BVB Directors' Consolidated Report for 2018

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 2018 are audited.

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

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

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

Message from the BVB Chairman

The capital market, in general, and the Bucharest Stock Exchange (BVB), in particular, play a pivotal role when it comes to generating the so much needed wealth every economy and country wants to have. We, at BVB, are constantly pursuing this effort to develop one of the greatest financing platform for the Romanian economy.

We started 2018 with enthusiasm and we had all the right reasons to feel so. A new company came to the market mid-February. It was the first company from the Republic of Moldova that went public on our stock exchange. The IPO of Purcari Wineries, a leading CEE wine producer, was well received, with retail investors oversubscribing more than four times over, despite heavy turbulence on global markets.

While the number of listings of new shares slowed down in 2018 as compared to the prior year, the segment for corporate bonds kept a very good dynamic. Significant corporate bond issues took place last year, for example: Globalworth EUR 550 million, Banca Transilvania EUR 285 million, International Investment Bank RON 300 million and EUR 80 million.

The AeRO market saw its activity revamped by its issuers in the corporate bonds sector, as the listed companies continued to extensively use the capital market as the financing arm for their businesses and some even consider moving in the Main Market as they got more accustomed to capital market regulations and grasp the benefits of being a public company.

The local Clearing Counterparty (CCP) proposed by BVB is a key project to further develop the market infrastructure and improve liquidity. This project also provides a solution to correctly, quickly and safely cope with the counterparty risk, which investors need so much.

Of course, the CCP project alone cannot work miracles and it would be unrealistic to assume liquidity improves overnight. That is why we continue the financial education projects, we keep on evangelizing capital markets to novices, students, professionals, employees and entrepreneurs via our Fluent in Finance seminars and workshops around the country jointly with the Ministry for Business Environment, the Forums for Individual Investors and make capital markets attractive and easy to comprehend by our 7/24 Capital online shows using an out-of-the-box approach. In two years, over 1.5 million minutes of financial education were watched online on the BVB channels.

Our flagship project Made in Romania continues and promotes local businesses. During the two editions of Made in Romania, BVB interacted with over 300 Romanian entrepreneurial companies, from a multitude of sectors of the economy. Made in Romania is a continuous program, an ecosystem, where entrepreneurs, investors, consultants and all other actors in the business environment have the opportunity to meet and learn from each other so that their businesses and, implicitly, the Romanian economy develop in a sustainable way.

All the good things do not happen by chance or overnight. We are reaping the fruits of the seeds we are constantly planting each year. We embarked on hundreds of meetings locally and internationally and act as the promotors of the listed companies in front of the investment community. The international roadshows and events organized or attended by us helped the issuers listed on BVB display in a better light their attractiveness, appeal and high potential. The Romanian capital market has thus become one of the best ambassadors for Romania abroad and we will continue doing this no matter what.

As a result of continuous efforts and improvements, we have received international recognition. The global index provider MSCI upgraded Romania's accessibility criteria on 3 notes: market regulation, information flow and trading, as it reads its Global Market Accessibility Review from June last year. A few months later, FTSE Russell released its Annual Country Classification Review, according to which Romania was maintained on the Watch List of countries for possible reclassification from Frontier to Secondary Emerging market.

As far as the evolution of the market was concerned, the Romanian capital market led the growth pace in the European Union by the end of the first 11 months by double-digit returns for investors. The situation dramatically

changed mid-December, following the public information regarding additional taxation in banking, energy and telecom sectors, as well as changes in the Pillar II pension system. The Bucharest Stock Exchange ended last year in the red following a nearly 5 percent drop. Only the total return indices BET-TR, which also include the dividends, managed to stay on the plus side at end of the year, with around +4%, that might be consider a remarkable performance having considered the local market conditions in December.

For a better understanding of capital markets, BVB has publicly expressed openness and availability to dialogue and communication and has repeatedly warned that investors need legislative predictability in order to fairly evaluate the market opportunities the stock market has to offer.

If we continue to do what we did in the last years, better things will be in store for the Romanian capital market and our efforts will turn into fruition. Collaboration, cohesion and coherence are the three C`s our market needs the most.

As 2018 was the year of the centenary for Romania, I express my profound consideration that this year we will lay the foundation to build a consolidated and stronger capital market to perform outstandingly for the next 100 years, bringing wealth and supporting entrepreneurs to develop their businesses using capital market instruments for the benefit of Romania.

Lucian-Claudiu Anghel

BVB Chairman

Executive summary

RON 12.23 bn, +2%

Total trading value, growth compared with 2017

(all markets, offers included)

Until mid-December 2018, the Bucharest Stock Exchange (BVB) was one of the best performing markets in the region, but closed 2018 with a 4.77% drop in the BET index, the main index of the local capital market, which includes the most traded 15 companies. The strong downward trend was triggered on December 19, 2018, when information on additional charges on the banking, energy and telecommunications sectors and on the modification of Pillar II appeared, followed by the BET benchmark decrease by 11.21 %, the entire growth recorded until then in 2018 by the local capital market being vanished in one single day. Between the values existing before that date, namely December 18, and the last trading session in 2018, namely December 31, the main stock market index recorded a decrease by 12%.

At the end of last year, only the two total return indices, which include also the dividends, managed to maintain in positive territory. The BET-TR index, which also includes dividends distributed by the BET member companies, recorded the largest advance by 4.3%.

RON 45.27 mn, +5%

Average daily trading value, growth compared with 2017

(regulated shares market, offers excluded)

The equity daily average trading value rose last year by 5% in the RON equivalent and exceeded RON 45 mn (around EUR 10 mn) during the year 2018, when the total traded value with all types of financial instruments increased by 2%, exceeding RON 14 bn (about EUR 3 bn).

The stock market capitalization of Romanian companies was EUR 18 bn at the end of last year, while the capitalization of all listed companies on BVB regulated market was EUR 30 bn in the last trading session of 2018.

In December, the private placement offer for approx. 33.77% of ALRO shares took place. As a result of closing the offer, the value of the company's free-float almost doubled.

Representatives of the capital market, companies and individuals launched in November the Romanian Investor Relations Association (ARIR) with the aim of implementing in Romania the best communication practices with investors among the listed companies.

RON 39.82 mn, +5%

Operating revenues of BVB Group in 2018, growth compared with 2017

(as per consolidated IFRS reporting)

During 2018, the BVB Group recorded **consolidated operating revenues** of over RON 39.82 mn (12 months 2017: RON 38.06 mn), an increase of 5% compared to the same period of the previous year, growth generated by the advance of the trading, post-trading and registry segments, as well as the decrease recorded by the FCI Services and other services segment.

The revenues generated by BVB, representing the Group's **trading segment**, amounted to RON 23.93 mn (excluding intra-group transactions) in 2018, up by 3% compared with 2017 (12 months 2017: RON 23.35 mn), amid the increase in traded values.

RON 8.88 mn, -4%

Operating profit of BVB Group in 2018, decrease compared with 2017

(as per consolidated IFRS reporting)

Central Depository (DC) activity in 2018 increased mainly due to the increase in revenues from the registry, as a result of the services rendered to issuers as well as to the holders of financial instruments, but also due to the growth of the portfolio managed by the custodians. In 2018 **DC's operating revenues** reached RON 15.37 mn (excluding intra-group transactions), which corresponds to an increase by 12% compared to 2017. **Post-trading segment revenues** increased by 4% compared with the previous year, up to the value of RON 10.11 mn (12 months 2017: RON 9.70 mn), amid the increase in the trading activity of BVB. Also, the revenues from the admission and maintenance of the participants to the clearing-settlement system of the custodians increased by 3%, from RON 6.47 mn to RON 6.67 mn, due to the increase of the value of portfolio managed.

RON 9.86 mn, +7%

Operating profit of BVB Group in 2018, without CCP project impact

(as per consolidated IFRS reporting)

Revenues from the registry activity rose significantly in 2018, up by 32% compared with the same period of the previous year, due to the increase in services rendered to issuers as well as to holders of financial instruments.

During the same period, the **Group's consolidated operating expenses** increased by 7% from RON 28.82 mn to RON 30.94 mn, generating a combined decrease by 4% of the operating profit to RON 8.88 mn (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 22%. The increase in operating expenses was mostly determined by the increase of the expenses rendered by third parties by 43%, respectively RON 1.22 mn. Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the set-up of the Central Counterparty (**CCP Project**), BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central Counterparty, **one-off expenses, in amount of RON 0.98 mn**.

BVB intends to reinvoice these expenses to the new subsidiary during the year 2019, the establishment of which was approved by the BVB General Shareholders Meeting on January 29, 2019, based on the CCP's Business Plan submitted by the BVB management, and implicitly record an income equal to the expense of RON 0.98 mn.

RON 10.19 mn, -31%

Net profit of BVB Group in 2018, decrease compared with 2017

(as per consolidated IFRS reporting)

Excluding the impact of this one-off expense, **the Group's consolidated operating expenses** increased by 4% from RON 28.82 mn to RON 29.96 mn, **the operating profit recording an increase by 7%, respectively up to RON 9.86 mn** (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 25%.

Expenditures with the services rendered by third parties have also increased due to the implementation of legal requirements (The Central Securities Depositories Regulation - CSDR, GDPR, etc.) and the outsourcing of some services.

Personnel expenses increased by 4%, amid the update of the BVB Group's remuneration policies, estimated expenditures with benefits granted in shares to Board members, management and employees, but also due to the fact that in 2017 the BVB capitalized RON 0.4 mn as "in-house" intangible assets, thus reducing the expenditure recorded in the previous year.

The category of Other Operating Expenses advanced 3% in 2018 compared to the previous year mainly due to the increase in depreciation expense of intangible and tangible fixed assets due to technology investments in recent years and adjustments for losses on non-current receivables.

RON 11.19 mn, +8%

Net profit of BVB Group in 2018, without SIBEX merger impact in 2017 and CCP project impact in 2018

(as per consolidated IFRS reporting)

The net financial income of RON 3.63 mn in 2018 were mainly represented by the interests generated from the government bonds and bank deposits, in RON and foreign currency, marking a significant advance against the same period of the last year (12 M 2017: RON 2.50 mn), being also influenced by the unrealized exchange rate differences related to the foreign currency financial investments, which generated a gain of RON 0.68 mn compared to the same period of 2017 when it was registered a loss of RON 1.15 mn.

The consolidated net profit for the year 2018 reached the level of RON 10.19 mn (12 M 2017: RON 14.69 mn), a decrease by 31% compared to the previous year, 81% generated by the Group's trading segment. **The profit attributable to the shareholders of the parent company** was RON 9.75 mn (12 M 2017: RON 14.20 mn).

Without considering the impact of BVB-SIBEX merger in 2017 and the effect of the CPP project in 2018, the consolidated net profit of the Group in 2018, of RON 11.17 mn, increased by 8% compared to the value of RON 10.34 mn in 2017 (adjusted to eliminate the merger impact).

Financial highlights

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

	2018	2017	Change (%)
Operating revenue	39.82	38.06	5%
Operating expenses	(30.94)	(28.82)	7%
Operating profit	**8.88**	**9.24**	**-4%**
Net financial revenue/(expenses)	3.63	2.50	44%
Gain on bargain purchases	-	2.88	-
(Losses)/Gains from the impairment in associates	(0.02)	(0.03)	-33%
Profit before tax	12.49	14.59	-15%
Profit from continuing operations	10.44	14.69	-29%
Profit from discontinued operation	(0.25)	-	-
Profit for the period	**10.19**	**14.69**	**-31%**
Total comprehensive income	10.19	14.68	-31%
EPS (RON/share)	1.2111	1.8499	-35%

Profitability ratios – BVB Group (%)

	2018	2017
Operating margin	22%	24%
Net margin	26%	39%
Return on equity	8%	12%

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

	2018	2017	Change (%)	2018 without CCP project	2017 without merger impact	Change (%)
Operating revenue	24.25	23.69	2%	24.25	23.69	2%
Operating expenses	(17.09)	(16.03)	7%	(16.11)	(15.69)	3%
Operating profit	**7.16**	**7.66**	**-6%**	**8.14**	**7.99**	**2%**
Net financial revenue/(expenses)	4.03	3.43	17%	4.03	3.43	17%
Gain on bargain purchases	-	2.88	-	-	-	
(Losses)/Gains from the impairment in associates	(0.02)	(0.06)	-67%	(0.02)	(0.03)	-33%
Profit before tax	11.17	13.91	-20%	12.15	11.40	7%
Profit for the period	**9.49**	**14.25**	**-34%**	**10.47**	**9.90**	**6%**

BVB Operating highlights

(RON mn; all markets)

Trading value	2018	2017	Change (%)
Shares, units, rights*	11,682	12,073	-3%
Certificates	336	264	27%
Fixed-income*	2,207	1,576	40%
Total	**14,225**	**13,913**	**2%**
Avg. daily value (shares, excluding offers)*	45.27	42.95	5%
Avg. daily value (shares, including offers)*	46.02	47.97	-4%

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

As at 31 December 2018, the company's shareholders' structure was as follows: Romanian legal entities 69.66%, foreign legal entities 10.16%, Romanian individuals 17.54%, foreign individuals 1.98%, own shares held by BVB, 0.66%.

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 Bucuresti), 52.53% owned by BVB, used to perform market research and public opinion polling (market capital market research services). The General Shareholders Meeting of the Bucharest Clearing House dated May 24, 2018 decided to voluntary liquidate the company and therefore the financial information for this subsidiary is disclosed separately, as discontinued operations, in accordance with IFRS 5;
- Corporate Governance Institute (Institutul de Guvernanta Corporativa), fully owned by BVB, offers training services to listed companies and capital market participants, in corporate governance and sustainable development areas.
- SIBEX 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 on 20.12.2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

The consolidated financial statements of BVB for the financial year ended as at 31 December 2018 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

29 January – Bucharest Stock Exchange (BVB) organized the first press conference of its new CEO, Adrian Tanase. The event highlighted the priorities and plans of the new CEO for the development of the local capital market.

1 February – Elvila SA shares, ELV market symbol, one of the most important furniture manufacturers in Romania, entered the AeRO market after a technical listing.

5 February – BVB and Transgaz (TGN) are organizing the official opening of the trading session on February 5, dedicated to the anniversary of a decade since Transgaz's listing on the BVB main market. Transgaz is the technical operator of the National Transmission System (NTS) for natural gas and ensures the implementation, under conditions of efficiency, transparency, safety, non-discriminatory access and competitiveness, of the national strategy for the internal and international transport of natural gas and gas dispatcation, as well as research and development in its specific field of activity, respecting the requirements of the European and national legislation, the quality, performance, environment and sustainable development standards.

15 February – On February 15, Purcari Wineries Plc. (WINE) got listed on the BVB main market after the successful completion of the initial public offering during January 29 - February 8, 2018. 49% of the shares were placed at a price of 19 RON per share, which raises the value of the market operation at approximately EUR 186 mn (EUR 40 mn). Purcari Wineries is one of the leading wine producers in Central and Eastern Europe, holding four wineries in the Republic of Moldova and in Romania: Purcari, Ceptura, Bostavan and Bardar, and operates over 1,000 hectares of vineyards.

19 February – Almost 600 representatives of the capital market, financial industry and entrepreneurs participated in one of the most important events of the Romanian stock exchange, the Inauguration of the 2018 Stock Market Year. The BVB announced the prizes of the capital market in 19 categories.

22 February – BVB signed an agreement with Expat Asset Management for BET-BK licensing, created and managed by BVB, to be used as underlying for the Expat Romania ETF.

19 April – BVB launched the Foreign Investors' Guide to promote Romania as an Investment Destination.

25 April – BVB officially announced and awarded the 15 companies that qualified in the final stage of Made in Romania, a unique project by BVB and its partners to identify and support the future growth engines of the local economy or the region. The 15 finalists were announced in a prize gala, attended by more than 150 entrepreneurs and executives of the companies in the Made in Romania community, together with the members of the Nomination Committee, Jury members and other supporters of the project.

26 April – BVB and Bucharest City Hall organized an official opening on April 26 to mark the first trading day on BVB of a new bond issue. The City Hall managed to attract RON 555 mn (EUR 119 mn) through the issuance of municipal bonds, maturing in 2028 and with a coupon rate of 5.6% p.a.

18 May – Globalworth Real Estate Investment Limited, one of the leading real estate investment companies in Central and Eastern Europe, announced the second BVB listing of corporate bonds issued by the company (symbol GWI25), with a total value of EUR 550 mn.

23-24 May – Investment opportunities in the region were presented to US investors at Investors' Days in Central and Eastern Europe.

9 June – The 7th edition of the Individual Investors Forum focused on timely investments. 20 speakers have lectured in front of a crowd of about 400 people on several presentations and workshops dedicated to both potential and experienced investors.

20 June – MSCI Global Index Provider published on June 20, 2018 the latest Global Market Accessibility Review. The report states that Romania has continued its efforts to improve its liquidity and participation in the stock market by reducing its trading fees and encouraging more market makers to increase their market activity and that notable activities for the Romanian capital market included, also, the launch of the Issuer Reporting Platform (IRIS) where listed companies can effectively disseminate their communications to the market.

26 June – Banca Transilvania announced the successful closure of the EUR-denominated corporate bonds issue, with an interest rate of EURIBOR 6M + 3.75% p.a. and maturity in 2028, having an aggregate nominal value of EUR 285 mn.

5 June – Official opening of the trading session dedicated to the anniversary of a decade since TeraPlast's listing on the main market of the BVB.

1 August – Approximately 300 people participated in the Made in Romania Entrepreneurs Forum, organized by BVB and its partners. Felix Patrascanu (FAN Courier), Mircea Turdean (Farmec), Marius Stefan (Autonom Rent-a-Car), Cristian Logofatu (Bittnet) and Radu Constantinescu (Qualitance) were the main speakers and shared their business experience.

9 August – BVB extends from 15 to 20 the maximum number of companies that may be part of the BET market index, and the BET-TR dividend index. Expanding the two indices is appropriate in the context of companies that are relevant to their sector of activity decide to list on BVB. Thus, the main BVB indices will incorporate a better sectorial diversification, the diversification that is needed in any share portfolio.

13 September – Bittnet and Globalworth, two companies with a strong presence and activity on the BVB, received international recognition at the fourth edition of the Central and Eastern European Capital Markets Awards held in Warsaw on September 12. The award ceremony brings to the forefront the most important achievements of listed companies in the region's capital markets.

17 September – Takes place Romanian Capital Day in Warsaw. Nine BVB listed companies present their investment opportunities to international investors.

26 September – FTSE Russell published on September 26, 2018 the most recent edition of the Annual Country Classification Review, as per which Romania was maintained on the watchlist of countries with potential to be reclassified from Frontier Market to Secondary Emerging Market. Romania was added on the watchlist in September 2016. The "Liquidity" criterion is the only essential criterion to reach the Secondary Emerging Market status

18 October – The first Romanian Investors Day event dedicated to investors from northern countries. The event brought together Swedish investors and Romanian blue-chip companies.

22 October – The fourth issue of corporate bonds issued by International Investment Bank successfully managed to attract RON 300 million (EUR 64 million) and another EUR 80 million through bonds denominated in the single European currency.

10 November – Eighth edition of the Individual Investors Forum, one of the milestones dedicated to retail investors. The forum took place under the theme "My money, my future". 20 speakers presented in front of a crowd of 400 people more presentations and workshops dedicated to both people without financial background and those with experience in investment.

