018 and were signed by:

President,	General Manager,	Financial Manager,
Lucian Claudiu Anghel	Adrian Tanase	Virgil Adrian Stroia

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 *(RON)*

	Share capital	Retained earnings	Revaluation reserve	Fair value reserve (available-for-sale financial assets)	Legal reserve	Total equity
Balance as at 1 January 2016	76,741,980	9,317,111	1,173,587	880,313	6,845,427	94,958,418
Comprehensive income for the period						
Profit or loss	-	7,500,525	-	-	-	7,500,525
Other items of comprehensive income						
Reserve of available-for-sale assets		-	-	(42,685)	-	(42,685)
Increase of legal reserve		(438,102)	-	-	438,102	
Total other items of comprehensive income	-	(438,102)	-	(42,685)	438,102	(42,685)
Total comprehensive income for the period	-	**7,062,423**	-	**(42,685)**	**438,102**	**7,457,841**
Contributions from and distributions to shareholders						
Dividend paid to shareholders	-	(6,666,555)	-	-	-	(6,666,555)
Total contributions from and distributions to shareholders	-	(6,666,555)	-	-	-	(6,666,555)
Total transactions with shareholders	-	**(6,666,555)**	-	-	-	**(6,666,555)**
Balance as at 31 December 2016	**76,741,980**	**9,712,979**	**1,173,587**	**837,628**	**7,283,529**	**95,749,703**

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 *(RON)*

	Share capital	Own shares	Share premium	Retained earnings	Revaluation reserve	Fair value reserve (available-for-sale Financial - assets)	Legal reserve	Total equity
Balance as at 1 January 2017	76,741,980	-	-	9,712,979	1,173,587	837,629	7,283,529	95,749,703
Comprehensive income for the period								
Profit or loss	-	-	-	14,246,624	-	-	-	14,246,624
Other items of comprehensive income								
Reserve of available-for-sale assets and other reserves	-	-	--	-	-	(837,629)	-	(837,629)
Reserve of land revaluation	-	-	-	-	833,712	-	-	-
Legal reserve increase	-	-	(295,633)	(695,833)	-	-	991,466	-
Total other items of comprehensive income	-	-	(295,633)	(695,833)	833,712	(837,629)	991,466	(3,917)
Total comprehensive income for the period	**-**	**-**	**(295,633)**	**13,550,791**	**833,712**	**(837,629)**	**991,466**	**14,242,707**
Contributions from and distributions to shareholders								
Increase/(decrease) of share capital	3,750,480		6,598,896	(8)	-	-	-	10,349,369
Acquisition of treasury shares	-	(1,007,689)	-	-	-	-	-	(1,007,689)
Benefits granted to employees settled in shares	-	172,984	-	-	-	-	-	172,984
Dividend paid to the shareholders	-	-	-	(7,062,408)	-	-	-	(7,062,408)
Total contributions from and distributions to shareholders	3,750,480	(834,705)	6,598,896	(7,758,248)	-	-	-	2,452,256
Total transactions with shareholders	**3,750,480**	**(834,705)**	**6,598,896**	**(7,758,248)**	**-**	**-**	**-**	**2,452,256**
Balance as at 31 December 2017	**80,492,460**	**(834,705)**	**6,303,263**	**16,201,355**	**2,007,299**	**-**	**8,274,995**	**112,444,667**

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2017 *(RON)*

	Note	Financial year ended at 31 December 2016	Financial year ended at 31 December 2017
Cash flows used in operating activities			
Net profit for the period		7,500,525	14,246,624
Adjustments to remove non-cash items and items included in investing and financing activities:			
Depreciation of fixed assets	12,13	1,203,152	1,153,784
Amortisation of premiums for government bonds		543,980	551,804
Interest income	10	(2,487,365)	(2,527,827)
Dividends income	9	(897,652)	(1,085,790)
Income from the sale of shares-reclassification	9	-	(1,300,363)
Loss from impairment of uncollected receivables	16	42,740	173,210
Cost estimation for holiday not-taken - net	21	(44,618)	(199,895)
Corporate income tax expense reclassification	11	1,261,516	-
Deferred tax income	13	-	(329,965)
Investments in subsidiaries impairment	6	267,091	55,264
Income from production of intangible assets		(270,816)	(391,384)
Gain from bargain purchases - merger	24	-	(2,880,425)
Expense with employees' benefits settled in shares	21	-	172,984
		7,118,553	7,638,021
Change in trade and other receivables	15	851,539	(245,535)
Change in prepayments	16	(100,928)	(48,530)
Change in trade and other payables	18	(413,684)	1,469,914
Change in deferred income/revenue	19	183,514	(42,177)
Corporate income tax paid	10	(1,253,674)	(1,630,324)
Net cash from operating activities		**6,385,319**	**7.141.369**
Cash flows from investing activities			
Interest received	9	2,576,005	2,407,764
Dividends received	9	897,652	1,085,790
Proceeds from the shares sold		-	2,492,319
Bank deposits	14	(3,666,965)	2,671,196
Payments for acquisitions of held-to-maturity financial assets	14	(2,303,201)	(3,077,516)
Acquisitions of tangible and intangible assets	11,12	(1,292,878)	(1,568,910)
Cash from Sibex merger	24	-	12,335,029
Collections from changes in equity – subsidiaries		2,150,791	-
Net cash from investment activities		**(1,638,596)**	**16,345,672**

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

	Note	Financial year ended at 31 December 2016	Financial year ended at 31 December 2017
Cash flows from financing activities			
Dividends paid		(6,679,268)	(7,032,266)
Acquisition of own shares		-	(1,007,689)
Net cash used in financing activities		**(6,679,268)**	**(8,039,955)**
Net Increase / (Decrease) in cash and cash equivalents		(1,932,545)	15,447,086
Cash and cash equivalents as at 31 Decembers at 1 January	17	3,536,378	1,603,833
Cash and cash equivalents as at 31 December	17	1,603,833	17,050,918

The Explanatory Notes to the financial statements from pages 8 to 65 are an integral part of these separate financial statements.

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

2. BASES OF PREPARATION (CONTINUED)

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 2016, in order to get comprehensive information about the financial position, results of the operations and the cash flows of the Group as a whole.

(b) Bases of measurement

The separate financial statements were prepared on the historical or amortized cost basis, except for the available-for-sale financial assets 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.

2. BASES OF PREPARATION (CONTINUED)

(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 available-for-sale financial instruments 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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency	Spot exchange rate 31 December 2016	Spot exchange rate 31 December 2017	Average exchange rate 2016	Average exchange rate 2017
EUR	4.5411	4.6597	4.4908	4.5681
USD	4.3033	3.8915	4.0592	4.0525

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.

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.

The Company classifies the financial assets held into the following categories: held-to-maturity financial assets, receivables and cash and cash equivalents and available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Held-to-maturity financial assets

If the Company has the intent and ability to hold the debt instruments to maturity, then such financial assets are classified as held-to-maturity investments. Held-to-maturity financial assets are recognized initially at fair value plus the directly attributable transaction costs.