12 November – Official opening on the occasion of 5 years since Romgaz's listing on BVB. Listing of Romgaz SA, under SNG market symbol, the largest producer and main supplier of natural gas in Romania, represented one of the largest offers of shares sold by the Romanian state through BVB (RON 1.7 bn).

19 November – The Bucharest Stock Exchange and ten other representatives of the capital market set up the Association for Investor Relations - ARIR, aiming to implement in Romania the best communication practices of listed companies with investors, including the continuation of the BVB project White Paper of Communication of Listed Companies.

22 November – The Bucharest Stock Exchange and the Ministry of Business Environment sign a partnership to promote financing opportunities through the capital market.

28 November – Bittnet funds two investment projects through a new bond issue, the third, totaling RON 4.7 mn, on the AeRO market.

Projects and accomplishments

The Bucharest Stock Exchange (BVB) rolled in 2018 projects dedicated to the development of the local capital market in view of its upgrade to the emerging market status, increasing its attractiveness for the entrepreneurial environment and the expansion of the community of investors, both institutional and retail, all with direct impact on stock market liquidity.

FTSE Russell included the Romanian capital market in September 2016 on the list of countries with substantial potential to be upgraded to emerging market status and kept Romania on the list of these countries at the latest annual review in September 2018. According to the Russell FTSE report of September 2018, the Country Classification Advisory Committee approved the following changes to the rating criteria:

• "Liquidity - Sufficient Market Liquidity to support significant global investments" - Improved from "Unfulfilled" to "Restricted" as a result of improving market liquidity.
• "Over-the-Counter Transactions" - updated from "Not met" to "Restricted".

The "Liquidity" criterion is the only essential criterion to reach the Secondary Emerging Market status. This criterion was raised by one level in this assessment and will be reassessed at the interim review in March 2019. FTSE Russell recognizes the efforts of the Bucharest Stock Exchange to bring IPOs to the market and to improve the liquidity level. Romania is kept on the monitoring list as Frontier Market and will be reassessed for a possible reclassification to the Secondary Emerging Market status within the FTSE Country Classification Scheme at the September 2019 Annual Review.

In June 2018, MSCI global provider of indexes improved and recognized Romania's accessibility criteria for three aspects: market regulation, information flow and trading, results that validate capital market projects in Romania and recognize the improvement of investors' perception of the local market.

The year 2018 was marked by the listing of Purcari Wineries, the first company in the Republic of Moldova launching an IPO of RON 186 mn on the BVB for 49% of its shares. Under the WINE symbol, the company began trading on BVB on February 15, 2018. Purcari is one of the largest regional wine groups, including a family of four wineries in Moldova and Romania: Purcari Winery, Bostavan Winery, Ceptura Winery and Bardar Winery, totaling about 1,060 hectares of vines in management. The group is the leader of the premium segment in Romania with a 26% market share and the largest wine exporter in Moldova, with an export network covering over 30 countries. Also, on the offer market, the year ended with the private placement offer of ALRO, for 33.77% of the company's shares, which led to a doubling of the company's free float.

At the end of April, started trading a municipal bond issue of Bucharest Municipality amounted to RON 555 mn, with a maturity of 10 years and an interest rate of 5.6% per annum. In the second half of May, corporate bond issue of Globalworth, the largest real estate investment company in Central and Eastern Europe, started trading on the same main market, with the value of the issue being EUR 550 mn. Corporate bonds are traded on the Bucharest Stock Exchange in euro and the settlement is carried out directly in the European currency (facility implemented at the BVB Group level in 2017). On June 26, Banca Transilvania announced the successful closure of the private bond issue, sub-guaranteed, level 2 bonds denominated in EUR bearing an interest equal to EURIBOR 6M + 3.75% per annum, maturing in 2028, with a total nominal value of EUR 285 mn, a bond issue that began trading in July. In September 2018, International Investment Bank managed to attract, through its fourth bond issue on BVB, RON 300 mn and EUR 80 mn. The already consistent use of this mechanism shows the maturity and development of the local capital market.

The first edition of the "Made in Romania: The League of the 15 Companies for the Growth of the Romanian Economy" project was launched in February 2017. Successfully completed, BVB launched in January 2018 the nomination period for the second edition of the project. The aim of the initiative is to select and promote 15 of the most innovative Romanian companies that have the greatest growth potential and high chances to become players

with impact in the local and even regional economy. The Forum of Entrepreneurs Made in Romania, organized by BVB and its partners on August 1, was attended by about 300 people. Felix Patrascanu (FAN Courier), Mircea Turdean (Farmec), Marius SŞtefan (Autonom Rent-a-Car), Cristian Logofatu (Bittnet) and Radu Constantinescu (Qualitance) were the main speakers and shared their business experience.

Also in 2018, financial education was a priority for BVB, expanding the Fluent in Finance project, the largest and most comprehensive educational platform in Romania, and the first platform that focuses entirely on capital markets. The 7/24 Capital videos also supported the spread of the savings and investment message. For beginners or advanced investors, BVB organized two editions of the Individual Investors Forum. During the entire Saturday, participants interested in investment and personal finance management held presentations on the capital market environment, interactive behavioral finance sessions, and seminars dedicated to beginner or advanced investors.

BVB organized and participated in 2018 in events dedicated to institutional investors, both in Romania and abroad, to promote the local capital market, the progress made in recent years as well as its development projects. Institutional investor events in London, Vienna, Warsaw, Budapest, Prague, Zagreb, New York, Chicago and Washington were organized in partnership with brokerage companies, BVB having throughout the year bilateral meetings with more than 100 foreign institutional investors.

BVB has actively participated in the international stock exchange organizations - WFE, FESE, FEAS, in order to promote the capital market achievements and to absorb know-how. In addition, an active dialogue was kept with the FTSE, MSCI and S&P rating agencies aiming to present the progress made by the local capital market.

At market mechanisms level, since September 2018, OTC transactions have been liberalized, which until then were only possible through the turnaround mechanism, this measure being aimed at increasing the volume traded on the stock market in the medium and long term. BVB operationally accommodated, starting January 2018, the requests of the European delegated acts incident to MiFID II and MiFIR.

Regarding the market infrastructure, the approval by the BVB General Shareholders Meeting of April 16, 2018, of the initiation by the BVB of the steps for setting-up the central counterparty (CCP) for the BVB-managed markets resulted in the start of a project in order to identify the most appropriate CCP solution for the local capital market. The CCP solution is required, in line with current EU regulatory requirements, to relaunch the BVB derivatives market. In December 2018, the shareholders were called for January 29/30, 2019 at the General Shareholders Meeting, which effectively decided on the local CCP solution. The steps for implementation and authorization of the CCP will be made so that the new market institution will be operational in the second half of 2020.

The stock market capitalization of the Romanian companies listed on BVB's stock market declined last year by 13% compared to 2017 and reached EUR 30.6 bn. The market capitalization of AeRO, dedicated to SME financing, increased in 2018 compared to 2017, up 18.8%, amid a slight increase in liquidity. The total value of transactions in the main market of BVB in 2018 exceeded EUR 3 bn, 1.81% above the level of 2017. The daily average of the traded values on all types of financial instruments reached EUR 9.88 mn in 2018, decrease compared to 2017 due to lower public offerings in the market as a result of concerns over the existence of Pension Pillar II. On the equity segment, the average daily trading value increased by 5.4% compared to 2017.

In Q4 2018, stock markets experienced significant corrections as a result of signs of global economic slowdown, cumulated with rising interest rates and tensions in geopolitical relations. As a result, stock markets became more volatile, causing the MSCI global index to decline by 13.7%. In Q4 2018, the global market focused more on the economic downturn in China and the Eurozone, and less on data showing moderate inflation and unemployment rates that remained close to historic minimums, while the market labor continues to attract more and more workers. Third quarter GDP growth figures for Romania showed an increase of 4.2% year on year, slightly above the expectations of economists, showing a moderate deceleration as compared to the previous year as a result of the return of consumption to more neutral levels. The unemployment rate fell to 3.9%, while the number of employees in the economy remained above 4.9 million. At the same time, inflation continued on a downward trend reaching 3.27% year on year, at end of December.

Until mid-December 2018, the Bucharest Stock Exchange was one of the best performing markets in the region, but closed 2018 with a 4.77% drop in the BET index, the main index of the local capital market which includes the

most traded 15 companies. The strong downward trend was triggered on December 19, 2018, when information on additional charges on the banking, energy and telecommunications sectors and on the modification of Pension Pillar II appeared, at a time when the BET benchmark decreased by 11.21 percent, vanishing in one day the entire growth recorded until then in 2018 by the local capital market. Between the values existing before that date, namely December 18, and the last trading session in 2018, namely December 31, the main stock market index recorded a decrease of 12%. At the end of last year, only the two return total indices, including dividends, managed to maintain positive territory. The BET-TR index, which also includes dividends from BET companies, recorded the largest surge of 4.3%.

Central Depository

Issuing LEI codes

At the beginning of December 2018, the Central Depository was authorized by the Global Legal Entity Identifier Foundation (GLEIF) as the Local Operating Unit (LOU) for the issuance and management of LEI codes. The Central Depository thus becomes the only Romanian institution authorized to issue LEI codes for legal entities in Romania.

This certification required the development of an online platform for the granting, maintenance and renewal of LEI codes. Thus, the direct issuing and maintenance of LEI codes is provided by the Central Depository through the "LEIonline" application (www.depozitarulcentral.ro or https://lei.roclear.ro), including in the case where they have obtained previous LEI code from another Local Business Unit.

Partnership with the National Union of Notaries Public in Romania

The Central Depository has concluded a collaboration protocol with the National Center for the Administration of Notarial National Registers. Starting February 2018, on the basis of this partnership, notaries may obtain an account summary attesting to all the holdings of financial instruments of deceased individuals, highlighted in the individual accounts managed by the Central Depositary.

These documents are necessary for the succession debate, for the succession of the financial instruments evidenced in the accounts of the deceased holders. Thus, the heirs are exempt from taking additional steps to obtain all the documents necessary for the succession proceedings, namely for the inclusion in the succession of the property together with the other titles of title and those on the financial instruments held by the deceased. This collaboration reconfirms the concern of the Central Depositary to optimize the services offered and to meet the needs of financial instrument holders.

Liberalization of settlement of transactions concluded outside trading systems (OTC)

As of September 3, 2018, the Central Depository has implemented the concept of OTC transactions for all types of financial instruments. Against this background, the mandatory binding obligations previously imposed by the turnaround mechanism have been eliminated, and that mechanism may continue to be used as an alternative to settlement of OTC transactions.

A new corporate identity - launching the new website

Starting November 2018, the Central Depository has a new corporate identity launched with the new website of the https://www.depozitarulcentral.ro institution. This website has a friendly, intuitive and modern design and provides visitors with easier access to information about the Central Depository. The new interface can be

displayed to the public on any device (PC, tablet, smartphone), adapting to the screen size used, being a really useful and optimized tool for those who want more information and information about the Central Depository and the services it offers.

International cooperation

In order to harmonize its own activities with the new European regulatory tendencies, the Central Depository continued its collaboration with the European Central Depository Association (ECSDA). Through the Public Policy Working Group WG2, the Settlement Working Group WG3, the Risk Management Working Group RMWG, the Working Group on Compliance (The Compliance Working Group) and the ECSDA Executive Committee, the Central Depository was also actively involved in 2018 projects under the ECSDA analysis. In order to facilitate the adaptation of depositories to the new authorization requirements, Central Depository representatives continued their work within the ECSDA working groups, actively participating in both teleconferences and their members' meetings.

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).

Re-authorizing the institution as a central depository

The Central Depository's requests for re-authorization according to the European Regulation no. 909/2014 on the improvement of securities settlement in the European Union and on securities central securities depositories.

The Central Depository filed with the Financial Supervisory Authority (ASF) on 28.09.2017 the file for re-authorizing the institution as a central depository, in accordance with the requirements of European Regulation no. 909/2014 on the improvement of securities settlement in the European Union and on securities central securities depositories and the delegated regulations issued for its application.

In May 2018, the ASF informed the Central Depository that the Central Depository's application for authorization was complete, as subsequently in June 2018, the ASF would reopen the authorization dossier given that, for settlements made by the Central Depository in EUR, the relevant authority is the Eurosystem represented by the European Central Bank (ECB), which will be involved in the Central Depository's authorization process.

As a result of the requests received from the ECB, the Central Depository transmitted to the Financial Supervisory Authority and the National Bank of Romania in July and November 2018 and in January 2019 additional documents and information requested by the ECB in completing the re-authorization dossier of the institution as central depository.

The Central Depository's authorization according to European standards will confirm that the Central Depository's procedures, practices and rules, as a Romanian financial market infrastructure, are in line with the new EU regulatory framework, with the institution being prepared to provide standardized and high-quality services in respect of 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's system and at the organizational and regulatory level.

Implementation of the project to ensure compliance with GDPR

On May 25, 2018, EU Regulation 679/2016 on the protection of individuals with regard to the processing of personal data - GDPR, entered into force.

The Central Depository, together with the Bucharest Stock Exchange, chose as a provider for the implementation of this project the partnership between Fine Law - Patrascanu & Asociatii and Blue Lab Consulting SRL, considering the competence and the possibility of full coverage of the GDPR areas, as well as their experience on the capital market .

The compliance program with GDPR requirements was considered as having:

- a short-term component that addressed critical aspects of alignment with GDPR requirements, as well as

- a long-term component designed to ensure full compliance with GDPR requirements, and to monitor the continued compliance of GDPR (this mainly relates to compliance with IT systems and critical GDPR activities).

Investors Compensation Fund

During 2018, the Investor Compensation Fund ("The Fund") continued the offset procedure for Mobinvest S.A., the procedure opened in 2017. In this respect, on the basis of the claims made by the investors of Mobinvest S.A. and in view of the duties of the administrator as a competent body, he submitted to the Fund in August 2018 the definitive list of investors, natural and legal persons eligible for compensation, comprising 85 natural persons and 5 legal persons with a total amount of RON 4,658,886.

As a result of the Fund's examination of the investors' compensation claims on the final list, the Board of Directors approved on 13.12.2018 the payment list comprising of 52 natural persons with a value of compensation in the total amount of RON 2,335,421 and 3 legal persons or without legal personality with a value of the compensation in the total amount of RON 269,766. Therefore, the total amount of compensation to be paid by the Fund in this case is RON 2,605,187. The payment list has been submitted to the ASF and to the lawfully empowered bodies to be verified under Art. 36 par. (3) of CNVM Regulation no. 3/2006.

Also in 2018, the Fund enrolled on the final receivable table of the debtor Mobinvest S.A. with a provisional debt of RON 4,658,886 (representing compensation to the client investors of Mobinvest S.A. according to the final list communicated by the legal administrator), the final amount with which the Fund will be registered at the creditor's table, after the payment of the compensation, being of RON 2,605,187.

The draft law on the Investor Compensation Fund, by which the current Fund is transformed into a legal person governed by public law and whose statute of organization and functioning is approved by the Financial Supervisory Authority, was registered with the Chamber of Deputies for debate and sent to report to the Budget, Finance and Banks Commission.

Analysis of financial results for 2018

Analysis of the consolidated financial results for 2018 and of the consolidated financial position of BVB.

The operating revenues of the BVB Group recorded a level of RON 39.82 mn during 2018, up by 5% 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	2018	2017	Change (%)
Trading services	23,931,767	23,345,067	3%
Post-trading services	10,112,662	9,700,191	4%
Registry services	5,257,019	3,991,152	32%
FCI services and other services	523,439	1,019,165	-49%
Total operating revenues	**39,824,887**	**38,055,575**	**5%**

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

Trading value	2018	2017	Change (%)
Shares, units, rights*	11,682	12,073	-3%
Certificates	336	264	27%
Fixed-income*	2,207	1,576	40%
Total	**14,225**	**13,913**	**2%**
Avg. daily value (shares, excluding offers)*	45.27	42.95	5%
Avg. daily value (shares, including offers)*	46.02	47.97	-4%

*Value for the Regulated market

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

Post-trading and registry segment

indicators	2018	2017	Change (%)
Registry activity			
No. companies with a registry contract at the Depository:	888	914	-3%
- listed companies	413	426	-3%
- closed companies	475	488	-3%
No. procedures resulted from issuers' corporate events, of which:	349	276	26%
- share capital changes	64	56	14%
- dividend payments	285	220	30%
Settlement activity			
a) Admission and maintenance			
No. of intermediaries / participants to the clearing & settlement system	29	35	-17%
No. of custodians	8	10	-20%

Avg. monthly portfolio managed by custodians (RON bn)	41.02	38.80	6%
No. of clearing participants paying maintenance fees	4	3	33%
b) Local settlement			
Value of trades settled on net basis (RON bn)*	28.27	31.94	-11%
Value of trades settled on gross basis (RON bn)**	4.09	4.41	-7%
c) Settlements through T2S platform (euro)			
Value of trades settled on gross basis (EUR mn)	674.42	138.00	389%

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

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

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

The Group's consolidated operating expenses increased by 7% from RON 28.82 mn to RON 30.94 mn was mostly determined by the increase of the expenses rendered by third parties by 43%, respectively RON 1.22 mn. Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the Central Counterparty (**CCP Project**), BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central Counterparty, **one-off expenses, in amount of RON 0.98 mn**.

BVB intends to reinvoice these expenses to the new subsidiary during the year 2019, the establishment of which was approved by the BVB General Shareholders Meeting on January 29, 2019, based on the CCP's Business Plan submitted by the BVB management, and implicitly record an income equal to the expense of RON 0.98 mn.

Excluding the impact of this one-off expense, **the Group's consolidated operating expenses** increased by 4% from RON 28.82 mn to RON 29.96 mn, **the operating profit recording an increase by 7%, respectively up to RON 9.86 mn** (12 months 2017: RON 9.24 mn), which corresponds to an operating margin of 25%.

Personnel expenses increased by 4%, amid the update of the BVB Group's remuneration policies, estimated expenditures with benefits granted in shares to Board members, management and employees, but also due to the fact that in 2017 BVB capitalized RON 0.4 mn as "in-house" intangible assets, thus reducing the expenditure recorded in the previous year.

The category of **Other Operating Expenses** advanced 3% in 2018 compared to the previous year, mainly due to the increase in depreciation expense of intangible and tangible fixed assets after the technology investments in the last years and adjustments for losses on non-current receivables, but the impact was diminished by lower marketing and advertising expenses and IT and maintenance costs.

The consolidated operating profit of the BVB Group for the year 2018 is RON 8.88 mn, down by 4% compared to 2017 (12 M 2017: RON 9.24 mn), as a result of the 5% increase in operating revenues while the operating expenses advanced by 7%.

Excluding the impact of the extraordinary expense with the CCP Project, the **Group's consolidated operating expenses** for the year 2018 increased by 4% from RON 28.82 mn to RON 29.96 mn, **the operating profit 2018 having an increase by 7%, respectively up to RON 9.86 mn** (12 M 2017: RON 9.24 mn), which corresponds to an operational margin of 25%.

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

Operating profit	2018	2017	Change (%)
Trading services	6,851,086	7,319,165	-6%
Post-trading services	1,567,379	1,312,256	19%
Registry services	747,869	513,642	46%
FCI services and other services	(283,774)	92,320	-407%
Total operating profit	**8,882,560**	**9,237,383**	**-4%**

The net financial income of RON 3.63 mn in 2018, were mainly represented by the interests generated from the government bonds and bank deposits, marking a significant advance against the same period of the last year (12 M 2017: RON 2.50 mn), being also influenced by the unrealized exchange rate differences related to the foreign currency financial investments, which generated a gain of RON 0.68 mn compared to the same period of 2017, when a loss was registered of RON 1.15 mn.

The consolidated net profit for the year 2018 reached the level of RON 10.19 mn (12 M 2017: RON 14.69 mn), a decrease by 31% compared to the previous year, 81% generated by the Group's trading segment. **The profit attributable to the shareholders of the parent company** was RON 9.75 mn (12 M 2017: RON 14.20 mn).

Without considering the impact of BVB-SIBEX merger in 2017 and the effect of the CPP project in 2018, **the consolidated net profit** of the Group in 2018 was in amount of RON 11.17 mn, 8% increase compared to the value of RON 10.34 mn in 2017 (adjusted to eliminate the merger impact).

At the end of December 2018, the **total assets** of the BVB Group amounted to RON 214.13 mn (31 December 2017: RON 203.24 mn), up by 5% compared with the beginning of the year, mainly due to the increase in current assets represented by liquidities restricted for dividend payments by the Central Depository to the shareholders of the listed companies, clients of the Central Depository.

Non-current assets recorded an increase of 23% compared to the beginning of the year to RON 75.29 mn (31 December 2017: RON 61.08 mn), mainly due to the increase in the financial non-current assets by 28%, while the **current assets** decreased by 2% to RON 138.84 mn (31 December 2017: RON 142.16 mn). The amounts available for dividends payment to the Central Depository's clients were presented in **Other restricted assets at amortized cost** and recorded, at the end of December 2018, the amount of RON 66.69 mn (31 December 2017: RON 50.16 mn).

Within the current assets, the assets of the Bucharest Clearing House (CCB) are recorded as assets held for sale as a single position amounting to RON 0.16 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 2018 they amounted to RON 93.71 mn (31 December 2017: RON 78.24 mn), approximately 71% of this value, amounting to RON 66.69 mn, representing dividends to be paid by the Central Depository on behalf of its clients and 23% 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 will distribute to the shareholders of the listed companies, clients of the Depository.

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 1.07 mn).

The debts related to CCB are also presented as a single position, within the current debts, amounting to RON 0.3 thousand.

Shareholder's equity reached RON 120.43 mn as at 31 December 2018, 4% lower than at the beginning of the year, amid a net current result lower than the dividends granted in the year corresponding to the result of 2017.

Starting August 20, 2018, BVB initiated a share buyback program with a total amount of up to RON 1,000,000, value that was included and allocated in the Budget and Business Plan of 2018 to this program for 2018, under the terms and conditions approved by the Extraordinary General Meeting of Shareholders (EGMS) Decision no. 5 of 12 April 2017. During 2018, 40,071 shares were bought back, amounting to RON 997,995.

Perspectives

The Bucharest Stock Exchange (BVB) business plan for 2019 includes, as main elements, the projects dedicated to developing local capital market infrastructure, promoting the local capital market to emerging market status, increasing its attractiveness for the entrepreneurial environment and expanding the community investors, both institutional and retail, all with a direct impact on the stock exchange's liquidity.

The approval by the BVB General Meeting of Shareholders of January 2019 of the establishment of the Central Counterparty (CCP) for the markets administered by BVB resulted in the start of a project in 2019 for the establishment and authorization of the CCP, so that the new market institution would be functional in the second half of 2020.

Some of the projects considered for year 2019 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 (thousand RON)	**Budget 2019**	**% total**
Update and replacement of the current IT systems	1,444	54%
Acquisition of new software	400	15%
Software licenses renewal	607	23%
Other investments, including derivative market license	225	8%
Total IT & Operational projects	**2,667**	**100%**
Other fixed assets for the BVB head office	259	
Total investments in tangible and intangible assets	**2,935**	
Non-current financial assets – CCP investment	**47,000**	
BVB share buy-back program	**1,000**	

Other information

Subsequent events

On January 29, 2019, the Extraordinary General Shareholders Meeting of BVB took place, in which it was approved the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (hereinafter referred to as "CCP"), according to the provisions of the Financial Supervisory Authority (FSA) Regulation no. 3/2013 on the authorization and functioning of central counterparties and Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. BVB's share of the new entity's share capital will be up to EUR 10 mn out of a total of EUR 16 mn.

On January 28, 2019, the National Trade Registry Office attached to the Sibiu Court issued the Liquidation Certificate for the SIBEX Depository based on Resolution no. 1204/25.01.2019.

Statistics for BVB shares

BVB shares ended 2018 at a price of RON 21.00 per share, while the weighted average price registered during the year was RON 25.87.

(RON, unless otherwise stated)

	2018	2017	Change (%)
Closing price (e-o-p, RON)	21.00	27.60	-24%
Weighted average price (RON)	25.87	31.55	-18%
High – intraday (RON)	30.70	35.50	-14%
Low – intraday (RON)	20.40	26.20	-22%
Total trading value (RON mn)	32.54	25.64	27%
Average trading value (RON mn)	0.13	0.10	26%

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 2019, is presented in the table below:

Year	Gross dividend/share (RON)	Total dividends (RON)	GMS date	Registration date	Payment date
2018	1.12079	9.021.531	24/25 April 2019	7 June 2019	27 June 2019
2017	1.68348	13,550,791	16/17 April 2018	22 May 2018	11 June 2018
2016	0.92028	7,062,423	12/13 April 2017	16 May 2017	6 June 2017

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 9,021,531 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 1.12079. 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:

	2018		2017	
	End-year	Average	End-year	Average
Bucharest Stock Exchange	45	44	43	43
Central Depository	51	51	51	51
Investors Compensation Fund	4	4	4	4
Bucharest Clearing House	3	3	3	3
Total number of employees	**103**	**102**	**101**	**101**

Investments in subsidiaries

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

Value of share	31 December 2018	31 December 2017
Central Depository	20,243,932	20,243,932
Bucharest Clearing House	125,674	125,674
Investors Compensation Fund	215,040	215,040
Foundation Corporate Governance Institute of BVB	50,000	50,000
SIBEX Depository	-	828,066
Total	**20,634,449**	**21,462,515**

The General Shareholders Meeting of the Bucharest Clearing House dated May 24, 2018 decided to voluntary liquidate the company and therefore the financial information for this subsidiary is disclosed separately, as discontinued operations, in accordance with IFRS 5.

The company acquired the control over SIBEX Depository (Depozitarul SIBEX) on December 29, 2017, as a result of the absorption merger between BVB and SIBEX, thus taking over the share held by SIBEX of 167,846 shares representing 73.135% of the share capital. On December 20, 2018, the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

Use of financial investments. Financial risk management

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

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

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

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

Credit risk. The financial assets that lead to potential concentrations of credit risk mainly relate to receivables from the core activity and financial investments. Receivables are presented at their net value, after the provision for doubtful

receivables. The credit risk is limited due to a low number of clients from the Company's portfolio of clients. Thus, management considers that the company has no significant concentration of credit risk.

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

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

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

Corporate Governance

In 2018, BVB shareholders met in two general meetings:

Ordinary General Shareholders Meeting (OGSM) of April 16, 2018 for the approval of the annual separated and consolidated financial statements of the Company for the financial year of 2017 and the distribution of Company statutory net profit, the discharge of liability of the Company administrators for their activity carried out during the financial year 2017, the Budget and business plan for 2018, the remunerations of the Company administrators for 2018, the general limits of the additional remunerations for Company administrators and their recompensation for 2017.

Extraordinary General Shareholders Meeting (EGSM) of April 16, 2018 for the approval of amending the program for the allocation of own shares held by the Company, to the employees and managers of the Company and the members of the Board of Governors, information on CCP and derivatives market and, following the request of shareholders owning more than 5% of the Company share capital, abrogation of the Resolution of the Ordinary General Meeting of Shareholders of BVB no. 9 of April 12, 2017 regarding the approval of the maximum level of the commissions and tariffs applied by the Company for the specific operations on the regulated market and consequently to return to the maximum respective commissions and tariffs applied prior, and approval in principle of the initiation by the BVB of the steps to establish the Central Counterparty for the markets administered by BVB, as a Romanian legal entity and of an investment of up to EUR 7 million which would allow BVB to obtain the status of shareholder of the Central Counterparty.

Also, in December it was convened for January 29/30, 2019 the Extraordinary General Shareholders Meeting for the approval for the BVB to participate, as a founding shareholder, in the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (CCP), according to the provisions of the Financial Supervisory Authority (ASF) Regulation no. 3/2013 and Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012, under certain conditions, and empowering the BVB CEO to coordinate the operational aspects related to the selection of the co-shareholders in CCP, CCP's establishment and authorization as a central counterparty under ASF Regulation No. 3/2013.

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

The Constitutive Act of the Company was not amended during 2018, the form in force being available on the Company's website at http://www.bvb.ro/InvestorRelations/Overview.

Regarding the compliance with the principles defined by the 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.

During 2018, 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
- Claudia–Gabriela Ionescu, Secretary General, independent
- Radu Hanga, Member, independent
- Gabriel Marica, Member, independent
- Octavian Molnăr, Member

- Otto Emil Naegeli, Member, independent
- Dan-Viorel Paul, Member

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

Mr. Lucian Anghel – President

Date of birth: 1972
Nationality: Romanian
Education:

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

Professional Experience:

- 2016-present: President of the Board of Governors, Bucharest Stock Exchange
- 2018–present: Member in the Federation of Euro Asian Stock Exchanges Audit Committee (FEAS)
- 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 professional commitments: Chairman of Association of Romanian Building Society

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:

- Chairperson, 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%: -

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: Administrator, SI ROMINTRADE SRL, Brasov
- 1997-2013: financial investments services agent/ internal control representative/ CEO & President of the Board of Directors, SSIF ROMINTRADE, Brasov

Other professional commitments:

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

Other positions in the 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%: -

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%: -

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.

In exercising its prerogatives, during 2018, the Board of Governors met in 28 meetings – out of which 18 were organized exclusively by the remote participation of its members-, with an average participation of over 95%.

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, Head of Legal.

During 2018, the Board of Governors took into discussion the following main topics:

- CCP project: completing the composition of the CCP Working Group and reviewing its Regulation of functioning, constantly monitoring the stages of the CCP project - establishing the principles underpinning the project; identifying solutions for CCP implementation; exploring the collaboration potential for providing CCP-clearinghouse services with other regional CCPs; investigating the software solution for collateral and clearing as part of the CCP's technological infrastructure; drafting the business plan; contracting consultancy services for the gap analysis; investigating actions to accelerate the implementation of CCP services, including the establishment of a company, as BVB subsidiary, that would serve as the new central market infrastructure and ensure the gap analysis with the external consultant; meetings with stakeholders (ASF, BNR, Ministry of Finance, brokers, banks and custodians) for the purpose of presenting the plans and actions envisaged, the impact on market participants, and gaining the support of each in the project, depending on its field of activity; working meetings with the external consultant and regulators and supervisors as well as with OPCOM to explore the potential of collaboration for the launch of energy derivatives and clearing services for bilateral energy contracts; agreeing on the most feasible, safe and fast CCP implementation solution that will effectively serve both the BVB Group and the participants in the spot market and the derivatives market;

- Development of the activity segment related to the improvement and licensing of exchange indices, implicitly amending the BVB indices manuals;
- Application of a discount policy to the trading fees for the trades on the House account registered for shares that are underlying for structured products, carried out by Participants which are Liquidity Providers for the respective products;
- Maintenance of market data tariffs at current levels also after June 1, 2018;
- Extension of the applicability for an indefinite period of the admission and maintenance fees on the spot Regulated Market for structured products (certificates and warrants);
- Liberalization of the trades with shares concluded outside the trading systems;
- Extension of the current Market Makers programm and the analysis in parallel of a new Market-Maker program;
- Upgrading the local capital market to emerging market status;
- Analysis of the BVB ongoing or envisaged projects and programs;
- Reviewing the marketing, PR, IR projects and the related budgets;

- Admission or withdrawal to/from trading of several financial instruments;
- Withdrawal from trading of several Participants;

- Regular analysis of the operational and financial indicators and their budgeting;
- Evaluation of the internal control, internal audit and risk management activities, analysis of the implementation status of the recommendations included in the respective reports;
- Review and update of the risk management framework;
- Analysis of the findings report issued by the BVB financial auditor, Mazars Romania SRL, following ASF request and of the implementation of the measures related to the recommendations included in the report;
- Evaluation of the execution of the delegations granted to the executive management;

- Remuneration policy for the employees of BVB;
- Application of the buy-back program for BVB shares, implementation of the BVB Share Plan for Employees, Officers and Directors for 2018;
- BVB Privacy and Personal Data Protection Policy;
- Ammendments of the BVB Rulebook – market and system operator;
- Ammendments to the Regulation of Organization and Functioning;

- Activity of the Advisory Committees and Special Commissions;
- Nomination of the external members of the BVB Special Commissions;
- Nomination of the BVB candidates for the Board member positions in Depozitarul Central;

- Exercising the rights of the Company as shareholder in the entities in which it has holdings;
- BVB participation as founding member within Romanian Investor Relations Association;

-
- BVB Annual Report and preliminary financial statements for 2017;
- BVB Report and interim condensed consolidated financial statements of 2018;
- Annual Report of BVB as market operator for 2017;

- Convening the Ordinary and Extraordinary General Shareholders Meetings for approving the 2017 financial statements and profit distribution, 2018 budget and business plan, the remunerations of the Company administrators for 2018, the general limits of the additional remunerations for Company administrators and their recompensation for 2017, amending the program for the allocation of own shares held by the Company, to the employees and managers of the Company and the members of the Board of Governors, information on CCP and derivatives market and, following the request of shareholders owning more than 5% of the Company share capital, supplementing the agenda with two topics: abrogation of the Resolution of the Ordinary General Meeting of Shareholders of BVB no. 9 of April 12, 2017 regarding the approval of the maximum level of the commissions and tariffs applied by the Company for the specific operations on the regulated market and consequently to return to the maximum respective commissions and tariffs applied prior, and approval in principle of the initiation by the BVB of the steps to establish the Central Counterparty for the markets administered by BVB, as a Romanian legal entity and of an investment of up to EUR 7 million which would allow BVB to obtain the status of shareholder of the Central Counterparty;
- Convening the Extraordinary General Shareholders Meeting for the approval for the BVB to participate, as a founding shareholder, in the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (CCP), according to the provisions of the Financial Supervisory Authority (ASF) Regulation no. 3/2013 and Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012, under certain conditions, and empowering the BVB CEO to coordinate the operational aspects related to the selection of the co-shareholders in CCP, CCP's establishment and authorization as a central counterparty under ASF Regulation No. 3/2013;
- 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. This showed that for all three measured components (overall activity, self-evaluation and the evaluation of the other members) the performance indicators have improved compared with the previous evaluated period. The measures resulting from this evaluation have materialized in the main directions and projects for the next period.

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 2018, the Commission met in 12 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 13 companies, as well as the withdrawal from trading on the regulated market of 6 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 2018, the Commission was not met, with no complaints incident to its activity.

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

During 2018, the Commission met in 5 sessions (out of which 4 regular sessions and one extraordinary session), both for current indices management and for decisions on the development of this segment activity, in line with the strategic objectives assumed.

The Index Commission has prioritized in 2018 the objective set in 2017 to provide predictability and flexibility regarding the maximum number of constituents at the level of the most important index developed by BVB. Following analyzes and discussions on the subject, the Commission concluded that it is appropriate to expand the number of companies that may be part of the BET and BET-TR indices from 15 to 20 companies, as more and more companies relevant to the sector the activity of which they are part decide to list, as well as the alignment of the index methodologies to the new level of development of the BVB.

Also, additional changes to index manuals have been made, including: providing a higher degree of predictability and transparency regarding the use of Watchlist, including inclusion / exclusion of companies in indexes, improvement of standards of other indices developed by BVB, governance issues at the Index Commission. Thus, starting with the approval of the proposals to change the index manuals by the Board of Governors (August 2018), at the BET and BET-TR indices the maximum number of constituents is 20, endeavor accompanied by the introduction of a new quantitative criterion in the selection procedure of companies, i.e. that the minimum anticipated share in the basket of the index is at least 0.5%. In addition, in order to limit the fluctuations in the composition of the two indices, a company must have a minimum anticipated weight of 0.2% to be retained in their composition, while the Watchlist concept (list of companies entering in the monitoring process to see if they fulfill the eligibility conditions) has been extended to BET-XT, BET-XT-TR and BET-BK indices. According to the amendments adopted, the companies which will be included on Watchlist by Commission decision for BET-XT, BET-XT, BET-XT-TR and BET-BK will stay on the list for at least 6 months, being monitored for possible inclusion in the indices.

At the beginning of 2018, BET and BET-TR indices comprised 13 companies. During regular, periodic meetings, the Index Commission decided to include / exclude new companies in BVB indices, so by the end of 2018 the number of companies included in the indices basket was 15 companies.

Also, there were set the data for determining the necessary elements for the quarterly operational adjustments (index weight ratios, free float factors (Ff), representation factors (R), liquidity factors (FL) and correction factors of the price (Ci)), respectively the data corresponding to the announcements and those of the entry into force of the quarterly adjustments.

At the beginning of 2018, the composition of the BVB Special Commissions was the following:

Listing Commission: Radu Hanga – Chairman, Octavian Molnăr – Vice Chairman, Liviu George Avram – Member, Șerban Marin – Member and Răzvan Florin Pașol – Member.

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

Index Commission: Lucian Anghel – BVB President, Marius-Alin Barbu –BVB CEO, Dorin Alexandru Badea - Member, member of CFA Association România, Bogdan Câmpianu - Member, reprezentaive of the Participants and Mihai Lazăr - Member, reprezentaive of the Participants.

During 2018, the composition of the Special Commissions underwent changes due to the authorization by the ASF in January of Mr. Adrian Tanase as BVB CEO, as well as the expiry in March of the mandates of the external members of the Special Commissions and the appointment of new members for a period of 2 years.

Thus, at the end of 2018, the composition of the BVB Special Commissions was the following:

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

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

Index Commission	Composition
	Lucian Anghel – BVB President
	Adrian Tănase – BVB CEO
	Dorin Alexandru Badea – Member, member of 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 2018, 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 2018, the Audit Committee met in 13 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, 2017;
- BVB individual and consolidated financial statements for the financial year 2017;
- BVB Financial Auditor's Report for 2016;
- 2017 Annual Report of BVB Directors;
- Budget and Business Plan for 2018;
- 2017 Annual Report of BVB as market operator;
- The 2017 Activity Report and the 2018 Investigation Plan of the Internal Control Department;
- Internal Auditor Report for 2017, multi-annual internal audit plan and discussions with the internal auditor regarding the internal audit process for 2018;
- 2017 Risk Management Report, as well as the quarterly risk management reports for 2018;
- Implementation status of the recommendations made in the internal auditor's report for 2017 and risk management report for 2017;
- The Risk Management Policy, revised;
- Status of the risk officer approval by ASF;
- The BVB quarterly and semi-annual financial statements for 2018, individual and / or consolidated;
- Operational and financial periodical reporting;
- IT Audit Report drafted according to ASF Norm no 6/2015;
- Contracting Mazars Romania for performing the findings report incident to the ASF request, analysis of the report and the implementation of the measures related to the recommendations included in the report;
- Draft of the Budget for 2019;
- The annual self-evaluation of the Audit Committee for the activity carried out;
- Annual Report of the Audit Committee.