Interest for held-to-maturity financial assets, calculated using the effective interest method, is recognized in the profit or loss account as financial revenues.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less the value of impairment losses. The Company may not classify any financial asset as financial assets held to maturity if during the current financial year or during the last two previous years, it sold or transferred such typf of assets before maturity. Only traded assets can be classified in this category.

(ii) 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.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in any of the above categories. The Company's investments in equity instruments and in certain debt instruments are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and subsequent changes, other than impairment losses and exchange rate differences related to equity instruments available for sale, are recognized in other comprehensive income items and are presented within equity in the fair value reserve. Fair value reserve is recognized net of tax impact, therefore a deferred tax debt is recognized in this respect

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an investment is derecognized, the gain or loss accumulated in other comprehensive income items is transfered to the profit or loss account.

If the fair value cannot be reliably determined, the participations designated as available-for-sale financial assets are carried at restated cost, less provision for value impairment.

Financial assets and debts are compensated, and the net amount is presented in the statement of financial position only when the Company has the legal right to compensate the values and intends either to settle them on a net basis, or to realize the asset and settle the obligation simultaneously.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(iv) 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.
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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment

(i) Financial assets

A financial asset not accounted at fair value through the profit or loss account is tested on each reporting date to determine whether there is objective evidence as to the existence of an impairment. A financial asset is deemed to be impaired if there is objective evidence indicating that after the initial recognition an event took place which caused a loss, and this event had a negative impact on the estimated future cash flows of that asset and the loss can be estimated reliably.

Objective evidence indicating that financial assets (including equity instruments) are impaired may include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or payment impossibility, disappearance of an active market for an instrument. In addition, for an investment in equity instruments, a significant and prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investments both at the level of a specific asset and at collective level. All individually significant receivables and held-to-maturity investments are assessed for impairment. All the receivables individually significant found not to be specifically impaired are then collectively assessed for any impairment not yet identified.

Receivables that are not individually significant are grouped depending on similar risk characteristics and are collectively tested for impairment.

To test collective impairment, the Company uses historical trends of the probability of default, the period necessary to recoveries and the amount of losses incurred, adjusted according to the management's professional judgement as to whether current economic and crediting conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends. There were no such loses from historical data, consequently the collective provision is zero.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss account and reflected in a receivables adjustment account. Interest on an impaired asset continues to be recognized through the discount depreciation. When a

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

subsequent event causes the amount of impairment loss to decrease, the decrease is reversed through the profit or loss account.

Impairment losses on available-for-sale investments 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 available-for-sale debt instrument 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 available-for-sale 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.

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").

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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.

l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 available-for-sale financial assets, losses on the re-measurement of assets and liabilities in other currencies.

m) 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.

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.

n) 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, counseling, legal, accounting, assessment fees, and other professional or consultancy fees, the general administrative costs, the costs

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

related to the registration and issuance of debt securities and shares, which are recognized in the profit and loss account.

o) 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.
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017 was of 16% (31 December 2016: 16%).

p) 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.

q) 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.

r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) 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.

t) 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.

u) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2017

The following amendments to the existent standards and the new interpretations issued by the International Accounting Standards Board (IASB) adopted by EU are in force for the current reporting period:

- **Amendments to IAS 7 „Statement of cash flows"** – Initiative regarding the disclosure requirement – adopted by EU on 6 November 2017 (applicable for teh annual periods starting with or after 1 January 2017),

- **Amendments to IAS 12 „Income taxes"** – Recognition of deferred tax assets for non-achieved losses – adopted by the EU on 6 November 2017 (applicable for the annual periods starting with or after 1 January 2017),

- **Amendments to IFRS 12** further to the „IFRS improvements (2012-2014 cycle)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating inconsistencies and clarify certain formulations – adopted by EU on February 7, 2018 (the amendments to IFRS 12 are applicable for the annual periods starting with or after 1 January 2017).

The adoption of such amendments to the existent standards did not result in significant changes in the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) IASB standards or interpretations which are actually applicable starting on or after 1 January 2018

IFRS 9 "Financial instruments:*Classification and evaluation"* *(published in July 2014 and effective for annual periods beginning on or after 1 January 2018, effective for EU for annual periods beginning 1 January 2018).* Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income items (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt securities is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payment of principal and interest (SPPI). If a debt instruments are held to be collected, they may be carried at amortized cost they also meet the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio by an entity both to collect assets' cash flows and to sell assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income items, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss account.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities measured at fair value through the profit or loss account in other comprehensive income items.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to recognize an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- continuing to apply IAS 39 to all hedges because the standard currently does not provide accounting for macro hedges.

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

IFRS 15, Revenue from Contracts with Customers *(issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018, effective for EU for annual periods beginning 1 January 2018).* The new standard introduces the core principle that revenues must be recognized when the goods or services are transferred to the customer, at the transaction price. Any group of included goods or services that are distinct must be separately recognized and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if thethere is not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

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

Sale or contribution of assets between an investor and its associates or joint ventures - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date to be determined by the IASB, not endorsed by EU). These amendments address the inconsistencies between the requirements in IFRS 10 and those in IAS 28 related to the sale or contribution of assets between an investor and its associates or joint ventures. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves assets not representing a business, even if such assets are held by a subsidiary.

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

IFRS 16 "Leases" (issued in 13 January 2016 and effective for annual periods beginning on or after 1 January 2019, not endorsed by EU). The new standard sets out the principles for the recognition, measurement, presentation of leases. All leases result in the lessee's right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on the lease liability in the profit and loss account. IFRS 16 substantially carries forward the lessor's accounting

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

Amendments to IAS 7 (issued on January 29, 2016 and effective for annual periods beginning on or after 1 January 2017, not endorsed by EU). Changing in IAS 7 consists of the requirement to present a reconciliation of the movements in debts resulted from financing activities.

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

Amendments to IFRS 15 Revenue from contracts with customers (issued on 12 April 2016 and applicable for annual periods beginning on or after 1 January 2018, not endorsed by EU). The amendments do not change the basic principles of the Standard but clarify how these principles must be applied. The amendments clarify how to identify an obligation to do (the promise to transfer a good or service to a customer) in a contract; method of determining whether a company has the role of principal (the good or service provider) or agent (responsible for arrangements regarding the provision of the good or service), and the method of determining whether the revenue from license granting must be recognized at some point or in time. Besides clarifications, amendments contain two additional facilities to reduce costs and the complexity for a company applying for the first time the new Standard.