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

- implementation of all recommendations made in the internal auditor's report for 2017 and risk management report for 2017, to include in the reporting regarding the status of implementation of the recommendations contained in the two reports the responsible persons, a traffic lights system for the implementation of each recommendation, including deadlines, each business owner within BVB should have as KPI the implementation on time of the reccommendations formulated in the internal audit and risk management reports;

- quarterly reporting on the status of implementation of the recommendations contained in the internal auditor's report for 2017 and risk management report for 2017;

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

- increasing the visibility of the BVB at international level, also taking into account the Mondo Visione dissemination channel for the BVB communications;

- as regards the budget for 2018, to allocate amounts from the stock options plan (SOP) for BVB employees, in order to retain and motivate them, keep the expenses with the events organization at least at the same level as 2017 in order to support the promotion of the capital market on international level;

- the executive to verify to what extent the recommendations from the findings report issued by Mazars Romania are implemented and how will they be implemented, and to present a report on their implementation status; to transmit the implemented measures to the ASF, pointing out that these are fine tuning of the already existing procedures;

- approval the risk mitigation measures provided in the 2017 risk report and their implementation together with the ones of the internal auditor;

- hiring a public affairs firm for, as an example, mitigating the negative impact generated by the regulatory changes debated in the public space affecting the capital market;

- to speed up the implementation of the Stock Options Plan (SOP);

- to intensify PR and marketing activities and increase media coverage, in order to mitigate the reputational risk.

The Audit Committee performed the self - evaluation of the activity carried out in 2018, concluding that overall, the Committee was effective as regards its composition, activities running, overseeing the financial reporting, audit, internal control, risk management and corporate governance systems and their efficiency, and provided effective support to the Board in fulfilling its responsibilities.

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

In 2018, the composition of the Nomination Committee remained unchanged, being as following:

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

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

During 2018, Nomination Committee met in 6 sessions, in which it analyzed the following main topics, making recommendations to the Board of Governors where necessary:

- Designation of the external members of the BVB Special Commissions;
- Nomination of the BVB candidate for the position as member of the Board of Directors of Depozitarul Central SA (DC), topic on the agenda of the DC Ordinary General Shareholders Meeting of 16 / 17.05.2018;
- Nomination of the BVB candidates for the positions as members and the President of the DC Board of Directors, topics on the agenda of DC Ordinary General Shareholders Meeting of 12/13.11.2018;
- Annual evaluation of the management structure adequacy, as per ASF Regulation no. 14/2015
- Annual Report of the Nomination Committee.

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

In 2018, the composition of the Remuneration Committee remained unchanged, being as following:

- Claudia-Gabriela Ionescu – Chairperson

- Otto Emil Naegeli – Member
- Dan Viorel Paul – Member

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

During 2018, the Remuneration Committee met in 4 sessions, in which discussed and made recommendations to the Board of Governors, where the case, the following topics:

- the remuneration of the Company administrators for 2018, the general limits of the additional remunerations for Company administrators and their recompensation for 2017, proposals submitted to the Ordinary General Shareholders Meeting of April 2018;
- amending the program for the allocation of own shares held by the Company, to the employees and managers of the Company and the members of the Board of Governors, approved by the Extraordinary General Meeting of the Shareholders of the Company in 12.04.2017, proposal submitted to the Extraordinary General Shareholders Meeting of 16.04.2018;
- the Remuneration policy for the employees of BVB;
- the implementation of the BVB Share Plan for Employees and Managers for 2018;
- Annual Report of the Remuneration Committee.

Executive management

On January 23, 2018, the Financial Supervisory Authority approved the appointment of Mr. Adrian Tănase as BVB CEO; from that date, the mandate as interim CEO of Mr. Marius-Alin Barbu ended and he returned to his position as Deputy CEO of the Company.

Thus, during 2018 the executive management of BVB was assured as follows:

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

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 2018 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, 2018 of the members of the Board of Governors and the executive management are presented below:

Lucian Anghel	3554	BVB shares
Valerian Ionescu	3086	BVB shares
Robert Pană	3102	BVB shares
Claudia-Gabriela Ionescu	741	BVB shares
Radu Hanga	821	BVB shares
Gabriel Marica	2302	BVB shares
Octavian Molnăr	2434	BVB shares
Otto Emil Naegeli	0	BVB shares
Dan Viorel Paul	4398	BVB shares
Adrian Tănase	0	BVB shares
Marius-Alin Barbu	1456	BVB shares

Remuneration for the members of the Board and executives

The remuneration for the members of the Board and executives was made based on the Remuneration Policy for BVB Management Structure and the mandate contracts, respectively the resolution of the BVB OGMS no. 4/16.04.2018, which approved the remuneration of the directors for the 2018 financial exercise, the general limits of the additional remuneration for the Company's administrators and their recompensation for 2017.

For consulting the Remuneration Policy for BVB Management Structure, 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 Regulation no. 13/2018 of Regulation (EU) No. 600/2014 and the European regulations issued pursuant to Directive 2014/65 / EU. These procedures define the standards which BVB and its personnel must apply, the objective of the standards being to set an uniform and coherent model for internal control. The standards constitute a reference system, related to which there are evaluated and identified the areas and directions of change.

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

President,

Lucian Claudiu Anghel

CEO,

Adrian Tanase

Deputy CEO

Marius Alin Barbu

CFO,

Virgil Adrian Stroia

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

Principle	Requirement	Status at 31 December 2018	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*: 11 martie 2019

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*: 11.03.2019

Perioada de raportare / *Reporting Period*: 2018

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

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

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

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

Section 1: Compliance with EBRD PR9 Environmental Capacity and Support

Operatorul de piață are politici și proceduri privind mediul înconjurător și cel social adoptate în mod formal? / *Does the stock exchange have a formally adopted Environmental and Social Policy or Procedures?*	☐ Da / *Yes* ☒ Nu, BVB nu are o Politică sau Procedură integrată de guvernanță privind mediul înconjurator și cel social, dar acoperă aspectele relevante în acest domeniu în diferite documente corporative./ *No, BVB does not have an integrated ESG Policy or Procedure, but it has covered the ESG relevant aspects in various corporate documents.*
Ce aspecte acopera Politica privind mediul înconjurător și cel social? / *What aspects does the Environmental and Social (E&S) Policy cover?*	☒ Mediul înconjurător / *Environment* ☒ Mediul social (ex. aspecte de muncă) / *Social (eg labour issues)* ☒ Sănătate și siguranță la locul de muncă / *Health and Safety* ☒ Aspecte privind mediul înconjurător și cel social specifice operatorului de piață / *E&S issues associated with the stock exchange* ☐ Aspecte privind mediul înconjurător și cel social specifice companiilor (care vor fi) listate și instrumentelor tranzacționate / *E&S issues associated with companies (to be) listed and papers traded* ☐ Nu se aplică / *Not Applicable* ☐ Nu / *No*
Operatorul de piață participă în The Sustainable Stock Exchanges Initiative? http://www.sseinitiative.org / *Does the Exchange participate in The Sustainable Stock Exchanges Initiative? http://www.sseinitiative.org*	☒ Da / *Yes* ☐ Nu / *No* ☐ Nu știu / *Don't know*
Există companii ale căror instrumente sunt listate pe pieţele 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 emitenților 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* • Recompensă egală pentru munca egală / *Equal pay for work of equal value* • Împotriva hărțuirii și intimidării / *Anti-harassment/bullying* • Promovarea echilibrului între muncă și viața personală / *Promoting family friendly work and the work/life balance*	☒ Da / *Yes* ☐ Nu / *No*	Dacă da, vă rugam să dați detalii / *If yes, please give details:* BVB nu are o politică sau procedură integrată în privința mediului înconjurător și cel social sau politici și proceduri individuale pentru fiecare din cele 4 subiecte menționate, dar toate aspectele relevante pentru aceste 4 subiecte se regăsesc în diferite documente corporative interne. / *BVB does not have an integrated ESG Policy or Procedure, or an individual Policy or Procedure for each of the 4 topics mentioned, but all the aspects relevant for these 4 topics are present in various internal corporate documents.*
2.2.3 A avut loc vreo concediere colectivă în perioada de raportare?/ *Were there any collective redundancies during the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să descrieți planul de concediere colectivă, inclusiv motivele concedierilor, numărul angajaților afectați, modul de selecție a acestora și consultările avute. / *If yes, please describe the redundancy plan, including reasons for redundancies, number of workers involved, how they were selected, and consultation undertaken.*
2.2.4 Există un plan de concedieri sau de suplimentare a forței de muncă pentru anul următor? / *Are there any planned redundancies or additions to the workforce in the next year?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să descrieți planul de concedieri, inclusiv motivele concedierilor, numărul de angajați afectați și procesul de selecție și consultare. / *If yes, please describe the redundancy plan, including reasons for redundancies, number of workers involved, and selection and consultation process.*
2.2.5 Au făcut angajații vreo reclamație în cadrul operatorului de piață în perioada de raportare? / *Have employees raised any grievances with the stock exchange during the reporting period?*	☐ Da / *Yes* ☒ Nu / *No*	Dacă da, vă rugăm să specificați numărul reclamațiilor, sumarul aspectelor semnalate în reclamații (diferențiate pe gen) și să explicați cum au fost tratate de operatorul de piață. / *If yes, please state how many, summarise the issues raised in grievances (disaggregated by gender) and explain how the Stock exchange has addressed them.*

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

Abrevieri/ Abbreviations:

ADB – Asian Development Bank

EBRD – European Bank for Reconstruction and Development

EIB – European Investment Bank

FMO – Netherlands Development Finance Company

IFC – International Finance Corporation

IFI – International Finance Stock exchange

KFW/DEG – KFW Banking Group Germany Development Corporation

MDB – Multilateral Development Bank

Statement

The statement herein concerns the extent to which the financial report of Bursa de Valori Bucuresti SA, prepared on 31 December 2018, contains an accurate presentation of all significant matters related to the financial position of Bursa de Valori Bucuresti SA as of 31 December 2018, 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

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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

24/25 Apr 2019	General Meeting of the Shareholders
24/25 Apr 2019	Release of the 2018 Annual Report
14 May 2019	Release of the Quarterly report for the 1st Quarter of 2019 & conference call
09 Aug 2019	Release of the Half-yearly report for the 1st Half of 2019 & conference call
11 Nov 2019	Release of the Quarterly report for the 3rd Quarter of 2019 & conference call

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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 2018

BURSA DE VALORI BUCURESTI SA

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT

31 DECEMBER 2018

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BURSA DE VALORI BUCURESTI S.A.

SEPARATE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Note	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
Revenues from services	7	23,801,564	23,395,901
Other revenues		450,203	296,436
Operating revenues		24,251,767	23,692,337
Staff expenses and indemnities of the Board of Directors	8	(9,000,573)	(8,738,153)
Expenses with services provided by third parties	8	(2,738,503)	(1,975,581)
Other operational expenses	8	(5,348,666)	(5,317,602)
Operating profit		**7,164,025**	**7,661,001**
Net financial income	9	4,030,845	3,430,497
Gain from bargain purchase		-	2,880,425
(Losses)/Gain from asset impairment – affiliated companies	6	(24,728)	(55,264)
Profit before tax		11,170,142	13,916,659
Corporate income tax expense	10	(1,679,731)	329,965
Profit for the period		9,490,411	14,246,624
Reserves from the valuation and revaluation of financial assets available for sale		-	(3,917)
Total comprehensive income for the period		9,490,411	14,244,707
Earnings per share:			
Earnings per share basic / diluted (RON)	22	1.1790	1.7699

The separate financial statements were approved by the Board of Directors on 11 March 2019 and were signed by:

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

BURSA DE VALORI BUCURESTI S.A.

FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Tangible assets	11	6,051,295	6,091,713
Intangible assets	12	850,925	1,169,444
Investments in subsidiaries		20,458,775	20,458,775
Defferred tax receivables	13	-	329,965
Financial assets at amortised cost	14	37,714,722	20,768,892
Total non-curent assets		65,075,717	56,818,789
Current assetsCurrent assets			
Trade and other receivables	15	3,368,155	2,816,480
Prepayments	16	331,422	245,005
Bank deposits		5,487,291	15,710,313
Financial assets at amortized cost	14	2,817,563	22,926,293
Cash and cash equivalents	17	34,901,955	17,050,918
Other assets		-	1.000
Assets classified as held for sale	19	-	828,066
Total current assets		46,906,386	59,578,075
Total assets		111,982,103	116,396,854
Equity			
Share capital	21	80,492,460	80,492,460
Treasury Shares and Share-base benefits	21	(683,716)	(834,705)
Share premium	21	6,303,263	6,303,263
Legal reserve	21	8,743,875	8,274,995
Revaluation reserve	21	2,007,299	2,007,299
Retained current earnings	21	11,339,138	16,201,355
Total equity		108,202,319	112,444,667

BURSA DE VALORI BUCURESTI S.A.

FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Note	31 decembrie 2018	31 decembrie 2017
Liabilities			
Trade and other payables	18	2,821,334	3,165,716
Deferred income	20	779,531	786,481
Current corporate income tax payables		178,919	-
Total current liabilities		3,779,784	3,952,197
Total liabilities and equity		111,982,103	116,396,864

The separate financial statements were approved by the Board of Directors on 11 March 2019 and were signed by:

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

BURSA DE VALORI BUCURESTI S.A.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Share capital	Treasury shares and Share-base benefits	Share premium	Retained earnings	Revaluation reserve	Legal reserve	Total shareholders' equity
Balance as at 1 January 2018	**80,492,460**	**(834,705)**	**6,303,263**	**16,201,355**	**2,007,299**	**8,274,995**	**112,444,667**
Impact opening balances –IFRS9				(220,502)			(220,502)
Balance as at 31 December 2017, restated	80,492,460	(834,705)	6,303,263	15,980,853	2,007,299	8,274,995	112,224,165
Other items of comprehensive income							
Profit or loss	-	-	-	9,490,411	-	-	9,490,411
Other items of comprehensive income							
Legal reserve increase	-	-	-	(468,880)	-	468,880	-
Total other items of comprehensive income	-	-	-	(468,880)	-	468,880	-
Total comprehensive income for the period	-	-		**9,021,531**	-	**468,880**	**9,490,411**
Contributions from and distributions to shareholders							
Acquisition of treasury shares	-	(997,995)	-	-	-	-	(997,995)
Benefits granted to employees settled in shares	-	1,036,530	-	-	-	-	1,036,530
Losses as effect of granting shares for free within SOP		112,454		(112,454)			-
Dividend paid to BVB shareholders	-	-	-	(13,550,793)	-	-	(13,550,793)
Total contributions from and distributions to shareholders	-	150,989	-	(13,663,247)	-	-	(13,512,257)
Total transactions with shareholders	**-**	**150,989**	**-**	**(13,663,247)**	**-**	**-**	**(13,512,2587**
Balance as at 31 December 2018	**80,492,460**	**(683,716)**	**6,303,263**	**11,339,137**	**2,007,299**	**8,743,875**	**108,202,319**

The Explanatory Notes to the financial statements from pages 8 to 64 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI S.A.

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Share capital	Treasury shares and Share-base benefits	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	-	-	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 64 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI SA

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Note	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
Cash flows used in operating activities			
Net profit for the period		9,490,411	14,246,624
Adjustments to remove non-cash items and items included in investing and financing activities:			
Depreciation of fixed assets	11,12	1,237,465	1,153,784
Amortisation of premiums for government bonds		683,695	551,804
Interest income	9	(3,239,657)	(2,527,827)
Dividends income	9	(936,191)	(1,085,790)
Income from the sale of shares-reclassification	9	-	(1,300,363)
Loss from impairment of uncollected receivables	15	160,925	173,210
Cost estimation for holiday not-taken - net		-	(199,895)
Reclassification in expense with corporate income tax	10	1,679,731	-
Deferred tax income	13	-	(329,965)
Expected credit losses – IFRS 9		73,963	
Investments in subsidiaries impairment	6	24,728	55,264
Income from production of intangible assets		-	(391,384)
Gain from bargain purchases - merger		-	(2,880,425)
Expense with employees' benefits settled in shares	21	1,036,530	172,984
		10,211,600	**7,638,021**
Change in trade and other receivables	15	(1,902,606)	(245,535)
Change in prepayments	16	(86,417)	(48,530)
Change in trade and other payables	18	(721,896)	1,469,914
Change in deferred income/revenue	19	(6,950)	(42,177)
Corporate income tax paid		-	(1,630,324)
Net cash from operating activities		**7.493.731**	**7.141.369**
Cash flows from investing activities			
Interest received	9	2,824,548	2,407,764
Dividends received	9	936,191	1,085,790
Proceeds from the shares sold		-	2,492,319
Bank deposits	14	10,223,022	2,671,196
Payments for acquisitions of held-to-maturity financial assets	14	10,620,008	(3,077,516)
Acquisitions of tangible and intangible assets	11,12	(878,528)	(1,568,910)
Cash from Sibex merger		-	12,335,029
Change in held for sale assets		803,338	-
Net cash from investment activities		**24,528,579**	**16,345,672**

The Explanatory Notes to the financial statements from pages 8 to 64 are an integral part of these separate financial statements.

BURSA DE VALORI BUCURESTI SA

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 *(RON)*

	Note	Financial year ended at 31 December 2018	Financial year ended at 31 December 2017
Cash flows from financing activities			
Dividends paid		(13,173,278)	(7,032,266)
Acquisition of own shares		(997,995)	(1,007,689)
Net cash used in financing activities		**(14,171,273)**	**(8,039,955)**
Net Increase / (Decrease) in cash and cash equivalents		17,851,037	15,447,086
Cash and cash equivalents as at 1 January	17	17,050,918	1,603,833
Cash and cash equivalents as at 31 December	17	34,901,955	17,050,918

Cash and cash equivalents as at 31 December 2018 presents the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 35,038,918 and the expected credit losses is RON 136,936.

1. REPORTING ENTITY

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

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

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

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

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

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

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

2. BASES OF PREPARATION

(a) Statement of compliance

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

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 2018, 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 financial assets at fair value through other comprehensive income which are measured at fair value.
The methods used to establish the fair value are presented in note 4.

(c) Functional and presentation currency

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

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 financial assets at fair value through other comprehensive income included in the reserve resulting from the change in the fair value of these financial instruments (non-cash items). The exchange rates of the main foreign currencies were as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency	Spot exchange rate 31 December 2018	Spot exchange rate 31 December 2017	Average exchange rate 2018	Average exchange rate 2017
EUR	4.6639	4.6597	4.6535	4.5681
USD	4.0736	3.8915	3.9416	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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 "Financial Instruments", in force from 1st of January 2018, makes significant changes to the recognition and measurement of financial assets based on a business model and contractual cash flows and implements a new model for the recognition of impairment adjustments based on expected credit losses on receivables.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI), and measured at fair value through profit or loss (FVPL). Following the analysis of the financial asset categories held by the Company at 1 January 2018, no significant differences were found between the initial valuation categories under IAS 39 and the new valuation categories under IFRS 9.

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

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

Investments in equity instruments are always measured at fair value. However, management may make an irrevocable choice to present fair value changes in other items of comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. As at December 31, 2018, the Company does not own equity instruments.

Receivables and cash and cash equivalents

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

There is no impact on the recognition and measurement of the Company's financial liabilities due to the fact that the new requirements only concern the accounting for financial liabilities designated at fair value through profit or loss. The Company does not have such liabilities, all the Company liabilities being measured at amortised cost.

d) Investments in related entities (subsidiaries, associates)

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

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

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

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.

(i) Tangible asset depreciation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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").

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In absence of the specific requirements of the International Financial Reporting Standards for the legal mergers by absorption, the Company opted to present the book value of the acquired identifiable assets and of the taken over assumed debts, in the separate financial statements on the legal merger date, after their initial recognition at fair value on the date when control was obtained.

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, counselling, legal, accounting, assessment fees, and other professional or consultancy fees, the general administrative costs, the costs related to the registration and issuance of debt securities and shares, which are recognized in the profit and loss account.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Whenever needed, it sets up provisions based on the estimated amounts payable to the tax authorities.

Deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying value in consolidated financial statements. However, the debts related to the deferred tax are not recognized if they result from the initial recognition of the goodwill; the deferred income tax is not accounted for if it results from the initial recognition of an asset or liability from a transaction other than a business combination, and which does not affect, at the time of the transaction, either the accounting profit or loss, or the fiscal profit or loss. Deferred income tax is determined based on tax rates (and laws) enacted or enacted to a large extent until the balance sheet date and that would be applied during the period when receivables related to deferred tax will be valorized or the debts regarding deferred tax will be paid.

According to the local tax legislation, the tax loss registered by the company ceasing its existence as an effect of a legal merger by absorption operation may be taken over and recovered by the entity taking over the property of the absorbed company. The annual tax loss made starting with 2011, established through the income tax return is recovered from the taxable profits obtained in the next 7 consecutive years. To report unused tax losses, the deferred tax receivable is recognized only to the extent that taxable profit is likely to be obtained in the future after the compensation with the tax loss of the previous years and with the income tax to be recovered. The deferred tax receivable is diminished to the extent that the related tax benefit is unlikely to be achieved.
Deferred tax receivables are only recognized to the extent that a taxable profit from which temporary differences will be deducted is likely to be obtained in the future.

Deferred income tax receivables are calculated for deductible temporary differences resulted from investments in subsidiaries, in associates and common agreements only if it is likely that the temporary difference is reversed in the future and there is enough taxable income available from which the temporary difference can be used.

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

The income tax rate used to calculate current and deferred tax at 31 December 2018 was of 16% (31 December 2017: 16%).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2018

This year, the Company applied IFRS 9 "Financial Instruments", published in July 2014 and in force for annual periods beginning on or after January 1, 2018, effective for the European Union for annual periods beginning on or after 1 January 2018 .
According to IFRS 9, it applies retrospectively but a company does have the option of not modifying the comparative figures and recording the valuation differences between IAS 39 and IFRS 9 as at 1 January 2018 through retained earnings. The Company has chosen this option and the impact is presented in detail in notes 14 and 17.

Key modifications 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 („BM – 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 („HTC – held to collect"), 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 („HTC&S – Held to collect and 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

On the date of the initial application of IFRS 9 (January 1, 2018), the management of the Company analyzed all financial instruments at that date, in the light of the new IFRS 9 classification and measurement requirements. The impact of applying IFRS 9 on 1 January 2018 was not significant, as detailed below.

The Company analyzed the financial instruments from the point of view of contractual cash flows and concluded that respresents solely payment of principal and interests ("SPPI").

The Company's financial asset business model is held to collect the contractual cash flows and the types of financial assets held (government securities, bank deposits, cash, receivables) give rise, at certain dates, to cash flows which respresents solely payment of principal and interests. Thus, all of the Company's financial assets are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets category IAS 39	Evaluation according to IAS 39	Financial assets category IFRS 9	Evaluation IFRS 9
Held-to-maturity financial assets	Amortized cost using the effective interest method, less the value of impairment losses	*Financial assets at amortized cost*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Trade and other receivables	Amortized cost using the effective interest method, less the value of impairment losses	*Trade and other receivables*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Bank deposits	Amortized cost using the effective interest method, less the value of impairment losses	*Bank deposits*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Cash and cash equivalents	Amortized cost using the effective interest method, less the value of impairment losses	*Cash and cash equivalents*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses

The application of IFRS 9 does not have any impact on the recognition and evaluation of the Company's financial liabilities due to the fact that the new requirements only refer to the accounting for financial liabilities to be carried at fair value through profit or loss. The Company does not hold such liabilities, all the Company's debts are carried at amortized cost.

The table below presents the impact on measurement of financial assets and liabilities at the date of initial application of IFRS 9:

Financial assets	Carrying amount according to IAS 39 as at 31.12.2017	Reclassifications	Remeasurement	Carrying amount according to IFRS 9 as at 01.01.2018	Retained earnings impact
Held-to-maturity financial assets	51,695,185	-	129,238	51,565,947	129,238
Trade and other receivables	2,816,480	-	9,387	2,807,093	9,387
Bank deposits	15,710,313	-	-	15,710,313	-
Cash and cash equivalents	17,050,918	-	81,878	16,969,040	81,878
TOTAL	**87,272,896**	**-**	**220,502**	**87,052,394**	**220,502**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities	Carrying amount according to IAS 39 as at 31.12.2017	Reclassifications	Remeasurement	Carrying amount according to IFRS 9 as at 01.01.2018	Retained earnings impact
Financial liabilities	1,283,471	-	-	1,283,471	-
TOTAL	**1,283,471**	**-**	**-**	**1,283,471**	**-**

This year, the Company applied for the first time ***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 adoption of such amendments to the existent standards did not result in significant changes in the Company's financial statements.

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

Amendments to IFRS 2 "Share-based Payment" - Classification and measurement of share-based payment transactions - adopted by the EU on 26 February 2018 (*applicable for annual periods beginning on or after 1 January 2018*);

Amendments to IFRS 4 "Insurance Contracts" - Application IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts - Adopted by the EU on 3 November 2017 (*applicable for annual periods beginning on or after 1 January 2018 or when applicable for the first time IFRS 9 "Financial Instruments"*),

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 40 "Real estate investments" - Transfers to real estate investments - adopted by the EU on 14 March 2018 (*applicable for annual periods beginning on or after 1 January 2018*);

Amendments to IFRS 1 and IAS 28 due to "IFRS Improvements (Taken in 2014-2016)" as a result of the IFRS 1, IFRS 12 and IAS 28 Improvements Project, with the primary objective of eliminating inconsistencies and clarifying Text adopted by the EU on 7 February 2018 (Amendments to IFRS 1 and IAS 28 will apply to annual periods beginning on or after 1 January 2018);

IFRIC 22 "Foreign Currency Transactions and Advance Payments" - adopted by the EU on 28 March 2018 (applicable for annual periods beginning on or after 1 January 2018).

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

v) IASB standards or interpretations which are actually applicable starting on or after 1 January 2019

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

IFRS 16 "Lease Contracts" - adopted by the EU on 31 October 2017 (*applicable for annual periods beginning on or after 1 January 2019*)
In accordance with IFRS 16, the lessee recognizes a right of use and a lease. Right of use assets are treated in the same way as other non-financial assets and are therefore amortized accordingly. Lease liability is initially measured at the present value of lease payments due during the lease term, updated at the implicit rate in the lease if it can be easily determined. If the rate can not be easily determined, the lessee will use the incremental interest rate on the loan. As in the case of the predecessor of IFRS 16, IAS 17, locators classify the operating and financial leases. A lease is classified as a finance lease if substantially all the risks and rewards resulting from the ownership of that asset are transferred. Otherwise, a lease is classified as operating leases. In financial leases, a lessor recognizes financial income during the lease term, based on a calculation method that periodically reflects a return on net investment. A locator recognizes operating lease payments as income, having a linear basis of calculation or, in the case of a calculation method in which the profit from the use of the asset is diminished, another systematic basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

IFRIC 23 "Income Tax Treatment Uncertainty" - adopted by the EU on 23 October 2018 (*applicable for annual periods beginning on or after 1 January 2019*).

It may be unclear how the tax law applies to a particular circumstance or transaction, or whether a tax authority will accept a particular tax treatment of the company. IAS 12 "Income Tax" specifies how current and deferred tax is measured, but not how the effects of uncertainty can be reflected. IFRIC 23 provides for certain requirements, in addition to the requirements of IAS 12, specifying how the effects of uncertainty about the treatment of corporate tax are reflected.

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

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

At present, IFRSs in the EU-approved formula do not differ greatly from the IASB regulations except for the following standards and amendments to existing standards that had not yet been approved by the EU on 31 December 2018 to be applied (the entry into force below applies to IFRS issued by the IASB):

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

4. FAIR VALUE MEASUREMENT

A number of the Company's accounting policies and disclosure requirements require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or taking over information based on the following methods. When applicable, further information about the assumptions used in determining fair values is disclosed in the explanatory notes specific to that asset or liability.

(a) Investments in equity and debt securities

The fair value of held-to-maturity and available-for-sale financial assets is determined by reference to the closing quotation of the bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and other receivables and other financial liabilities

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

(c) Fair value hierarchy

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

- Level 1: Quotations on an active market for similar instruments.
- Level 2: Measurement techniques based on observable market data. This category includes instruments measured using: quotations on an active market for similar instruments; market quotations for similar instruments in markets that are considered less active; or other measurement techniques where significant inputs are directly or indirectly observable in market inputs.
- Level 3: Measurements techniques that are not based on observable market data. This category includes all instruments whose valuation method is not based on observable inputs and unobservable inputs have a significant influence on the instrument measurement. This category includes instruments that are measured based on market quotations for similar instruments where unobservable adjustments or assumptions are required to reflect the difference between the instruments.

4. FAIR VALUE MEASUREMENT (CONTINUED)

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

	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at cost				
Trade and other receivables	3,368,155	3,368,155	2,816,480	2,816,480
Bank deposits	5,487,291	5,487,291	15,710,313	15,710,313
Financial assets at amortized cost	40,532,285	41,828,807	28,768,892	52,911,184
Cash and cash equivalents	34,901,955	34,901,855	17,050,918	17,050,918
	84,289,686	85,586,208	87,272,896	88,488,895
Liabilities carried at amortized cost				
Financial liabilities	2,008,575	2,008,575	1,283,471	1,283,471
Total	2,008,575	2,008,575	1,281,515	1,281,515

Financial assets carried at amortized cost representing government securities are classified at Level 1: quoted prices in active markets. Government securities denominated in Eur, RON and USD included in Financial assets at amortized cost, with maturities above one year, were acquired from the banking secondary market and we consider that their fair value approximates the book value.

Deposits from banks and cash and cash equivalent in cash are classified in Level 2.

Trade receivables and other receivables are classified at Level 3.

5. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks:

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

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

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

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

a) principle of delegation of powers from the Exchange Council, as steering committee;
b) principle of decision-making autonomy;
c) principle of objectivity;
d) principle of investors' protection;
e) principle of promoting stock market development;
f) principle of active role.

(a) Risk management general framework

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Company's trade receivables and financial investments.

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the separate characteristics of each customer and of the country where it operates. The majority of the company's customers are doing business in Romania. The Company's customer base is comprised of issuers of securities, financial investment service companies and other financial institutions participating in Bucharest Stock Exchange. The Company calculates a provision for receivable impairment that represents its estimates of losses in respect of trade receivables, other receivables and investments. The main component of this adjustment is the specific loss component related to doubtful customers for whom the receivable recovery process has begun. The second component is the collective loss component corresponding to losses that have been incurred but not yet identified, calculated on the basis of the receivables age analysis, after the application of the contamination principle, using historical loss rates.

(ii) Financial investments

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

	31 December 2018	31 December 2017	Rating agency
BRD - Groupe Societe Generale S.A.	Baa2	BBB+	Moody's
Banca Transilvania S.A.	BB+	BB	Fitch Ratings
RAIFFEISEN BANK S.A.	Baa1	Baa2	Moody's
Banca Comerciala Romana S.A.	Baa2	BBB+	Moody's

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

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

Name	31 December 2018	31 December 2017
Financial assets at amortized cost	37,714,722	28,768,892
Trade and other receivables	3,368,155	2,816,480
Prepayments	331,422	245,005
Bank deposits	5,487,291	15,710,313
Current financial assets at amortized cost	2,817,563	22,926,293
Cash and cash equivalents	34,901,955	17,050,918
Other assets	-	1,000
Total	84,621,108	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		Bank deposits	
	2018	2017	2018	2017	2018	2017	2018	2017
Individually provisioned								
Significant risk	792,884	665,225	-	-	-	-	-	-
Gross amount	**792,884**	665,225	-	-	-		-	-
Adjustment for impairment	792,884	665,225	-	-	-	-	-	-
Net amount	**-**	**-**	-		-		-	-
Outstanding amounts, individually not provisioned								
Outstanding less than 90 days	141,708	50,586	-	-	-	-	-	-
Outstanding between 90 and 180 days	67,245	24,078	-	-	-	-	-	-
Outstanding between 180 and 360 days	17,091	(872)	-	-	-	-	-	-
Gross amount	**226,045**	73,792	**-**		**-**	**-**	**-**	**-**
Expected credit losses – IFRS 9	1,492	-	-	-	-	-	-	-
Net amount	**224,553**	73,792	**-**	**-**	**-**	**-**	**-**	**-**
Current, not provisioned								
Without a significant risk	3,162,270	2,742,688	40,671,588	51,695,185	35,038,918	17,050,918	5,487,291	15,710,313
Gross amount	3,162,270	2,742,688	40,671,588	51,695,185	35,038,918	17,050,918	5,487,291	15,710,313
Expected credit losses – IFRS 9	18,668	-	139,303	-	136,963	-	-	-
Net amount	3,143,602	2,742,688	40,532,285	51,695,185	34,901,955	17,050,918	5,487,291	15,710,313
Total gross amount	4,181,199	3,481,705	40,671,588	51,695,185	35,038,918	17,050,918	5,487,291	15,710,313
Total net amount	3,368,155	2,816,480	40,532,285	51,695,185	34,901,955	17,050,918	5,487,291	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 2018	**Carrying amount**	**Contractual cash flows**	**Less than 6 months**	**More than 6 months**
Non-derivative financial liabilities				
Financial liabilities*	2,008,575	2,008,575	2,008,575	-
Total	2,008,575	2,008,575	2,008,575	-

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	-

* 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 2018	**EUR**	**USD**	**RON**	**Total**
Financial assets				
Trade and other receivables	139,815	2,444	3,225,896	3,368,155
Investments (government bonds, government securities, bank deposits, cash and cash equivalents)*	11,338,458	13,399,587	56,183,489	80,921,531
Total financial assets	11,478,273	13,402,028	59,409,385	84,289,686
Financial liabilities				
Financial liabilities	515,871	204	1,492,501	2,008,575
Total financial liabilities	515,871	204	1,492,501	2,008,575
Net financial assets	10,962,402	13,401,824	57,912,884	82,281,111

* It contains balance sheet positions: Financial assets at amortised cost above and below one year, bank deposits, cash and cash equivalents.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 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
Net financial assets	13,817,538	13,207,691	58,964,196	85,989,425

* It contains balance sheet positions: Financial assets at amortised above and below one year, bank deposits, cash and cash equivalents.

Sensitivity analysis

A depreciation of the RON on 31 December 2018 versus 31 December 2017 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 2018	31 December 2017
RON depreciation by 10 % against EUR	1,096,240	1,381,754
RON depreciation by 10 % against USD	1,340,182	1,320,769
Total	2,436,422	2,702,523

An appreciation of the RON on 31 December 2018 versus 31 December 2017 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:

	2018	2017
Total liabilities	3,779,784	3,952,197
Cash and cash equivalents	34,901,955	17,050,918
Net debts	31,122,171	13,098,721
Total capitals	108,202,319	112.444.667
Gearing ratio	3%	4%

(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 2018	Increase	Decrease	31 December 2018
Depozitarul Central S.A.	20,243,735	-	-	20,243,735
Casa de Compensare Bucuresti S.A.	125,674	-	-	125,674
Fondul de Compensare a Investitorilor S.A.	215,040	-	-	215,040
BVB Corporate Governance Institute Foundation	50,000			50,000
Depozitarul Sibex SA	828,066		828,066	-
Total	21,462,515		828,066	20,634,449

The structure of participations in subsidiaries is presented in Note 23.
The Company acquired control over Depozitarul Central S.A. on 11 May 2006, by subscription to share capital increase and the contribution in kind to the share capital of the subsidiary.

The Company acquired control over Fondul de Compensare a Investitorilor S.A. in the year ended 31 December 2006, by subscribing to the share capital of the subsidiary.

The Company acquired control over Casa de Compensare Bucuresti S.A. in the finacial year ended on 31 December 2007, by subscription to share capital increase and the contribution in kind to the share capital of the subsidiary. The net value of the investment in CCB as at 31 December 2018 being fully impaired.

As at 31 December 2018 the 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. On 20 december 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated. Following this action, the Company collected RON 803,338 and recognised as expenses the difference of RON 24,728.

6. INVESTMENTS IN SUBSIDIARIES(CONTINUED)

The movements in adjustments for the impairment of investments in subsidiaries in 2018 is as follows:

	2018	2017
Balance as at 1 January	175,674	148,398
Increase of adjustment for impairment of investments	-	27,276
Reversals during the year	-	-
Balance as at 31 December	175,674	175,674

7. OPERATING INCOME

Service revenues consist of the following:

	2018	2017
Income from trading	19,199,554	18,485,340
Income from issuers admission and maintenance	2,266,749	2,283,409
Income from sale of stock exchange information	1,412,028	1,372,304
Other services	923,233	1,254,848
Total	**23,801,564**	**23,395,901**

The Other services category also includes the reinvocings to Depozitarul Central SA for the maintenance of the operational IT system.

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and indemnities of the Board of Directors

	2018	2017
Remunerations – management and personnel	6,818,877	6,773,267
Indemnities of the Board of directors members including other amounts payable to such members as approved by the GSM.	900,591	687,740
Other staff and Board expenses (SOP)	1,036,530	172,984
Contributions and taxes related to personnel and indemnities	244,575	1,304,057
Total	9,000,573	8,738,153

8. OPERATING EXPENSES(CONTINUED)

The number of Company's employees was:

	2018		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	43.5	42	42

Share-based payments (SOP)

The employer's expense for share-based payments is presented separately in 2018 also and amounted to RON 1,036,530 (2017: RON 172,984).

In 2018, a total of 15,031 shares, worth a market value at the granting date of RON 0.42 mn, were transferred free of charge to 9 members of the Board of Governors/ the legal heir of one of the members, according to the Stock Option Plan (SOP) approved by the General Shareholders Meeting (GSM) in 2017.

In 2018 the Company granted options according to the Stock Option Plan, to the eligible members of the Board of Governors, management and employees and recognised as an estimated expense the amount of RON 770,546.

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

8. OPERATING EXPENSES(CONTINUED)

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.

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

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

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

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

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

8.2 Expenses with services provided by third parties include:

	2018	2017
Business consulting services	1,166,209	338,000
Financial, IT and internal audit services	201,960	164,672
Commissions and fees (legal, contributions, etc.)	287,786	614,841
Services provided by third parties for events	459,571	378,882
Services provided by third parties	622,977	479,186
Total	**2,738,503**	**1,975,581**

Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the set-up of the Central Counterparty (CCP Project), the BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central

8. OPERATING EXPENSES(CONTINUED)

Counterparty, one-off expenses, in amount of RON 0.98 mn, included in the "Business consulting services" expenses.