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

Impovements to IFRS 2 Share-based payments (issued on 20 June 2016 and applicable for annual periods beginning on or after 1 January 2018, not endorsed by EU). The amendments provide that the vesting conditions based on performance other than market transactions will affect the valuation of share-based payments compensated in cash in a manner similar to the benefits compensated in shares. The amendments also clarify the classification of a transaction with net compensation in which the entity retains a certain part of the instruments of own shares that would otherwise be issued to the other party when exercising the right (or vesting), in exchange for compensation of the tax liability of the other party related to share-based payment. Such arrangements are classified entirely as share compensation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finally, the amendments also clarify the registration in accounting of payments based on shares compensated in cash modified to be compensated for shares, as follows: (a) share-based payment is evaluated depending on the fair value at the date of modification of equity instruments granted as a result of the change; (B) the liability is derecognized upon change, (c) the share-based payment compensated with shares is recognized to the extent that services were supplied up to the date of modification and (d) the difference between the carrying amount of the liability at the date of modification and the amount recognized in capital on the same date is recorded immediately in profit or loss.

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

Annual Improvements to International Financial Reporting Standards the 2014-2016 years (issued on 8 December 2016 and applicable for annual periods beginning on or after 1 January 2018 for amendments to IFRS 1 and IAS 28, not endorsed by EU). Improvements affect three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 stating that the disclosure requirements of IFRS 12, other than those relating to financial information summarized for subsidiaries, joint ventures, associates, apply to the participations of an entity in other entities classified as held for sale or discontinued activities according to IFRS 5. IFRS 1 was amended and a few short-term exceptions from IFRS on the disclosure of financial instruments, employee benefits and investment entities were eliminated after these short-term exceptions have achieved the goal established. Amendments to IAS 28 clarify that an entity has an option of "investment with investment" for fair value measurement of investments in accordance with IAS 28 through an organization with risk capital or mutual fund, investment fund or similar entities, including insurance funds with investment component. In addition, an entity that is not an investment entity may have an associate or a joint venture to be an investment entity. IAS 28 allows such entity to keep valuations at fair value used by that associated investment entity or joint venture when applying the equity method. Amendments clarify that this option is also available on an investment with investment basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRIC 22 - Transactions in foreign currency and advances (issued on December 8, 2016 and effective for annual periods beginning on or after 1 January 2018 not endorsed by the EU). The interpretation addresses the manner to fix the date of the transaction in order to determine the exchange rate used on initial recognition of the asset, expense or related income (or part thereof) upon the derecognition of a non-monetary asset or liability resulting from an advance payment in a foreign currency. Under IAS 21, the transaction date in order to determine the exchange rate used on initial recognition of the asset,expense or related income (or part of it) is the date when an entity initially recognizes non-monetary asset or liability resulting from the advance. In case of multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt. IFRIC 22 applies only in situations where an entity recognizes a non-monetary asset or liability arising from an advance. IFRIC 22 does not provide clarifications on the definition of monetary and non-monetary items. An advance payment or a collection of an advance generally leads to the recognition of anon-monetary asset or a liability, but could also give birth to a monetary asset or liability. The entity could be forced to consider whether an item is monetary or non-monetary .

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

Transfer of real estate investments - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018,not endorsed by EU). The amendments clarify the requirements regarding transfers to or from real estate investments of properties under construction. Before amendments, there were no specific clarifications on transfers in or from real estate investments under construction in IAS 40. The amendment clarifies that there was no intention to ban transfers of properties under construction or in development, previously classified as stocks in real estate investments when there is a noticeable change of destination. IAS 40 was amended to emphasize the principle of transfers in or from real estate investments in IAS 40 in order to specify that a transfer to or from real estate investments is only made if there has been any change in destination property; such a change the destination involves an assessment of how property can be qualified as C+ real estate investment. Such a change of destination must be proven.

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 2016		31 December 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at fair value				
Available-for-sale financial assets	2,200,297	2,200,297	-	-
Assets carried at cost				
Trade and other receivables	1,547,902	1,547,902	2,816,480	2,816,480
Bank deposits	18,381,509	18,381,509	15,710,313	15,710,313
Held-to-maturity financial assets with maturity over one year	49,049,410	51,128,555	51,695,185	52,911,184
Cash and cash equivalents	1,603,833	1,603,833	17,050,918	17,050,918
	70,582,654	72,661,799	87,272,896	88,488,895
Liabilities carried at amortized cost				
Financial liabilities	1,315,737	1,315,737	1,283,471	1,283,471
Total	1,315,737	1,315,737	1,281,515	1,281,515

All available-for-sale financial instruments representing shares quoted on different markets, amounting to RON 2,200,297 at 31 December 2016 are classified at Level 1: quoted prices in active markets.

Held-to-maturity financial assets representing government securities are classified at Level 1: quoted prices in active markets. Government securities denominated in Eur, RON and USD included in Held-to-maturity financial assets, 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 2016	31 December 2017	Rating agency
BRD - Groupe Societe Generale S.A.	BBB+	BBB+	Fitch Ratings
Banca Transilvania S.A.	BB	BB	Fitch Ratings
PIRAEUS BANK ROMANIA S.A.	Caa3	Caa3	Moody's
RAIFFEISEN BANK S.A.	Ba2	Baa2	Moody's
Banca Comerciala Romana S.A.	BBB	BBB+	Fitch Ratings

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 2016	31 December 2017
Held-to-maturity financial assets	49,049,410	51,695,185
Available-for-sale financial assets	2,200,297	-
Trade and other receivables	1,547,902	2,816,480
Prepayments	196,475	245,005
Bank deposits	18,381,509	15,710,313
Cash and cash equivalents	1,603,833	17,050,918
Other assets	-	1,000
Total	72,979,426	87,518,901

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		Held-to-maturity financial assets		Cash and cash equivalents		Available-for-sale financial assets		Bank deposits	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
Individually provisioned										
Significant risk	528,606	665,225	-	-	-	-	-	-	-	-
Gross amount	528,606	665,225	-	-	-		-		-	-
Adjustment for impairment	528,606	665,225	-	-	-	-	-	-	-	-
Net amount	-	-	-		-		-		-	-
Outstanding amounts, individually not provisioned										
Outstanding less than 90 days	68,037	50,586	-	-	-	-	-	-	-	-
Outstanding between 90 and 180 days	18,567	24,078	-	-	-	-	-	-	-	-
Outstanding between 180 and 360 days	79,354	(872)	-	-	-	-	-	-	-	-
Gross amount	169,958	73,792	-		-	-	-		-	-
Adjustment for impairment	-	-	-	-	-	-	-	-	-	-
Net amount	169,958	73,792	-	-	-	-	-		-	-
Current, not provisioned										
Without a significant risk	1,381,944	2,742,688	49,049,410	51,695,185	1,603,833	17,050,918	2,200,297		18,381,509	15,710,313
Gross amount	1,381,944	2,742,688	49,049,410	51,695,185	1,603,833	17,050,918	2,200,297		18,381,509	15,710,313
Adjustment for impairment	-	-	-	-	-	-	-	-	-	-
Net amount	1,381,944	2,742,688	49,049,410	51,695,185	1,603,833	17,050,918	2,200,297	-	18,381,509	15,710,313
Total gross amount	2,076,508	3,481,705	49,049,410	51,695,185	1,603,833	17,050,918	2,200,297	-	18,381,509	15,710,313
Total net amount	1,547,902	2,816,480	49,049,910	51,695,185	1,603,833	17,050,918	2,200,297	-	18,381,509	15,710,313