The statutory auditor of the Company for the year 2018 was Mazars Romania SRL. The audit fee, in accordance with the services agreement, was of EUR 15,200. During 2018, the statutory auditor also provided allowed non-audit services in amount of EUR 7,760. During 2018, the statutory auditor provided no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council to the Company.

8.3 Other operating expenses include expenses with:

	2018	2017
Rent and utilities for rented spaces	1,045,550	1,094,341
Intangible asset depreciation (*Note 12*)	578,643	655,422
Tangible asset depreciation (*Note 11*)	658,822	498,362
Non-deductible VAT and ASF taxes	732,193	807,294
Consumables	176,251	164,138
IT Maintenance, service and repairs	635,543	576,665
Insurance for professional equipment, etc.	71,486	63,976
Protocol	324,427	229,790
Marketing, advertising and promotion	136,842	468,562
Transport and travels	586,183	416,897
Telecommunications and mail services	115,593	126,114
Bank fees	31,549	30,471
Adjustments of customer receivables (Note 15)	127,659	136,619
Other expenses	127,925	48,951
Total	5,348,666	5,317,602

9. FINANCIAL INCOME AND EXPENSES

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

	2018	2017
Interest income for financial assets at amortised cost and bank deposits	2,555,962	1,976,023
Net gain / (loss) from exchange rate differences	612,655	(931,679)
Dividends income	936,191	1,085,790
Income from financial assets sold	-	1,300,363
Expected credit losses – IFRS9	(73,963)	-
Financial income	4,030,845	3,430,497

9. FINANCIAL INCOME AND EXPENSES (CONTINUED)

The interest income related to financial assets at amortised cost and bank deposits include interest related to the made placements in government bonds, government securities and deposits.

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

	2018	2017
Change in fair value of financial assets at fair value through other comprehensive income and revaluation of tangible assets	-	(3,916)
Total	-	**(3,916)**

10. CORPORATE INCOME TAX EXPENSE

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

	2018	2017
Before-tax accounting profit	9,490,411	13,916,659
Theoretical income tax (16%)	1,518,466	2,226,665
Income tax for non-taxable income tax and assimilated	(428,061)	(957,277)
Income tax for non-deductible expenses tax and assimilated	627,113	259,168
Income tax	1,717,518	1,528,556
Income tax for fiscal loss taken over from SIBEX	(329,965)	(1,528,556)
Corporate income tax (16%) computed	1,387,553	-
Sponsorship deducted from corporate income tax	(37,787)	-
Current tax expense	1,349,766	-
Income from deferred income tax	329,965	329,965
Total corporate income tax expense/(income)	1,679,731	(329,965)

In the 2018 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 tax loss to be recovered amounting to RON 2,062,280 which led to the recording of a deferred tax expense amounting to RON 329,965, given that at the end of 2017 it was recognized as a deferred tax asset.

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 2018	4,178,812	7,356,284	1,185,830	-	12,720,925
Purchases	-	172,761	481,406	-	654,167
Outflows	-	149,513	107,708	-	257,220
Balance as at 31 December 2018	4,178,812	7,379,531	1,559,528	-	13,117,872
Depreciation					
Balance as at 1 January 2018	-	5,694,873	934,339	-	6,629,212
Depreciation during the year	-	581,977	76,845	-	658,822
Outflows	-	130,874	90,584	-	221,458
Balance as at 31 December 2018	-	6,145,975	920,600	-	7,066,576
Net carrying amounts					
Balance as at 1 January 2018	4,178,812	1,661,411	251,490	-	6,091,714
Balance as at 31 December 2018	4,178,812	1,233,556	638,928	-	6,051,296

	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.

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

2018	**Licenses, software**	**Advances for intangible assets**	**Total**
Cost			
Balance as at 1 January 2018	5,778,805	67,922	5,846,728
Purchases	234,608	89,773	324,380
Outflows	275,449	56,571	332,020
Balance as at 31 December 2018	5,737,964	101,124	5,839,088
Depreciation			
Balance as at 1 January 2018	4,677,284	-	4,677,284
Depreciation during the year	578,644	-	578,644
Outflows	267,764	-	267,764
Balance as at 31 December 2018	4,988,164	-	4,988,164
Net carrying amounts			
Balance as at 1 January 2018	1,101,522	67,922	1,169,444
Balance as at 31 December 2018	749,800	101,124	850,925

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 2018 investments and acquisitions of intangible assets amounting to RON 234,608 (2017: RON 1,043,775). 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.

13. DEFERRED TAX

13.1 Deferred tax receivables are attributed to the following items:

	31 December 2018	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:

	Unsed tax loss
Balance as at 1 January 2018	329,965
Recognized in Profit or loss	(329,965)
Balance as at 31 December 2018	-

The tax loss taken over through the BVB-SIBEX merger was not fully used in 2017, the tax loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable of RON 329,965.
In the current reporting period, the balance of tax loss taken from SIBEX was used, this led to the recording of a deferred tax expense amounting to RON 329,965.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments (net values, including expected credit losses – IFRS 9) are:

	31 December 2018	31 December 2017
Financial assets carried at amortized cost - gross value	37,854,033	28,768,892
Expected credit losses (IFRS 9)	(139,303)	-
Total non-current financial instruments	37,714,722	28,768,892
Bank deposits with maturity between 3 months and one year *iii)*	5,487,291	15,710,313
Current financial assets carried at amortized cost	2,817,563	22,926,293
Total current financial instruments	8,304,854	38,636,606

14. FINANCIAL INSTRUMENTS (CONTINUED)

During 2018, government securities issued by the Ministry of Finance were acquired amounting to RON 11.443.352, with an accrued interest at the acquisition date of RON 551,85 2, with maturity during 2023 and a coupon rate of 5.85%/year.

Term deposits are made in RON and EUR, at banks in Romania with initial maturities between 3 months and 1 year at interest rates between 2.3% and 2.75% for lei deposits and 0.15 % for Euro deposits.

Financial assets presents the amounts net of expected credit losses (IFRS9). The gross value of financial assets (government securities and bank deposits) amounts RON 40,671,589 and the expected credit losses is RON 139,303.

Expected credit losses IFRS 9	**2018**	**2017**
Balance as at 1 January, computed according to IFRS 9, through retained earnings	129,238	-
Impairment losses	10,065	-
Impairment reversals	-	-
Balance as at 31 December	**139,303**	**-**

Impairment losses are calculated based on a model using the credit risk swap and for the Company's financial assets, the expected credit loss is computed for 12 months (Stage 1, according with IFRS 9).
Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

Variation of financial instruments carried at amortized cost:

	Financial assets at amortized cost	**Held-to-maturity financial assets**
	2018	**2017**
1 January	51,695,185	49,049,410
Acquisitions (less interest) and exchange rate differences	11,977,727	3,092,255
Interest computed and purchased	2,836,684	1,991,866
Interest collected (cashed –in)	(3,118,008)	(2,438,346)
Redeems (less interest)	(22.720.000)	-
31 December	**40.671.589**	51,695,185
Expected credit losses, IFRS 9	(103,303)	-
Net value	**40,532,285**	**51,695,185**

15. TRADE AND OTHER RECEIVABLES

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

	31 December 2018	31 December 2017
Trade receivables – gross value *i)*	4,006,782	2,162,614
Adjustment for trade receivable impairment	(792,884)	(665,225)
Expected credit losses IFRS 9	(20,160)	-
Income tax to recover	-	1,170,847
VAT undue	623	22,655
Other receivables	163,478	125,589
Total	3,357,839	2,816,480

Trade and other receivables considered financial assets and presented in Note 5 - Management of financial risk - amount to RON 3,368,155 as at 31 December, 2018 and RON 2,816,480 as at 31 December 2017 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:

	2018	2017
Adjustment for impairment – Individual component		
Balance as at 1 January	665,225	528,606
Impairment losses	160,505	141,941
Impairment reversals	(32,846)	(5,322)
Balance as at 31 December	792,884	665,225

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit losses IFRS 9	
Balance as at 1 January, computed according to IFRS 9, through retained earnings	9,387
Impairment losses	10,991
Impairment reversals	(218)
Balance as at 31 December	20,160

The Company computes an impairment loss on trade receivables using the simplified approach according to IFRS 9, recognizing expected credit losses on receivables over their lifetime. The expected credit loss for trade receivables was calculated using the ratio determined by the amount of customer receivables that became uncertain during the reporting period in the total revenues generated by the Company over the same period of time. The determined ratio was applied to the receivables balance outstanding at 31 December 2018.

Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

16. ACCRUED EXPENSES

Prepayments amounting to RON 331,422 (31 December 2017: RON 245,005) 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 2018	**31 December 2017**
Deposits at banks with original maturity less than 3 months	30,652,115	2,507,367
Bank current accounts	4,375,320	14,533,329
Petty cash	11,483	10,222
Expected credit losses IFRS 9	(136,963)	-
Total	34,901,955	17,050,918

17. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents as at 31 December 2018 presents the amounts net of expected credit losses (IFRS 9). The gross amount of cash and cash equivalents is RON 35,038,918 and the expected credit losses is RON 136,936.

Expected credit losses IFRS 9	**2018**	**2017**
Balance as at 1 January, computed according to IFRS 9, through retained earnings	81,878	-
Impairment losses	55,068	-
Impairment reversals	-	-
Balance as at 31 December	136,963	**-**

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

Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

18. TRADE LIABILITIES AND OTHER LIABILITIES

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

	31 December 2018	**31 December 2017**
Trade liabilities	864,941	517,960
Salary contributions due	258,419	309,136
Taxes due	18,000	1,720
VAT payable	26,523	126,283
Dividends payable	1,068,649	707,414
Advances received from customers	8,199	11,113
Other debts to management and personnel	463,313	1,342,604
Estimates for leave days not taken	-	-
Other liabilities	113,290	149,486
Total	2,821,334	3,165,716

18. TRADE LIABILITIES AND OTHER LIABILITIES (CONTINUED)

Trade and other liabilities considered financial debts and presented in Note 5 - Management of financial risk - amount to RON 2,008,575 as at 31 December 2018 and RON 1,283,471 as at 31 December 2017 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 2019.

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 assets, for 2017, the Company's holding in the equity of Depozitarul Sibex SA is presented as asset held for sale. On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated .

20. DEFERRED INCOME

Deferred income/revenues include:

	31 December 2018	31 December 2017
Revenues from maintenance of stock exchange listing	779,531	786,481
Total	779,531	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 2018, 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 2018	**Number of shares**	**% from share capital**
Legal entities, of which:		
- Romanian	5,606,898	69.66%
- foreign	818,006	10.16%
Individuals, of which:		
- Romanian	1,411,872	17.54%
- foreign	159,154	1.98%
Bucharest Stock Exchange	53,316	0.66%
Total	8,049,246	100%

Share types:

	31 December 2018	**31 December 2017**
Ordinary shares	8,049,246	8,049,246
Preferrential shares	-	-
Total	**8,049,246**	**8,049,246**

In compliance with the provisions of amending 136, paragraph 5 on Law no. 126/2018 regarding the capital market, a shareholder of a market operator shall not hold, either directly or indirectly, more than 20% of the toal voting rights. As a consequence, none of the BVB shareholders held more than 20% as at 31 December 2018.

By Decision No 632/18.05.2010 issued by CNVM the prospectus drawn up with a view to admission to trading on the regulated market operated by BVB of its own shares was approved. On 8 June 2010 the first transactions with shares issued by BVB on the regulated Romanian market took place. The closing price for the last trading session of 2018 was of RON 21.00 /share (2017: RON 27.60 /share).

21. CAPITAL AND RESERVES (CONTINUED)

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

In 2018, the Company granted options, according to the Stock Option Plan, to eligible members of the Stock Exchange Board, Management and employees. The benefit granted in equity instruments (own shares) amounted to RON 1,036,530 (2017: RON 172,984). Also see Note 8.

Movements in reserves as at 31 December 2018 are as follows

	2018	**2017**
Balance as at 1 January	834,705	-
Own shares redeemed	997,995	1.007,689
Share-based benefits granted to Members of the Board, Management and employees, including estimations	(1,036,530)	(172,984)
Losses as effect of granting shares for free within SOP	(112,454)	-
Balance as at 31 December	683,716	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 2018, amounting to RON 9,490,411 , as follows: RON 468,880 as legal reserve, and the rest as gross dividends. Thus, the amount proposed to the General Assembly of Shareholders for approval set for 24/25 April 2019 for distribution in 2019 in the form of gross dividends related to 2018 is RON 9,021,531 . 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 1.12079 . 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 2018 approved the proposal for the distribution of the 2017 statutory net profit of the Bucharest Stock Exchange amounting to RON 14,246,624 as follows: RON 695,833 as legal reserve and the rest as gross dividends. Thus, the amount distributed in 2018 as gross dividends for 2017 was

21. CAPITAL AND RESERVES (CONTINUED)

RON 13,550,791. The value of the dividend for 2017 is RON 1.6862 gross dividend/share. The payment date fixed by the General Assembly of Shareholders was 11 June 2018.

d) Legal reserve

According to legal requirements, the Company establishes legal reserves in the amount of minimum 5% of the profit registered according to RCR up to a level of 20% of share capital. Legal reserves are not distributable to shareholders.
Legal reserves may be used to cover losses from operating activities.

e) Revaluation reserve

This reserve includs the net cumulated changes of the fair values of fixed assets on their classification date in this category and until the date when they were derecognized or impaired.

Movements from reserves as at are as follows:

Revaluation reserve	**2018**	**2017**
Balance as at 1 January	2,007,299	1,173,587
Revaluation reserve set up during the year	-	833,712
Balance as at 31 December	2,007,299	2,007,299

22. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2018 is based on profit attributable to Company's shareholders in the amount of RON 9,490,411 (2017: RON 14,246,624) and the weighted average number of ordinary shares outstanding of 8,049,246 (2017: 7,674,198).

23. TRANSACTIONS WITH RELATED PARTIES

Management key personnel

31 December 2018

The Company was managed by the Board of Governors validated by ASF sstarting with 27 January 2016 and is made up of the following members:

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

Executive management was formed of:

• Dl. Adrian Tanase	General Manager starting with January 23 2018
• Mr. Alin Barbu	Deputy General Manager

In 2018, the remuneration granted to the key management personnel of BVB amounted to RON 1,257,223 (2017: RON 2,406,067), the remunerations paid being 1,257,223 lei (2017: 1,423,595 lei). During 2018 the Company paid the debt recorded as at 31/12/2017, related to the provisions of the mandate contract, to the former General Manager, Ludwik Sobolewski, amounting RON 982,472.

In 2018, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 900,591 (2017: RON 687,740).

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 2018	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.	52.5280%	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. On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.	-	73.1400%

23. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions with related parties

	2018	2017
Operating income from	322,664	928,457
- Casa de Compensare Bucuresti	2,345	4,600
- Central Depository	320,000	923,549
- Investors' Compensation Fund	319	309
BVB income from dividends received, from	936,191	1,047,723
- Central Depository	936,191	1,047,723
Purchases of goods and services, from	5,934	5,434
- Central Depository	5,934	5,434
Liabilities as at 31 December, of which to:	145	220
- Central Depository	145	220
Receivables at 31 December, of which from:	66,297	66,818
- Central Depository	66,297	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. COMMITMENTS AND CONTINGENT LIABILITIES

Court actions

On 31 December 2018, BVB was is subject to a number of court actions arising during the ordinary performance of its activities. BVB's management believes that in addition to the amounts already recorded in these separate financial statements as adjustments for asset impairment and described in the notes to these separate financial statements,other court actions shall not have significant effects on the Company's economic results and financial position.

25. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 29, 2019, the Extraordinary General Shareholders Meeting of the of BVB took place, in which it was approved the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (hereinafter referred to as "CCP"), according to the provisions of the Financial Supervisory Authority (FSA) Regulation no. 3/2013 on the authorization and functioning of central counterparties and Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. BVB's share of the new entity's share capital will be up to EUR 10 mn out of a total of EUR 16 mn.

On January 28, 2019, the National Trade Registry Office attached to the Sibiu Court issued the Liquidation Certificate for the SIBEX Depositary based on Resolution no. 1204/25.01.2019.

There are no other events to report.

BURSA DE VALORI BUCURESTI SA

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

31 DECEMBER 2018

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BURSA DE VALORI BUCURESTI SA
CONSOLIDATED PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 (RON)

	Note	2018	2017
Revenues from services		39,224,104	37,116,783
Other revenues		600,783	938,792
Operating revenue	7	39,824,887	38,055,575
Staff costs and benefits of the members of Board of Governors	8	(16,930,347)	(16,353,957)
Expenses with services provided by third parties	8	(4,092,131)	(2,869,049)
Other operational expenses	8	(9,919,849)	(9,595,186)
Operating profit		**8,882,560**	9,237,383
Net financial income	9	3,628,878	2,495,867
Net income from interest related to assets covering the guarantee and clearing funds and the margin	9	-	5,135
Net financial income	9	3,628,878	2,501,002
Gain from acquisition		-	2,880,425
(Loss) / gain from impairment in associates		(24,728)	(28,035)
Profit before tax		12,486,710	14,590,775
Corporate income tax (expense) / revenue	10	(2,047,817)	94,879
Profit from continuing operations		10,438,893	14,685,654
Profit from discontinued operation	23	(251,665)	-
Profit for the year		10,187,228	14,681,738
Profit attributable to:			
Non-controlling interests		438,806	488,970
Owners of the Company		9,748,422	14,196,684
Profit for the year		10,236,115	14,685,654
Differences in valuation of available-for-sale financial assets and revaluation of tangible assets	9	-	(3,916)
Total comprehensive income for the year		10,187,228	14,681,738
Attributable amounts:			
Non-controlling interests		438,806	488,970
Owners of the Company		9,748,422	14,192,768
Total comprehensive income for the year		10,187,228	14,681,738
Basic/ diluted earnings per share		1.2111	1.8499

The consolidated financial statements were approved by the Board of Directors on 11 March 2019 and were signed by:

President, General Manager, Financial Manager,

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 FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 (RON)

Lucian Claudiu Anghel Adrian Tănase Virgil Adrian Stroia

	Note	31 December 2018	31 December 2017
Assets			
Tangible assets	11	7,850,199	8,049,892
Intangible assets	12	3,357,115	3,302,310
Deferred tax assets	13	-	329,965
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	14	14,751,612	11,007,771
Financial assets at amortised cost	14	49,329,673	38,390,394
Total non-current assets		75,288,599	61,080,332
Trade and other receivables	15	5,145,718	4,530,320
Prepayments	16	500,877	388,283
Bank deposits	14	20,176,232	31,248,521
Restricted bank deposits covering the guarantee fund and the margin	14	2,814,314	2,460,449
Restricted financial assets covering the guarantee and clearing funds and the margin at amortised cost	14	3,889,184	7,361,427
Other financial assets at amortised cost	14	4,173,054	25,833,152
Cash and cash equivalents	18	35,292,005	18,624,936
Other restricted assets at amortised cost	17	66,692,122	50,164,542
Assets classified as held for sale	22	160,292	1,545,052
Total current assets		138,843,798	142,156,682
Total assets		214,132,397	203,237,014
Equity			
Share capital	24	80,492,460	80,492,460
Treasury shares and and Share-base benefits	24	(683,716)	(834,705)
Share Premiums	24	6,303,263	6,303,263
Legal reserve	24	10,458,721	9,858,111
Revaluation reserve	24	3,644,141	3,644,141
Retained earnings	24	10,021,138	14,841,507
Total equity attributable to the owners of the Company		110,236,007	114,304,777
Non-controlling interests		10,190,477	10,695,922
Total shareholders' equity		120,426,484	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 FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 (RON)