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 2017	Carrying amount	Contractual cash flows	Less than 6 months	More than 6 months
Non-derivative financial liabilities				
Financial liabilities*	1,283,471	1,283,471	1,283,471	-
Total	1,283,471	1,283,471	1,283,471	-

31 December 2016	Carrying amount	Contractual cash flows	Less than 6 months	More than 6 months
Non-derivative financial liabilities				
Financial liabilities	1,315,737	1,315,737	1,315,737	-
Total	1,315,737	1,315,737	1,315,737	-

* 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 2017	EUR	USD	RON	Total
Financial assets				
Trade and other receivables	128,124	2,387	2,685,968	2,816,480
Investments (government bonds, government securities, bank deposits, cash and cash equivalents)*	13,692,389	13,205,303	57,558,724	84,456,416
Total financial assets	13,820,513	13,207,691	60,244,693	87,272,896
Financial liabilities				
Financial liabilities	2,975	-	1,280,497	1,283,471
Total financial liabilities	2,975	-	1,270,497	1,283,471

* It contains balance sheet positions: Held-to-maturity financial assets above and below one year, bank deposits, cash and cash equivalents.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2016	EUR	USD	RON	Total
Financial assets				
Trade and other receivables	92,155	854	1,454,932	1,547,902
Investments (government bonds, government securities, bank deposits, cash and cash equivalents)*	12,009,341	12,896,320	44,129,091	69,034,752
Total financial assets	12,101,457	12,897,174	45,584,023	70,582,654
Financial liabilities				
Financial liabilities	274,796	-	1,040,941	1,315,737
Total financial liabilities	274,796	-	1,040,941	1,315,737
Net financial assets	11,826,661	12,897,174	44,543,082	69,266,917

* It contains balance sheet positions: Held-to-maturity financial assets above and below one year, bank deposits, cash and cash equivalents.

Sensitivity analysis

A depreciation of the RON on 31 December 2017 versus 31 December 2016 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 2016	31 December 2017
RON depreciation by 10 % against EUR	1,182,666	1,381,754
RON depreciation by 10 % against USD	1,289,717	1,320,769
Total	2,472,383	2,702,523

An appreciation of the RON on 31 December 2017 versus 31 December 2016 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:

	2016	2017
Total liabilities	3,311,285	4,125,181
Cash and cash equivalents	(1,603,833)	(17,050,918)
Net debts	1,707,452	(13,098,721)
Total capitals	95,749,703	112,271,683
Gearing ratio	2%	-12%

(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 2017 year, the Company's participation to the group entities is the following:

	1 January 2017	31 December 2017
Depozitarul Central S.A.	20,243,932	20,243,932
Casa de Compensare Bucuresti S.A.	125,626	125,673
Fondul de Compensare a Investitorilor S.A.	214,843	214,843
BVB Corporate Governance Institute Foundation	50,000	50,000
Depozitarul Sibex SA	-	828,066
Total	20,634,402	21,462,515

The structure of participations in subsidiaries is presented in Note 22.
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.

Additionally, following the assessment of Casa de Compensare Bucuresti S.A as at 31 December 2017, factors have been identified pointing towards the impairment of the value of BVB's participation so that the value of participation interests was additionally adjusted by RON 27,276, the net value of the investment in CCB as at 31 December 2017 being fully impaired.

As at 31 December 2017the holding value in BVB Corporate Governance Institute Foundation amounting to RON 50,000 was fully impaired.

The Company acquired control over Depozitarul SIBEX SA Sibiu on 29 December 2017, further to the merger by absorption between BVB and SIBEX, thus taking over the participation held by SIBEX of 167,846 shares, representing 73.135% of the share capital. The participation was assessed and registered at the fair value of RON 828,066.

The company is currently subject to voluntary liquidation, which is why the value of the interest was presented in the current Assets, Assets classified as held for sale.

6. INVESTMENTS IN SUBSIDIARIES(CONTINUED)

The movements in adjustments for the impairment of investments in subsidiaries in 2017 is as follows:

	2016	2017
Balance as at 1 January	1,256,383	148,398
Increase of adjustment for impairment of investments	267,091	27,276
Reversals during the year	1,375,076	-
Balance as at 31 December	148,398	175,764

7. OPERATING INCOME

Service revenues consist of the following:
The Other services category also includes the reinvocings to Depozitarul Central SA for the maintenance of the operational IT system.

	2016	2017
Income from trading	15,800,794	18,485,340
Income from issuers admission and maintenance	1,651,276	2,283,409
Income from sale of stock exchange information	1,303,285	1,372,304
Other services	723,141	1,254,848
Total	**19,442,496**	**23,395,901**

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and indemnities of the Board of Directors include expenses related to:

	2016	2017
Remunerations – management and personnel	5,987,656	6,773,267
Indemnities of the Board of directors members including other amounts payable to such members as approved by the GSM.	686,480	687,740
Estimations of holidays not taken – net	(44,618)	(199,895)
Expenses for share-based payments	-	172,984
Contributions and taxes related to personnel and indemnities	1,362,457	1,304,057
Total	7,991,975	8,738,153

8. OPERATING EXPENSES(CONTINUED)

The number of Company's employees was:

	2016		2017	
	At the end of the year	Annual average	At the end of the year	Annual Average
Managers based on agency agreements	2	2	1	2
Employees	45	46	42	42

Share-based payments (SOP)

The employer's expense for share-based payments is presented separately and in 2017 amounted to RON 172,984 (2016: RON 0)
In 2017 the Company granted options according to the Stock Option Plan, to the 6 eligible members of the Board of Governors.

Option granting date: Immediately, 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..

8.2 Expenses with services provided by third parties include:

	2016	2017
Financial, IT and internal audit services	167,802	164,672
Commissions and fees (legal, contributions, etc.)	221,590	614,841
Services provided by third parties for events	455,075	378,882
Services provided by third parties	495,002	817,186
Total	**1,339,469**	**1,975,581**

The statutory auditor of the Company for the year 2017 was Mazars Romania SRL. The audit fee, in accordance with the services agreement, was of EUR 15,200. During 2017, 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. Other permitted services, that are not audit services, provided by the statutory auditor include agreed upon procedures in respect of the merger by absorption with Sibex - Sibiu Stock Exchange SA in amount of EUR 3,800.

8. OPERATING EXPENSES(CONTINUED)

8.3 Other operating expenses include expenses with:

	2016	2017
Rent and utilities for rented spaces	1,016,247	1,094,341
Intangible asset depreciation (*Note 12*)	571,217	655,422
Tangible asset depreciation (*Note 11*)	631,935	498,362
Non-deductible VAT and ASF taxes	523,345	807,294
Consumables	108,716	164,138
IT Maintenance, service and repairs	521,775	576,665
Insurance for professional equipment, etc.	65,823	63,976
Protocol	231,875	229,790
Marketing, advertising and promotion	306,667	468,562
Transport and travels	497,984	416,897
Telecommunications and mail services	113,792	126,114
Bank fees	34,141	30,471
Adjustments of customer receivables (Note 15)	42,740	136,619
Other expenses	45,046	48,951
Total	4,711,303	5,317,602

9. FINANCIAL INCOME AND EXPENSES

Financial income and expenses recognized in profit or loss account include:

	2016	2017
Interest income for held-to-maturity financial assets and bank deposits *i)*	1.943.385	1,976,023
Net gain from exchange rate differences	477,917	(931,679)
Dividends income	897,652	1,085,790
Income from financial assets sold	-	1,300,363
Financial income	3,318,954	3,430,497

The interest income related to held-to-maturity financial assets and bank deposits include interest related to the made placements in government bonds, government securities and deposits.

9. FINANCIAL INCOME AND EXPENSES (CONTINUED)

Financial income and expenses recognized in other items of comprehensive income:

	2016	2017
Change in fair value of available-for-sale financial assets and revaluation of tangible assets	(42,684)	(3,916)
Total	**(42,684)**	**(3,916)**

10. CORPORATE INCOME TAX EXPENSE

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

	2016	2017
Before-tax accounting profit	8,762,041	13,916,659
Theoretical income tax (16%)	1,401,927	2,226,665
Income tax for non-taxable income tax and assimilated	(439,016)	(957,277)
Income tax for non-deductible expenses tax and assimilated	325,338	259,168
Income tax	1,288,249	1,528,556
Income tax for fiscal loss taken over from SIBEX	-	(1.528,556)
Corporate income tax (16%) computed	1,288,249	-
Sponsorship deducted from corporate income tax	(26,733)	-
Tax credit	-	-
Current tax expense	1,261,516	-
Income from deferred income tax	-	329,965
Total corporate income tax expense/(income)	1,261,516	(329,965)

In the 2017 financial year, the Company used the tax losses taken over from SIBEX, further to the merger by absorption, according to the provisions of the Tax Code to determine the income tax. The tax loss taken over through the BVB-SIBEX merger was RON 11,615,758 but was not fully used in the current year, the loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable and income of RON 329,965.

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 2016	3,345,100	6,777,012	1,194,471	-	11,316,583
Purchases	-	978,861	13,874	160,569	1,153,304
Outflows	-	1,319,769	45,011	160,569	1,525,349
Balance as at 31 December 2016	3,345,100	6,436,104	1,163,335	-	10,944,538
Depreciation					
Balance as at 1 January 2016	-	6,205,591	681,381	-	6,886,972
Depreciation during the year	-	451,148	180,787	-	631,935
Outflows	-	1,319,769	45,011	-	1,364,780
Balance as at 31 December 2016	-	5,336,969	817,157	-	6,154,127
Net carrying amounts					
Balance as at 1 January 2016	3,345,100	571,421	513,090	-	4,429,611
Balance as at 31 December 2016	3,345,100	1,099,134	346,177	-	4,790,411

	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 2017	3,345,100	6,436,104	1,163,335	-	10,944,538
Purchases	-	940,960	27,822	-	968,782
Revaluations	833,712	-	-	-	833,712
Outflows	-	20,780	5,327	-	26,107
Balance as at 31 December 2017	4,178,812	7,356,284	1,185,830	-	12,720,925
Depreciation					
Balance as at 1 January 2017	-	5,336,969	817,157	-	6,154,127
Depreciation during the year	-	376,769	121,593	-	498,362
Outflows	-	18,866	4,411	-	23,277
Balance as at 31 December 2017	-	5,694,873	934,339	-	6,629,212
Net carrying amounts					
Balance as at 1 January 2017	3,345,100	1,099,134	346,177	-	4,790,411
Balance as at 31 December 2017	4,178,812	1,661,411	251,490	-	6,091,714

11. TANGIBLE ASSETS (CONTINUED)

i) During 2013, the land held by BVB was revalued as at 30 June 2013by an ANEVAR certified expert; such revaluation showed an increase of the gross land value by RON 1,173,587 as compared to the entry value. The value of the land before the revaluation was RON 2,171,513.
In 2017, on the occasion of the Company's assessment by an independent consultant as part of the merger process between BVB and SIBEX, the land was also revalued, thus an increase in its value by RON 833,712 being registered, up to RON 4,178,812.
Further to the merger, the Company took over tangible assets of RON 24,679.

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

2016	**Licenses, software**	**Advances for intangible assets**	**Total**
Cost			
Balance as at 1 January 2016	5,208,063	-	5,208,063
Purchases	479,359	91,978	571,337
Outflows	751,522	-	751,522
Balance as at 31 December 2016	4.935,900	91,978	5,027,878
Depreciation			
Balance as at 1 January 2016	4,402,657	-	4.402,657
Depreciation during the year	571,595	-	571,595
Outflows	751,522	-	751,522
Balance as at 31 December 2016	4,222,731	-	4.222.731
Net carrying amounts			
Balance as at 1 January 2016	805,405	-	805,405
Balance as at 31 December 2016	713,160	91,978	805,147

12. INTANGIBLE ASSETS (CONTINUED)

2017	Licenses, software	Advances for intangible assets	Total
Cost			
Balance as at 1 January 2017	4,935,900	91,978	5,027,878
Purchases	1,043,775	11,351	1,055,126
Outflows	200,869	35,407	236,277
Balance as at 31 December 2017	5,778,805	67,922	5,846,728
Depreciation			
Balance as at 1 January 2017	4,222,731	-	4,222,731
Depreciation during the year	655,422	-	655,422
Outflows	200,869	-	200,869
Balance as at 31 December 2017	4,677,284	-	4,677,284
Net carrying amounts			
Balance as at 1 January 2017	713,169	91,978	805,147
Balance as at 31 December 2017	1,101,522	67,922	1,169,444

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 2017 investments and acquisitions of intangible assets amounting to RON 1,043,775 (2016: RON 571,337). 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) and new BVB websites and applications, and the acquisition of licenses ; such assets to be depreciated throughout the next three years.

Further to the merger between BVB and SIBEX, the Company took over intangible assets of RON 698.