	Note	31 December 2018	31 December 2017
Payables			
Trade and other payables	19	71,173,266	56,208,894
Deferred income	20	892,490	899,389
Current corporate income tax payables		277,907	28,357
Guarantee and clearing funds and settlement operation margin	21	21,361,970	20,686,869
Liabilities directly associated with assets classified as held for sale	22	280	412,806
Total current payables		93,705,913	78,236,315
Total payables and equity		214,132,397	203,237,014

The consolidated financial statements were approved by the Board of Directors on 11 March 2019 and were signed by:

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

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 **(RON)**

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

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

BURSA DE VALORI BUCURESTI SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 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 2018 (RON)

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		10,187,228	14,685,654
Adjustment for the elimination of non-monetary items and re-classifications:			
Amortisation of tangible and intangible non-current assets	11,12	2,278,239	1,760,097
Interest income	9	(3,072,508)	(2,308,995)
Income from interests related to assets covering the guarantee and clearing funds and the margin	9	-	(5,135)
Income from sale of financial assets	9	-	(1,300,363)
Loss from impairment of uncollected receivables	15	283,096	694,115
(Income) / Expenses with receivables adjustment		24,749	(429,971)
Corporate income tax expense	10	2,047,817	235,086
Loss from impairment in associates		24,728	28,035
Income from the production of intangible assets		(302,708)	(671,827)
Net provision for holiday not-taken	8	(196,000)	(199,895)
Deferred income from deferred tax	13	-	(329,965)
Expected credit losses IFRS 9		114,992	
Other adjustments		(281.289)	(40,828)
Gain from bargain purchases - non- cash		-	(2,880,425)
Expense with employees' benefits settled in shares		1,036,530	172,984
Net cash from operating activities before changes in working capital		**12.144.874**	**9,408,567**
Changes in working capital:			
Change in trade and other receivables		(17,370,121)	(12,480,736)
Change in prepayments	16	(112,594)	(46,305)
Change in trade and other payables		14,513,537	13,618,621
Change in deferred income	20	(6,899)	(31,569)
Change in the guarantee and clearing funds and the margin	22	675,101	417,255
Corporate income tax paid		(297,455)	(1,801,282)
Net cash from operating activities		**9,546,443**	**9,084,551**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED AS AT 31 DECEMBER 2018 (RON)

Cash flows from investing activities			
Interest received		3,206,005	2,388,407
Interest received from assets covering the guarantee and clearing funds and margin		35,517	120,003
Payments for acquisitions of financial assets	14	(18,229,832)	(12,357,425)
Proceeds from sales/maturation of financial assets	14	27.492.038	9,123,918
Change of deposits balance	14	11,136,779	1,715,960
Acquisition of tangible and intangible assets	11,12	(1,830,640)	(3,441,675)
Dividends received		-	38,067
Proceeds from the of financial assets		-	2,492,319
Cash taken from SIBEX merger	27	-	12,335,030
Change in held for sale assets		803,338	-
Net cash from investing activities		22,613,205	12,414,604
Cash flows from financing activities			
Dividends paid shareholders of the parent		(13,173,276)	(7,032,266)
Dividends paid to minority interests		(419,721)	(469,592)
Released share capital of CCB's to minor shareholders		(901,587)	(393,047)
Acquisition of treasury shares	24	(997,995)	(1,007,689)
Net cash used in financing activities		(15,492,579)	(8,902,594)
Net (decrease)/increase of cash and cash equivalents		16,667,069	12,596,561
Cash and cash equivalents at the beginning of the financial year	18	18,624,936	6,028,375
Cash and cash equivalents at the end of the financial year	18	35,292,005	18,631,668

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

1. REPORTING ENTITY

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

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

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

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

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

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

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

The consolidated statements of the Company for the year ended 31 December 2018 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 2018	Percentage of ownership at 31 December 2017
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. The General Shareholders' Meeting of the Company held on May 24, 2018 decided liquidate the company.	52.5280%	52.5280%
Institutul de Guvernanta Corporativa	Providing vocational training to the listed companies and the capital market participants, in corporate governance and sustainable development area	100%	100%
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. On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.	-	73.1350%

The Corporate Governance Institute had on 31 December 2018 a total of net assets amounting to RON 2,060 (31 December 2017: RON 2.060) and a result for 2018 which amounted to RON 0 (2017: profit of RON 0). This entity was considered to be insignificant by the BVB management for inclusion in the Group's consolidated financial statements.

The 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, at this time the activity is suspended.

1 REPORTING ENTITY (CONTINUED)

The General Shareholders' Meeting of the Company held on May 24, 2018 decided liquidate the company and thus the financial information for this subsidiary is presented separately, as discontinued operations, as per IFRS 5 provisions.

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.
On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

For 2017, Sibex Depositary's assests and liabilities have been presented as assests held for sale and liabilities directly associated with assets held for sale.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Bases of measurement

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

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

2. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Business combinations

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

The Group assesses the goodwill at fair value of the consideration transferred including the recognised value of the non-controlling interests in the acquired entity minus the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Reflection of legal mergers by absorption

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

(b) Foreign currency

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

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

Currency	Spot exchange rate 31 December 2018	Spot exchange rate 31 December 2018	Average exchange rate 2017	Average exchange rate 2017
EUR	4.6639	4.6597	4.6535	4.5681
USD	4.0736	3.8915	3.9416	4.0525

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Casa de Compensare Bucuresti ("CCB") recorded a net loss of RON 251,665 in individual financial statements prepared according to IFRS UE during the year ended as at 31 December 2018 (2017: net profit of RON 361,143). On 24 May 2018, The General Shareholders Meeting of the CCB decided to liquidate and deregister the company and thus the financial information related to this subsidiary is presented separately as interrupted activities as provided for in IFRS 5.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

IFRS 9 "Financial Instruments", in force from 1st of January 2018, makes significant changes to the recognition and measurement of financial assets based on a business model and contractual cash flows and implements a new model for the recognition of impairment adjustments based on expected credit losses on receivables.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI), and measured at fair value through profit or loss (FVPL). Following the analysis of the financial asset categories held by the Group at 1 January 2018, no significant differences were found between the initial valuation categories under IAS 39 and the new valuation categories under IFRS 9.

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

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

Investments in equity instruments are always measured at fair value. However, management may make an irrevocable choice to present fair value changes in other items of comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. As at December 31, 2018, the Group does not own equity instruments.

Receivables and cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Financial liabilities

There is no impact on the recognition and measurement of the Group's financial liabilities due to the fact that the new requirements only concern the accounting for financial liabilities designated at fair value through profit or loss. The Group does not have such liabilities, all the Group liabilities being measured at amortised cost.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenses related to the administration and the operation of FCI or to increase the resources of the Compensation Fund.

Guarantee fund and margin managed by the Depozitarul Central SA

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(ii) Non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4 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 2018 was of 16% (31 December 2017: 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)

j) New accounting regulations

IASB standards or interpretations in force for the first time in the financial year ended as at 31 December 2018

This year, the Group applied IFRS 9 "Financial Instruments", published in July 2014 and in force for annual periods beginning on or after January 1, 2018, effective for the European Union for annual periods beginning on or after 1 January 2018 .
According to IFRS 9, it applies retrospectively but a Company does have the option of not modifying the comparative figures and recording the valuation differences between IAS 39 and IFRS 9 as at 1 January 2018 through retained earnings. The Group has chosen this option and the impact is presented in detail in notes 14 and 17.

Key modifications 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 („BM – 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 („HTC – held to collect"), 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 („HTC&S – Held to collect and 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

On the date of the initial application of IFRS 9 (January 1, 2018), the management of the Group analyzed all financial instruments at that date, in the light of the new IFRS 9 classification and measurement requirements. The impact of applying IFRS 9 on 1 January 2018 was not significant, as detailed below.

The Group analyzed the financial instruments from the point of view of contractual cash flows and concluded that respresents solely payment of principal and interests ("SPPI").

The Group's financial asset business model is held to collect the contractual cash flows and the types of financial assets held (government securities, bank deposits, cash, receivables) give rise, at certain dates, to cash flows which respresents solely payment of principal and interests. Thus, all of the Group's financial assets are measured at amortized cost.

Financial assets category IAS 39	**Evaluation according to IAS 39**	**Financial assets category IFRS 9**	**Evaluation IFRS 9**
Held-to-maturity financial assets	Amortized cost using the effective interest method, less the value of impairment losses	*Financial assets at amortized cost*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Trade and other receivables	Amortized cost using the effective interest method, less the value of impairment losses	*Trade and other receivables*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Bank deposits	Amortized cost using the effective interest method, less the value of impairment losses	*Bank deposits*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses
Cash and cash equivalents	Amortized cost using the effective interest method, less the value of impairment losses	*Cash and cash equivalents*	SPPI + HTC = Amortized cost using the effective interest method, less the value of impairment losses

The application of IFRS 9 does not have any impact on the recognition and evaluation of the Group's financial liabilities due to the fact that the new requirements only refer to the accounting for financial liabilities to be carried at fair value through profit or loss. The Group does not hold such liabilities, all the Group's debts are carried at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The table below presents the impact on measurement of financial assets and liabilities at the date of initial application of IFRS 9:

Financial assets	**Carrying amount according to IAS 39 as at 31.12.2017**	**Reclassifications**	**Remeasurement**	**Carrying amount according to IFRS 9 as at 01.01.2018**	**Retained earnings impact**
Held-to-maturity financial assets	82,592,744	-	215,821	82,376,923	215,821
Trade and other receivables	3,017,807	-	22,861	2,994,946	22,861
Bank deposits	33,708,970	-	7,906	33,701,064	7,906
Cash and cash equivalents	68,789,478	-	150,756	68,638,722	150,756
TOTAL	**188,108,999**	**-**	**397,344**	**187,711,655**	**397,344**

Financial liabilities	**Carrying amount according to IAS 39 as at 31.12.2017**	**Reclassifications**	**Remeasurement**	**Carrying amount according to IFRS 9 as at 01.01.2018**	**Retained earnings impact**
Financial liabilities	72,710,285	-	-	72,710,285	-
TOTAL	**72,710,285**	**-**	**-**	**72,710,285**	**-**

This year, the Group applied for the first time ***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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Amendments to IFRS 2 "Share-based Payment" - Classification and measurement of share-based payment transactions - adopted by the EU on 26 February 2018 (*applicable for annual periods beginning on or after 1 January 2018*);

Amendments to IFRS 4 "Insurance Contracts" - Application IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts - Adopted by the EU on 3 November 2017 (*applicable for annual periods beginning on or after 1 January 2018 or when applicable for the first time IFRS 9 "Financial Instruments"*),

Amendments to IAS 40 "Real estate investments" - Transfers to real estate investments - adopted by the EU on 14 March 2018 (*applicable for annual periods beginning on or after 1 January 2018*);

Amendments to IFRS 1 and IAS 28 due to "IFRS Improvements (Taken in 2014-2016)" as a result of the IFRS 1, IFRS 12 and IAS 28 Improvements Project, with the primary objective of eliminating inconsistencies and clarifying Text adopted by the EU on 7 February 2018 (Amendments to IFRS 1 and IAS 28 will apply to annual periods beginning on or after 1 January 2018);

IFRIC 22 "Foreign Currency Transactions and Advance Payments" - adopted by the EU on 28 March 2018 (applicable for annual periods beginning on or after 1 January 2018).

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

k) IASB standards or interpretations which are actually applicable starting on or after 1 January 2019

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

IFRS 16 "Lease Contracts" - adopted by the EU on 31 October 2017 (*applicable for annual periods beginning on or after 1 January 2019*)
In accordance with IFRS 16, the lessee recognizes a right of use and a lease. Right of use assets are treated in the same way as other non-financial assets and are therefore amortized accordingly. Lease liability is initially measured at the present value of lease payments due

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

during the lease term, updated at the implicit rate in the lease if it can be easily determined. If the rate can not be easily determined, the lessee will use the incremental interest rate on the loan. As in the case of the predecessor of IFRS 16, IAS 17, locators classify the operating and financial leases. A lease is classified as a finance lease if substantially all the risks and rewards resulting from the ownership of that asset are transferred. Otherwise, a lease is classified as operating leases. In financial leases, a lessor recognizes financial income during the lease term, based on a calculation method that periodically reflects a return on net investment. A locator recognizes operating lease payments as income, having a linear basis of calculation or, in the case of a calculation method in which the profit from the use of the asset is diminished, another systematic basis.

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

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

IFRIC 23 "Income Tax Treatment Uncertainty" - adopted by the EU on 23 October 2018 (*applicable for annual periods beginning on or after 1 January 2019*).

It may be unclear how the tax law applies to a particular circumstance or transaction, or whether a tax authority will accept a particular tax treatment of the Group. IAS 12 "Income Tax" specifies how current and deferred tax is measured, but not how the effects of uncertainty can be reflected. IFRIC 23 provides for certain requirements, in addition to the requirements of IAS 12, specifying how the effects of uncertainty about the treatment of corporate tax are reflected.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At present, IFRSs in the EU-approved formula do not differ greatly from the IASB regulations except for the following standards and amendments to existing standards that had not yet been approved by the EU on 31 December 2018 to be applied (the entry into force below applies to IFRS issued by the IASB):

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

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

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

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

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

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

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

Amendments to Different Standards Due to "IFRS Improvements (Between 2015-2017)" as a result of the IFRS 3 (IFRS 11, IAS 12 and IAS 23) Improvements Project,

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with the primary aim of eliminating inconsistencies and clarifying (*applicable for annual periods beginning on or after January 1, 2019*),

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

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

4. DETERMINATION OF FAIR VALUES

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

(a) Investments in equity and debt securities

The fair value of 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 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at cost				
Financial assets with a maturity longer than one year	49,329,673	50,626,195	38,390,394	38,390,394
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	14,751,612	14,751,612	11,007,771	11,007,771
Bank deposits	20,176,232	20,176,232	31,248,521	31,248,521
Bank deposits restricted in order to cover the guarantee and clearing fund and the margin	2,814,314	2,814,314	2,460,449	2,460,449
Financial receivables	4,770,111	4,770,111	3,017,807	3,017,807
Other financial assets with a maturity under one year	4,173,054	4,173,054	25,833,152	25,833,152
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity longer than one year	3,889,184	3,889,184	7,361,427	7,361,427
Other assets, including restricted assets	66,692,122	66,692,122	50,164,542	50,164,542
Held for sale assets	160,292	160,292	1,545,052	1,545,052
Cash and cash equivalents	35,292,005	35,292,005	18,624,936	18,624,936
Total assets carried at amortized cost	202,048,599	203,345,121	189,654,051	189,654,051
Liabilities carried at amortized cost				
Guarantee and clearing funds and margin	21,361,970	21,361,970	20,686,869	20,686,869
Dividends to be distributed on behalf of customers	66,625,467	66,625,467	50,092,530	50,092,530
Financial payables	2,644,732	2,644,732	1,864,337	1,864,337
Total payables	90,632,169	90,632,169	72,710,774	72,710,774

Financial instruments at fair value through other comprehensive income 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 2018	31 December 2017	Rating agency
BRD - Groupe Societe Generale S.A.	Baa2	BBB+	Fitch Ratings
Banca Transilvania S.A.	BB+	BB	Fitch Ratings
ING Bank NV, Bucharest branch	A+	A+	Fitch Ratings
RAIFFEISEN BANK S.A.	Baa2	Baa2	Moody's
Banca Comerciala Romana S.A.	BB-	BBB+	Fitch Ratings
Credit Europe Bank (Romania) S.A.	BBB-	BB-	Fitch Ratings
ALPHA BANK ROMANIA S.A.	A1	Ba3	Moody's
UniCredit Bank S.A.	Fara rating	BBB-	Fitch Ratings
Citibank Europe Plc, Bucharest branch	Fara rating	A1	Moody's
Libra Bank	BAA3	Fara rating	Fara rating
CEC Bank	Baa2	Fara rating	Fara rating
Romania for treasury bonds	BB+	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 2018	31 December 2017
Other financial assets carried at amortized cost	49,329,673	38,390,394
Financial assets restricted in order to cover the guarantee and clearing funds and the margin	14,751,612	11,007,771
Bank deposits	20,176,232	31,248,521
Bank deposits covering the guarantee and clearing funds and the margin	2,814,314	2,460,449
Financial receivables	4,770,111	3,017,807
Other financial assets with a maturity less than one year	4,173,054	25,833,152
Financial assets carried at amortized cost restricted in order to cover the guarantee and clearing funds and the margin, with a maturity less than one year	3,889,184	7,361,427
Other financial assets carried at amortized cost restricted	66,692,122	50,164,542
Cash and cash equivalents	35,292,005	18,624,936
Total	**201,888,307**	**188,108,999**

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 restricted assets		Bank deposits	
	2018	2017	2018	2017	2018	2017	2018	2017
Individually impaired								
Significant risk	1,273,788	1,249,698	-	-	-	-	-	-
Gross amount	1,273,788	1,249,698	-	-	-	-	-	-
Adjustment for impairment	1,273,788	1,249,698	-	-	-	-	-	-
Net amount	-	-	-	-	-	-	-	-
Outstanding, individually non-impaired								
Outstanding less than 90 days	280,221	220,126	-	-	-	-	-	-
Outstanding between 90 and 180 days	130,661	116,704	-	-	-	-	-	-
Outstanding between 180 and 360 days	85,424	41,778	-	-	-	-	-	-
Gross amount	496,406	378,608	-	-	-	-	-	-
Expected credit losses- IFRS 9	4,167	-	-	-	-	-	-	-
Net value	492,139	378,608	-	-	-	-	-	
Current, non-impaired								
Without a significant risk	4,308,097	2,639,199	72,394,675	82,592,744	102,159,562	68,789,478	22,999,746	33,708,970
Gross amount	4,308,097	2,639,199	72,394,675	82,592,744	102,159,562	68,789,478	22,999,746	33,708,970
Expected credit losses- IFRS 9	30,125	-	251,152	-	175,435	-	9,200	-
Net amount	4,277,972	2,639,199	72,143,523	82,592,744	101,984,127	68,789,478	22,990,546	33,708,970
Total gross amount	6,078,191	4,267,505	72,394,675	82,592,744	102,159,562	68,789,478	22,999,746	33,708,970
Total net amount	4,770,111	3,017,807	72,143,523	82,592,744	101,984,127	68,789,478	22,990,546	33,708,970

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

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

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

On 31 December 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 2018	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months
Non-derivative financial liabilities				
Guarantee and clearing funds and margin	21,361,970	21,361,970	21,361,970	-
Financial payables	2,578,290	2,578,290	2,578,290	-
Dividends to be distributed on behalf of customers	66,691,435	66,691,435	66,691,435	-
Total	90,631,695	90,631,695	90,631,695	-

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	-

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A depreciation of the RON on 31 December 2018 versus 31 December 2017 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 2018	31 December 2017
RON depreciation by 10% against EUR	1.188.152	1,692,077
RON depreciation by 10 % against USD	1.520.604	1,632,882
Total	2.708.757	3,324,959

An appreciation of the RON on 31 December 2018 versus 31 December 2017 against other currencies would have the same effect, but opposite, on the amounts shown above, assuming that all other variables remain constant.