13. DEFERRED TAX

13.1 Deferred tax liabilities are attributable to the following items:

	31 December 2016	31 December 2017
Available-for-sale financial assets	159,548	-
Total	159,548	-

Variation of temporary differences during the year:

	Available-for-sale financial assets
Balance as at 1 January 2017	159,548
Recognized in other items of the comprehensive income	(159,548)
Balance as at 31 December 2017	-

13.2 Deferred tax receivables are attributed to the following items:

	31 December 2016	31 December 2017
Tax loss taken over from Sibex and not used in the current year	-	329,965
Total	-	329,965

Variation of temporary differences during the year:

	Tax loss taken over from Sibex and not used in the current year
Balance as at 1 January 2017	-
Recognized in Profit or loss	329,965
Balance as at 31 December 2017	329,965

In 2017, the Company used the tax losses taken over from SIBEX further to the merger by absorption according to the provisions of the Tax Code. The tax loss taken over through the BVB-SIBEX merger was not fully used in the current year, the loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable of RON 329,965.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments are:

	31 December 2016	31 December 2017
Long-term held-to-maturity financial assets *i)*	49,049,410	28,768,892
Available-for-sale financial assets *ii)*	2,200,297	-
Total non-current financial instruments	51,249,707	28,768,892
Short term held- to- maturity financial assets *i)*	-	22,926,293
Bank deposits with maturity between 3 months and one year *iii)*	18,381,509	15,710,313
Total current financial instruments	18,381,509	38,636,606

i) Held-to-maturity financial assets include:

	31 December 2016	31 December 2017
Government securities with residual maturity above one year	49,049,410	28,768,892
State titles with residual held-to maturity date under 1 year	-	22,926,293
Total	49,049,410	51,695,185

During 2017, government securities issued by the Ministry of Finance were acquired, in lei, EUR and USD, amounting to RON 4,198,625 (or RON equivalent) with maturities comprised between 2028-2044 years and with coupon rates between 2.85% - 6.13%/year.

14. FINANCIAL INSTRUMENTS (CONTINUED)

Variation of held-to-maturity financial instruments:

	Available held-to-maturity financial assets
1 January 2016	47,378,829
Acquisitions (less interest) and exchange rate differences	2,231,195
Interest computed and purchased	1,857,030
Interest collected (cashed –in)	(2,417,644)
31 December 2016	49,049,410
Acquisitions (less interest) and exchange rate differences	3,092,255
Interest computed and purchased	1,991,866
Interest collected (cashed –in)	(2,438,346)
31 December 2017	51,695,185

ii) The available-for-sale financial assets are foreign stock shares listed on international markets and shares in Casa Romana de Compensație Sibiu - "CRC". Listed shares are valued at the closing price of the stock exchanges that are listed on the last trading day on the balance sheet date. In 2017 the management decided to sell the shares held in foreign stock exchanges.

Further to the merger between BVB and SIBEX, the Company took over a participation of 4,454,550 shares representing 41.194% of the share capital of Casa Romana de Compensatie SA. Sibiu. The value of the participation was assessed at the fair value of RON 16,823 and fully impaired on 31 December 2017, the company being in voluntary liquidation.

14. FINANCIAL INSTRUMENTS (CONTINUED)

The variation of the financial instruments available-for-sale is herein below presented:

	Available-for-sale financial assets
1 January 2016	2,083,434
Value increase from revaluation at fair value (before deferred tax)	157,526
Decrease in value from the revaluation of foreign exchange differences	(40,663)
31 December 2016	2,200,297
Sales	(2,200,297)
31 December 2017	-

iii) Bank deposits with maturity between 3 months and one year include:

	31 December 2016	**31 December 2017**
Bank deposits with maturity between 3 months and one year	18,381,509	15,710,313
Total	18,381,509	15,710,313

Term deposits with banks are made in RON and EUR with Romanian banks, with original maturities between 6 months and 1 year at interest rates between 0.5% and 1.2% for deposits in RON, and 0.15% for deposits in EUR.

15. TRADE AND OTHER RECEIVABLES

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

	31 December 2016	31 December 2017
Trade receivables – gross value *i)*	1,901,478	2,162,614
Adjustment for trade receivable impairment	(528,606)	(665,225)
Income tax to recover	-	1,170,847
VAT undue	(10,454)	22,655
Other receivables	185,484	125,589
Total	1,547,902	2,816,480

Trade and other receivables considered financial assets and presented in Note 5 - Management of financial risk - amount to RON 2,816,480 as at 31 December, 2017 and RON 1,547,902 as at 31 December 2016 and represent net trade receivables, income tax to recover (for 2017 only) and other receivables.

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:

	2016	2017
Adjustment for impairment – Individual component		
Balance as at 1 January	485,866	528,606
Impairment losses	42,740	141,941
Impairment reversals	-	(5,322)
Balance as at 31 December	528,606	665,225

16. ACCRUED EXPENSES

Prepayments amounting to RON 245,005 (31 December 2016: RON 196,475) 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 2016	31 December 2017
Deposits at banks with original maturity less than 3 months	-	2,507,367
Bank current accounts	1,582,251	14,533,329
Petty cash	21,582	10,222
Total	1,603,833	17,050,918

18. TRADE LIABILITIES AND OTHER LIABILITIES

The Company's trade and other liabilities comprise the following:

	31 December 2016	31 December 2017
Trade liabilities	581,290	517,960
Salary contributions due	198,645	309,136
Taxes due	1,738	1,720
VAT payable	42,120	126,283
Dividends payable	677,255	707,414
Advances received from customers	12,897	11,113
Other debts to management and personnel	-	1,342,604
Estimates for leave days not taken	199,895	-
Other liabilities	149,762	149,486
Total	1,863,602	3,165,716

Trade and other liabilities considered financial debts and presented in Note 5 - Management of financial risk - amount to RON 1,283,471 as at 31 December 2017 and RON 1,315,717 as at 31 December 2016 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 2018.

19. ASSETS CLASSIFIED AS HELD FOR SALE

The Company acquired control over Depozitarul SIBEX on 29 December 2017, further to the merger by absorption between BVB and SIBEX, thus taking over the participation held by SIBEX. Within current activities, the Company's holding in the capitals of Depozitarul Sibex SA is registered as asset held in view of sale as at this time the activity of this entity is suspended and the Company's management prepared a plan for the voluntary liquidation of Depozitarul Sibex SA. See also Note 6.

20. DEFERRED INCOME

Deferred income/revenues include:

	31 December 2016	31 December 2017
Revenues from maintenance of stock exchange listing	828,658	786,481
Total	828,658	786,481

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 2017, BVB had a share capital amounting to 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 2016	**Number of shares**	**% from share capital**
Legal entities, of which:		
- Romanian	5,532,706	68.74%
- foreign	1,050,131	13.05%
Individuals, of which:		
- Romanian	999,390	12.42%
- foreign	91,971	1.14%
New shareholders from Sibex	375,048	4.66%
Total	**8,049,246**	**100%**

21. CAPITAL AND RESERVES (CONTINUED)

In compliance with the provisions of the Emergency Government Ordinance no. 90/2004 on amending and supplementing Law no. 297/2004 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. Also, according to the BVB Articles of incorporation, the subscription, acquiring and holding the Company's shares will be subject to the condition that no shareholder should hold directly or indirectly more than 20% of total voting rights.

As a consequence, none of the BVB shareholders held more than 20% as at 31 December 2017.

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 2017 was of RON 27.60 /share (2016: RON 29.00 /share).

As a result of the merger by absorption between BVB and SIBEX the Company's share capital was increased by RON 3,750,480, respectively 375,048 shares. Since SIBEX absorption was made by an exchange of shares (the exchange rate being of 0.01200795 SIBEX shares for 1 BVB share), the shares newly issued by the Company were allocated to SIBEX shareholders and thus no cash payment was made in consideration of the issued shares.

b) Treasury shares and share-based awards granted to the directors and employees

Changes occurred in the year of 2017 in the structure of the equities of the Company, as, in compliance with the legal provisions, the shareholders not having voted in favour of the merger of BVB with SIBEX were able to withdraw from the body of shareholders of the company, so that, in the month of September 2017, the Company purchased 28,276 own shares, representing 0.35% of the share capital. The purchase price of the shares was of RON 35.6376 /share, determined by an independent expert established by the Trade Register Office.

In 2017, the Company granted options, according to the Stock Option Plan, to the 6 eligible members of the Stock Exchange Board, the benefit granted in equity instruments (own shares) amounted to RON 172,984 (2016: RON 0). Also see Note 8.

21. CAPITAL AND RESERVES (CONTINUED)

Movements in reserves as at 31 December 2016 are as follows

	2017
Balance as at 1 January	-
Redeemed own shares	1.007,689
Share-based benefits granted to Members of the Board	(172,984)
Balance as at 31 December	834,705

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 2017, amounting to RON 14,246,624, as follows: RON 695,833 as legal reserve, and the rest as gross dividends. Thus, the amount proposed to the General Assembly of Shareholders for approval set for 16/17 April 2018 for distribution in 2018 in the form of gross dividends related to 2017 is RON 13,550,791. By distributing in full the amount of RON 13,550,791 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 1.6834. 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 16 April 2017 approved the proposal for the distribution of the 2016 statutory net profit of the Bucharest Stock Exchange amounting to RON 7,500,525 as follows: RON 438,102 as legal reserve and the rest as gross dividends. Thus, the amount distributed in 2017 as gross dividends for 2016 was RON 7,062,423. The value of the dividend for 2017 is RON 0.92928 gross dividend/share. The payment date fixed by the General Assembly of Shareholders was 6 June 2017.

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.
Further to the merger between BVB and SIBEX, the Company also took over a Legal reserve amounting to RON 295,633. Legal reserves may be used to cover losses from operating activities.

21. CAPITAL AND RESERVES (CONTINUED)

e) *Fair value reserve*

This reserve includes the cumulative net changes in fair values of available-for-sale financial assets from their classification into this category until the date they were derecognized or impaired.
Movements in reserves as at 31 December 2017 are as follows:

Reserve for available-for-sale assets	**2017**	**2016**
Balance as at 1 January	837,628	880,313
Reserve for the assets available for sale - impact deferred tax (Note 13)	159,548	(159,548)
Reserve for the assets available for sale – computed during the year	303,187	116,863
Reclassification in the profit and loss account following as result of the sale	(1,300,363)	-
Balance as at 31 December	-	837,628

f) 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	**2017**	**2016**
Balance as at 1 January	1,173,587	1,173,587
Revaluation reserve set up during the year	833,712	-
Balance as at 31 December	2,007,299	1,173,587

22. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2017 is based on profit attributable to Company's shareholders in the amount of RON 14,246,624 (2016: RON 7,500,525) and the weighted average number of ordinary shares outstanding of 7,674,198 (2016: 7,674,198).

23. TRANSACTIONS WITH RELATED PARTIES

Management key personnel

31 December 2017

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:

• Mr. Ludwik Leszek Sobolewski	General Manager until August 21, 2017
• Mr. Alin Barbu	Deputy General Manager and interim general manager

In 2017, the remuneration granted to the key management personnel of BVB amounted to RON 2,406,067 (2016: RON 1,778,511), the remunerations paid being 1,423,595 lei (2016: 1,778,511 lei). As at 31/12/2017 the Company records a liability, related to the provisions of the mandate contract, to the former General Manager, Ludwik Sobolewski, amounting RON 982,472, not due as at 31/12/2017.

In 2017, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 687,740 (2016: RON 686,480).

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 2016	Percentage of ownership 31 December 2017
Depozitarul Central SA	Compensation / settlement of transactions with shares and bonds performed at the Bucharest Stock Exchange and maintaining the register of shareholders	69.0400%	69.0400%
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 main business: "7320- Market research activities and public opinion polling." Services to investigate capital market potential, acceptance and familiarity with products, operations and new instruments, investors' behavior to products and services, services of polling on economic issues, including statistical analysis of the results.	52.5080%	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%
Depozitarul SIBEX SA	Performed activities related to compensation/settlement of transactions with securities performed at SIBEX. This entity was taken over by BVB through the merger by absorption of SIBEX and at this time the activity is suspended.	-	73.1400%

23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with related parties

	2016	2017
Operating income from	539,404	928,457
- Casa de Compensare Bucuresti	-	4,600
- Central Depository	539,097	923,549
- Investors' Compensation Fund	307	309
BVB income from dividends received, from	858,095	1,047,723
- Central Depository	858,095	1,047,723
Purchases of goods and services, from	21,809	5,434
- Central Depository	21,809	5,434
Liabilities as at 31 December, of which to:	2	220
- Central Depository	2	220
Receivables at 31 December, of which from:	71,461	66,818
- Central Depository	71,461	66,818

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 A. The expenses with related parties consist from services provided by the Central Depository.

24. GAIN FROM BARGAIN PURCHASE

Further to the merger by absorption between BVB and SIBEX the Company's share capital was increased by RON 3,750,480, respectively 375,048 shares, at the nominal value of RON 10 /share. Since SIBEX absorption was made by exchange of shares (the exchange rate being of 0.01200795 SIBEX shares for 1 BVB share), a share premium of RON 6,598,896 resulted from the calculation of merger registrations, as a difference between the value of new shares issued by the Company, at the nominal value, and the value of the BVB share on the merger actual date of RON 29.6 /share, representing the equivalent of the counter performance paid by the Company.

24. GAIN FROM BARGAIN PURCHASE (CONTINUED)

According to the provisions of IFRS 3 “Business combinations”, measurement at fair value on the actual merger date (29 December 2017), of both the taken over assets and liabilities and of the transferred counter performance (BVB shares) determined the registration of an income representing a gain from purchases under advantageous conditions of RON 2,880,425.

The assessment report for the taken over assets and liabilities was drafted by CMF Consulting SA, independent valuator member of ANEVAR.

Fair value of net assets taken over from Sibex	**RON**
Intangible assets	698
Tangible assets	24,679
Shares held at Depozitarul Sibex	828,066
Shares held at the Bucharest Clearing House	47
Shares held at the Romanian Clearing House	1,823
Cash	12,335,030
VAT to recover	26,406
Total net assets taken over at fair value	**13,231,749**

25. COMMITMENTS AND CONTINGENT LIABILITIES

Court actions

On 31 December 2017, 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.

26. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 19 January 2018 the Central Depository registered in the BVB shareholders' register the new shareholders issued as a result of BVB-SIBEX merger.

On 23 January 2018, the Financial Supervision Authority approved the appointment of Mr. Adrian Tanase as the Company's General Manager, as of which date the mandate of interim General Manager of Mr. Marius-Alin Barbu ceases, who comes back to his position of Deputy General Manager.

There are no other events to report.

MAZARS

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 2017, 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 Financial Supervisory Authority from Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:
   - Equity RON 125,000,699
   - Net profit for the financial year RON 14,685,654
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 2017, 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"), as adopted by the Romanian Chamber of Financial Auditors ("CAFR") and with the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014"). 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Regulation (EU) No. 537/2014. 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 these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for the merger by absorbtion with SIBEX – Sibiu Stock Exchange S.A.

As disclosed in Note 1 to the acompanying consolidated financial statements, as at 29 December 2017 („the effective merger date") Bursa de Valori Bucuresti S.A., as absorbing company, merged by absorption with SIBEX - Sibiu Stock Exchange S.A. („SIBEX"), as absorbed company, the latter conveying the universal right on its own property to the absorbing company.

As disclosed further in Note 27 to the consolidated financial statements of BVB, following the merger by absorption between the two entities, the Company's share capital increased by RON 3,750,480, respectively 375,048 shares, at the nominal value of RON 10 / share. Since the absorption was made by exchange of shares, a capital premium resulted during the calculation of the merger accounting entries, as a difference between the value of new shares issued by the Company at nominal value, and the market value of the BVB shares on the effective merger date, representing the equivalent of the consideration transferred by the Company.

In accordance with IFRS 3 "Business combinations", the fair value measurement on the effective merger date of both the assets and liabilities acquired, as well as of the consideration transferred, have resulted in the registration of a gain from the bargain transaction.

Due to the significance and complexity of the transaction, we consider this matter to be a key audit matter.

Our testing procedures included among others a thorough understanding of the situation, review of the documents required for authorization and recording of the transaction, analyzing the computations made by the Company, review of the valuation reports prepared by authorized valuators necessary for the merger, identification of the parties involved in the transaction, of the effective date of the merger, review of fair value measurement of the assets and liabilities transferred and of the consideration transferred, as well as analysing the calculation of the bargain gain. We have also assessed if the disclosure of the merger transaction in the notes to the consolidated financial statements is adequate.

Revenue recognition (Depozitarul Central S.A.)

As disclosed in the Note 7 to these consolidated financial statements, the Group records post-transaction and registry services from the activity of Depozitarul Central S.A. 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.

Our testing procedures included among other a thorough understanding of the rendering and invoicing process, testing the design and operating effectiveness of relevant controls (where applicable), inspection of 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.

Adequacy of the compensation fund (Fondul de Compensare a Investitorilor S.A.)

As disclosed in Note 28 b) to these consolidated financial statements, Fondul de Compensare a Investitorilor SA („FCI") made, during 2015 and 2016, significant compensation payments following the bankruptcy and respectively insolvency of two financial investments entities, payments which reduced the balance of the compensation fund.

Considering the role of FCI as a compesation body and due to the importance of the compensation fund adequacy and completeness, we consider this matter to be a key audit matter.

Our testing procedures included among other a thorough understanding of the method of computation of contributions to the compensation fund and of the compensation process, inspection of supporting documents, analytical procedures and tests of details, obtaining the written confirmation letters from the laywers who collaborated with FCI during 2017, with the purpose of identifying any potential risks that may contribute to a singificant decrease of the compensation fund and not reflected in the consolidated financial statements of the Group as at 31 December 2017.

Other matters

5. The consolidated financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 8 March 2017.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. 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.
7. 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.
8. 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

9. 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.
10. 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.
- 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.

11. 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.
12. 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.
13. 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 Groups's Administrators are responsible for the preparation and presentation, in accordance with the requirements of FSA Norm 39/2015, articles 29-30, 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 54 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 2017, 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 FSA Norm 39/2015, articles 29-30;

c) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2017 regarding the Group 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:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Group by the General Meeting of the BVB Shareholders on 12 April 2017 to audit the consolidated financial statements of the Group for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended 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 5 March 2018 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, 7 March 2018

Vasile Andrian

Registered with the Chamber of Financial Auditors of Romania under certificate no. 1554/2004

On behalf of: **MAZARS ROMANIA S.R.L.**

Registered with the Chamber of Financial Auditors of Romania under no. 699/29.01.2017

MAZARS

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 statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 regulation in accordance with the International Financial Reporting Standards, applicable for entities authorised, regulated and supervised by Financial Supervisory Authority from Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:

   - Equity RON 112,444,667
   - Net profit for the financial year RON 14,246,624

2. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its 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 ("ISAs"), as adopted by the Romanian Chamber of Financial Auditors ("CAFR") and with the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 527/2014"). 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 we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the Regulation (EU) 527/2014. 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for the merger by absorbtion with SIBEX – Sibiu Stock Exchange S.A.

As disclosed in Note 1 to the acompanying separate financial statements, as at 29 December 2017 („the effective merger date") Bursa de Valori Bucuresti S.A., as absorbing company, merged by absorption with SIBEX - Sibiu Stock Exchange S.A. („SIBEX"), as absorbed company, the latter conveying the universal right on its own property to the absorbing company.

As disclosed further in Note 24 to the separate financial statements, following the merger by absorption between the two entities, the Company's share capital increased by RON 3,750,480, respectively 375,048 shares, at the nominal value of RON 10 / share. Since the absorption was made by exchange of shares, a capital premium resulted during the calculation of the merger accounting entries, as a difference between the value of new shares issued by the Company at nominal value, and the market value of the BVB shares on the effective merger date, representing the equivalent of the consideration transferred by the Company.

In accordance with IFRS 3 "Business combinations", the fair value measurement on the effective merger date of both the assets and liabilities acquired, as well as of the consideration transferred, have resulted in the registration of a gain from the bargain transaction.

Due to the significance and complexity of the transaction, we consider this matter to be a key audit matter.

Our testing procedures included among others a thorough understanding of the situation, review o the documents required for authorization and recording of the transaction, analyzing the computations made by the Company, review of the valuation reports prepared by authorized valuators necessary for the merger, identification of the parties involved in the transaction, of the effective date of the merger, review of fair value measurement of the assets and liabilities transferred and of the consideration transferred, as well as analysing the calculation of the bargain gain. We have also assessed if the disclosure of the merger transaction in the notes to the separate financial statements is adequate.

Other matters

5. The separate financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those separate financial statements on 8 March 2017.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

6. 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.

7. 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.

8. 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

9. 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.

10. 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.

11. 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.

12. 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.

13. 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 FSA Norm 39/2015, articles 8 to 13 and 30, 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 54 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 2017, 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 by FSA Norm 39/2015, articles 8 to 13 and 30;

c) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2017 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:

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 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 5 March 2018 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, 7 March 2018

Vasile Andrian

Registered with the Chamber of Financial Auditors of Romania under certificate no. 1554/2004

On behalf of: **MAZARS ROMANIA S.R.L.**

Registered with the Chamber of Financial Auditors of Romania under no. 699/29.01.2017