Exposure to interest rate risk

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

(e) Operational risk

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(f) Capital management

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

	2018	2017
Total liabilities	93,705,913	78,236,315
Cash and cash equivalents and other assets retricted	101,984,127	68,789,478
Net debt	(8,278,214)	9,446,837
Total equity	120,426,484	125,000,699
Gearing ratio	-	8%

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).

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.
On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

The assets and liabilities of Depozitarul SIBEX were presented in the current Assets - Assets classified as held for sale and current liabilities – Liabilities directly associated with 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

7. SEGMENT REPORTING (CONTINUED)

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.

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:

2018

	Trading services	Post-trading services	Registry services	FCI services and other services	Group
Revenues from external clients	23,931,767	10,112,662	5,257,019	523,439	39,824,887
Revenues from transactions with other segments (eliminated on consolidation)	323,170	69,669	36,763	-	429,602
Operating expenses	(17,080,681)	(8,545,283)	(4,509,150)	(807,213)	(30,942,327)
- out of which tangible and intangible asset impairment expenses	(1,237,465)	(677,594)	(357,551)	(5,627)	(2,278,237)
Operating profit	**6,851,086**	**1,567,379**	**747,869**	**(283,774)**	**8,882,560**
Financial income	3,094,654	348,854	184,082	1,288	3,628,878
Net financial income	3,094,654	348,854	184,082	1,288	3,628,878
(Loss) / Profit from current asset impairment	(24,728)	-	-	-	(24,728)
Pre-tax profit	9,921,012	1,916,233	931,951	(282,486)	12,486,710
Corporate income tax	1,679,731	(240,945)	(127,141)	-	(2,047,817)
Profit from continuing operations	8,241,281	1,675,288	804,810	(282,486)	10,438,893
Profit from discontinued operation	-	-	-	(251,665)	(251,665)
Net profit	8,241,281	1,675,288	804,810	(534,151)	10,187,228

7. SEGMENT REPORTING (CONTINUED)

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

2017	Trading services	Post-trading services	Registry services	FCI 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
	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 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 2018					
Assets	91,484,208	25,017,938	78,311,479	19,318,772	214,132,397
Liabilities	3,713,345	3,253,101	68,408,022	18,331,445	93,705,913
Capital expenditure	921,976	412,659	217,751	-	1,552,386
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

8. OPERATING EXPENSES

The operating expenses comprise the following:

8.1 Staff costs and benefits of the Board of Governors

	2018	2017
Staff costs	13.452.005	12,105,281
Benefits of the members of the Board of Governors	2.016.458	1,633,087
Other personnel-related debts	(196.000)	(199,895)
Other liabilities related to members of the Board of Governors	1.134.060	172,984
Contributions and taxes related to personnel and benefits	523.824	2,642,500
Total	16.930.347	16,353,957

8. OPERATING EXPENSES (CONTINUED)

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

	2018		2017	
	At the end of the year	Annual average	At the end of the year	Annual average
Bucharest Stock Exchange	45	44	43	43
Depozitarul Central SA	51	51	51	51
Fondul de Compensare a Investitorilor SA	4	4	4	4
Casa de Compensare Bucuresti SA	3	3	3	3
Total number of employees	103	102	101	101

Share-based payments (SOP)

The employer's expense for share-based payments is presented separately in 2018 also and amounted to RON 1,036,530 (2017: RON 172,984).

In 2018, a total of 15,031 shares, worth a market value at the granting date of RON 0.42 mn, were transferred free of charge to 9 members of the Board of Governors/ the legal heir of one of the members, according to the Stock Option Plan (SOP) approved by the General Shareholders Meeting (GSM) in 2017.

In 2018 the Company granted options according to the Stock Option Plan, to the eligible members of the Board of Governors, management and employees and recognised as an estimated expense the amount of RON 770,546.

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.

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

8.2 Services provided by third parties

	2018	2017
Business consulting services	1,166,209	338,000
Financial, IT and internal Audit Services	274,391	258,866
Commissions fees (legal, contributions, etc.)	599,879	831,706
Services provided by third parties for events	459,571	378,882
Other services provided by third parties	1,592,081	1,061,595
Total	4,092,131	2,869,049

Following the General Shareholders Meeting's decision of April 16, 2018, to initiate the set-up of the Central Counterparty (CCP Project), the BVB has contracted and incurred consultancy and assistance expenses for the establishment of a new subsidiary to be authorized as Central Counterparty, one-off expenses, in amount of RON 0.98 mn, included in the "Business consulting services" expenses.

8. OPERATING EXPENSES (CONTINUED)

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 28,900. During 2018, the statutory auditor also provided allowed non-audit services in amount of EUR 7,760. During 2018, the statutory auditor provided no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council to the Company.

8.3 Other operating expenses

	2018	2017
Rent and office utilities	2,576,170	2,577,631
Tangible asset amortisation *(*Note 11)	1,062,963	830,610
Intangible asset amortisation *(*Note 12)	1,215,274	929,488
Costs related to non-deductible VAT, FSA (CNVM) fees and other taxes	1,304,472	1,286,278
Consumables	280,828	243,838
IT Maintenance, service and repairs	1,291,113	1,465,810
Insurance for professional equipment, etc.	219,276	194,917
Protocol	406,774	358,330
Marketing and Advertising	162,292	529,569
Transport of goods and personnel	682,457	509,668
Postage and telecommunications	358,127	273,359
Bank charges	78,561	87,274
Loss from non-paying customers	168,102	694,115
Expenses/(Income) from provisions for disputes	(118,287)	-
Net expenses/(income) from adjustment of receivables	24,749	(429,971)
Other expenses	206,978	44,270
Total	9,919,849	9,595,186

9. FINANCIAL NET INCOME

Financial net income recognised in profit or loss account include:

	2018	2017
Interest income from financial assets	3,072,507	2,308,995
Dividends income	-	38,067
Gain / (loss) from exchange rate differences	675,453	(1,147,725)
Income from financial assets sold	-	1,300,363
Other financial expenses	(4,090	(3,833)
Net expected credit losses (IFRS 9)	(114,992)	-
Financial Income	3,628,878	2,495,867
Net income from interests related to assets covering the guarantee and clearing funds and the margin	-	5,135
Total Net financial income	3,628,878	2,501,002

Financial income and expenses recognised in comprehensive income include:

	2018	2017
Change in fair value of financial assets at fair value through other comprehensive income and revaluation of tangible assets	-	(3,916)
Total	-	(3,916)

10. CORPORATE INCOME TAX EXPENSE

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

	2018	2017
Before-tax accounting profit	11,743,170	14,590,775
Theoretical income tax (16%)	1,878,908	2,334,523
Income tax for non-taxable income tax and assimilated	(507,447)	(1,072,613)
Income tax for non-deductible expenses tax and assimilated	653,046	381,951
Income tax for IFRS adjustments and for fiscal loss used	(268,868)	1,368,447
Current Corporate income tax (tax profit *16 %)	1,755,640	275,415
Sponsorship deducted from corporate income tax	(37,787)	(40,329)
Current tax expense after deduction of sponsorship amounts	1,717,853	235,086
Income from deferred income tax	329,965	(329,965)
Total corporate income tax expense	2,047,817	(94,879)

In the 2018 financial year, BVB 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 tax loss to be recovered amounting to RON 2,062,280 which led to the recording of a deferred tax expense amounting to RON 329,965, given that at the end of 2017 it was recognized as a deferred tax asset.

Compensation House Bucharest recorded at the end of 2018 a fiscal loss of RON 2,120,815 lei. However, the management does not expect it to be recovered in the coming years.

11. TANGIBLE ASSETS

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

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 2018 and 2017: RON 376,419) for which the accounting policy is cost minus accumulated depreciation and cumulated adjustments for impairment.

11. TANGIBLE ASSETS (CONTINUED)

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 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

12. INTANGIBLE ASSETS

	Goodwill *i)*	Licenses, software *ii)*	Assets in progress	Total
Cost				
Balance as at 1 January 2018	162,000	16,260,715	198,170	16,620,885
Purchases	-	1,013,539	298,731	1,312,270
Outflows	135,000	280,007	186,819	466,826
Balance as at 31 December 2018	27,000	16,994,247	310,083	17,466,330
Depreciation				
Balance as at 1 January 2018	135,000	13,183,575	-	13,318,575
Depreciation during the year	-	1,062,963	-	1,062,963
Outflows	135,000	272,322	-	407,322
Balance as at 31 December 2018	-	13,974,215	-	14,109,215
Net carrying amounts				
Balance as at 1 January 2018	27,000	3,077,140	198,170	3,302,310
Balance as at 31 December 2018	27,000	3,020,031	310,083	3,357,114

(i) On 31 December 2018 and 2017, the outstanding goodwill, amounting to RON 27,000 resulted from the acquisition of 56.9% of the Investors Compensation Fund in 2006. The Group considers that goodwill resulting from the subscription for shares of the Investors Compensation Fund was not subject to any impairment.

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.

12. INTANGIBLE ASSETS (CONTINUED)

	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
Sold la 31 decembrie 2017	27,000	3,077,140	198,170	3,302,310

13. DEFERRED TAX

13.1 Deferred tax assets are attributable to the following items:

	31 December 2018	31 December 2017
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 2018	329,965
Recognised in Profit or loss	(329,965)
Balance as at 31 December 2018	-

The tax loss taken over through the BVB-SIBEX merger was not fully used in 2017, the tax loss to be recovered amounting to RON 2,062,280 which determined the registration of a deferred tax receivable of RON 329,965.
In the current reporting period, the balance of tax loss taken from SIBEX was used, this led to the recording of a deferred tax expense amounting to RON 329,965.

14. FINANCIAL INSTRUMENTS

The Group's financial instruments are the following:

	31 December 2018	31 December 2017
Financial assets carried at amortized cost – gross value i)	49,164,239	38,027,350
Expected credit losses (IFRS 9)	(197,610)	
Financial assets restricted in order to cover the guarantee and clearing funds and the margin, with a maturity less than one year the margin at amortised cosr – gross value ii)	14,801,612	11,007,771
Expected credit losses IFRS 9	(50,000)	-
Other assets – guarantees *iii)*	363,044	363,044
Total long term financial instruments	64,081,285	49,398,165

	31 December 2018	31 December 2017
Bank deposits with maturity between 3 months and one year i*v)*	20,176,232	31,248,521
Bank deposits with maturity between 3 months and one year restricted in order to cover the guarantee and clearing funds and the margin the margin – gross value *v)*	2,823,514	2,460,449
Expected credit losses (IFRS 9)	(9,200)	
Financial assets at amortised cost – gross value *vi)*	4,173,054	25,833,152
Expected credit losses (IFRS 9)	(518)	
Financial assets restricted in order to cover the guarantee and clearing funds and the margin at amortised cost – gross value *viii)*		
	3,892,209	7,361,427
Expected credit losses (IFRS 9)	(3,025)	
Total current assets	31,052,784	66,903,549

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

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

14 FINANCIAL INSTRUMENTS (CONTINUED)

ii) The financial assets restricted in order to cover the guarantee and clearing fund and the margin at amortized cost are bonds issued by the Romanian government, with maturities between 2019-2023, and a coupon rate between 1.39% and 5.27%.

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

iv) Term deposits with Romanian with maturity from 3 months to one year are made in RON with Romanian banks, at interest rates between 2.3% and 2.75% 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.

v) Term deposits in RON with banks in Romania have initial maturities ranging from 3 months and one year restricted in order to cover the guarantee and clearing funds and the, made in RON with Romanian banks, at interest rates from 0,30 % to 1,45%, presented in balance sheet as Bank deposits.

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

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

Expected credit losses IFRS 9	**2018**	**2017**
Balance as at 1 January, computed according to IFRS 9, through retained earnings	223,727	-
Impairment losses	36,625	-
Impairment reversals	-	-
Balance as at 31 December	260,352	**-**

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

Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

14 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Government bonds with a maturity over one year	Government bonds with maturity over one year restricted in order to cover the guarantee and clearing funds and the margin	Government bonds less than one year	Government securities with maturity less than one year restricted in order to cover the guarantee and clearing funds and the margin
1 January 2018	38.027.350	11.007.771	25.833.152	7.361.427
Purchases (less effective interest) and exchange rate differences	17.012.921	3.748.841	1.564.940	6.335.005
Reclassifications	(2.817.563)	-	2.817.563	-
Redemptions (less effective interest*)	(3.256.079)	-	(26.042.601)	(9.807.248)
31 December 2018	**48.966.629**	**14.751.612**	**4.173.054**	**3.889.184**

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

15. TRADE AND OTHER RECEIVABLES

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

	31 December 2018	31 December 2017
Trade receivables – gross value *i)*	5,963,935	4,064,795
Adjustment after trade receivable Impairment *ii)*	(1,273,788)	(1,249,698)
Anticipated credit losses – IFRS 9	(34,292)	
Income tax to recover	-	1,170,847
VAT not due	38,297	53,212
Other receivables	451,566	491,164
Total	5,145,718	4,530,320

Financial receivables taken into account in the calculations of Note 5 are made of RON 4,770,111 at 31 December 2018 and RON 3,017,807 at 31 December 2017.

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 2018	31 December 2017
Adjustment after receivable impairment – individual component	1,273,788	1,249,698
Anticipated credit losses – IFRS 9	34,292	-
Total	**1,308,080**	**1,249,698**

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018	2017
Adjustment for impairment – individual component		
Balance as at 1 January	1,249,698	1,679,669
Impairment losses	192,192	264,144
Impairment reversal	(168,102)	(694,115)
Balance as at 31 December	1,273,788	1,249,698
Total	**1,273,788**	**1,249,698**

	2018	2017
Expected credit losses IFRS 9		
Balance as at 1 January, computed according to IFRS 9, through retained earnings	22,861	
Impairment losses	11,649	
Impairment reversals	(218)	
Balance as at 31 December	**34,292**	

The Group computes an impairment loss on trade receivables using the simplified approach according to IFRS 9, recognizing expected credit losses on receivables over their lifetime. The expected credit loss for trade receivables was calculated using the ratio determined by the amount of customer receivables that became uncertain during the reporting period in the total revenues generated by the Company over the same period of time. The determined ratio was applied to the receivables balance outstanding at 31 December 2018.

Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

16. ACCRUED EXPENSES

Prepayments amounting to RON 500,877 (31 December 2017: RON 388,283) 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 2018, Depozitarul Central holds on behalf of customers amounts to be distributed to shareholders qualified as dividends amounting to RON 66,691,435 (31 December 2017: 50,159,079 lei).

18. CASH AND CASH EQUIVALENTS

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

	31 December 2018	31 December 2017
Deposits at banks with original maturity less than 3 months	30,694,977	2,529,079
Expected credit losses IFRS 9	(110,961)	
Bank current accounts	4,757,782	16,082,060
Expected credit losses IFRS 9	(64,474	
Petty cash	14,680	13,797
Total	35,292,005	18,624,936

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

Expected credit losses IFRS 9	**2018**	**2017**
Balance as at 1 January 2018, computed according to IFRS 9, through retained earnings	150,756	-
Impairment losses	24,679	-
Impairment reversals	-	-
Balance as at 31 December 2018	175,435	**-**

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

Except for hedge accounting, IFRS 9 has been applied retrospectively. As permitted by IFRS 9, the Company did not change the figures for the prior period. The retrospective impact of applying IFRS 9 was recorded by adjusting the opening balances for equity positions as at 1 January 2018.

19. TRADE AND OTHER PAYABLES

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

	31 December 2018	31 December 2017
Trade liabilities *i)*	1,271,034	856,267
Salary contributions due	511,437	575,575
Taxes due	65,032	92,826
VAT payable	74,683	136,860
Dividends payable to the Company's shareholders	1,068,649	707,414
Dividends to be distributed to the Central Depository	66,625,467	50,092,530
Prepayments received from customers	279,338	361,996
Guarantees received	27,278	27,278
Other payables related to management and staff *ii)*	844,421	1,862,550
Debts to CCB minor shareholders	-	901,585
Other liabilities	405,927	594,013
Total	71,173,266	56,208,894

Financial paybles taken into account in the calculations of Note 5 are made of RON 2,644,732 at 31 December 2018 and RON 1,864,337 at 31 December 2017.

i) Trade payables are mainly obligations to internal suppliers, some of them with a maturity less than 30 days, paid in early 2019.

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

- amounts related to performance bonuses granted to the BVB and DC management and staff for 2018, and will be paid in 2019;
- 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 BVB Board members in 2018;

20. DEFERRED INCOME

Deferred income/revenue include:

	31 December 2018	31 December 2017
Revenues from registry activities	112,959	112,908
Revenues from fees for continuance of trading activity	779,531	786,481
Total	892,490	899,389

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. GUARANTEE AND CLEARING FUNDS AND MARGIN

The guarantee and clearing funds and margin comprise:

	31 December 2018	31 December 2017
Guarantee fund for transactions in securities	2,404,359	2,971,169
Margin for transactions in securities	701,338	898,240
Investors compensation fund	18,256,273	16,817,460
Total	21,361,970	20,686,869

22. ASSETS CLASSIFIED AS HELD FOR SALE

The Group 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.
On 20 December 2018 the share capital was restituted to the shareholders after all the payment obligations had been settled. On January 28, 2019, the company was liquidated.

For 2017, Sibex Depositary's assests and liabilities have been presented as assests held for sale and liabilities directly associated with assets held for sale.

The General Shareholders' Meeting of casa de Compensare Bucuresti held on May 24, 2018 decided liquidate the company and thus the assests and liabilities have been presented as assests held for sale and liabilities directly associated with assets held for sale.

23. DISCONTINUED OPERATIONS

Considering the decision of The General Shareholders Meeting of Casa de Compensare Bucuresti held on May 24, 2018 decided liquidate the company, the financial performance related to this subsidiary is presented separately in the Consolidated statement of profit or loss and other comprehensive income under the line "Loss from discontinued operations" as per IFRS5 provisions.

24. CAPITAL AND RESERVES

(a) Share capital

On 31 December 2018, 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 2018	31 December 2017
Ordinary shares (no)	8,049,246	8,049,246
Total	8,049,246	8,049,246

Shareholding structure as at 31 decembrie 2018	Number of shares	% of the Share capital
Legal entities, of which:	**6,424,904**	**79.82%**
- romanian	5,606,898	69.66%
- foreign	818,006	10.16%
Individuals, of which:	**1,571,026**	**19.52**
- romanian	1,411,872	17.54%
- foreign	159,154	1.98%
Bucharest Stock Exchange	53,316	0.66%
Total	8,049,246	100%

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

24. CAPITAL AND RESERVES (CONTINUED)

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 2018 was of RON 21.00 /share (2017: RON 27.60 /share).

(b) Treasury shares and benefits to directors and employees

In 2018, the Company granted options, according to the Stock Option Plan, to eligible members of the Stock Exchange Board, Management and employees. The benefit granted in equity instruments (own shares) amounted to RON 1,036,530 (2017: RON 172,984). Also see Note 8.

Movements on 31 December 2018 are as follows:

	2018	**2017**
Balance at January 1	834,705	-
Own shares redeemed	997,995	1,007,689
Share-based benefits granted to Members of the Board	(1,036,530)	(172,984)
Losses as effect of granting shares for free within SOP	(112,454)	
Balance at December 31	683,716	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 2018, amounting to RON 9,490,411 , as follows: RON 468,880 as legal reserve and the rest as gross dividends. Thus, the amount proposed to the General Shareholders Meeting set for 24/25 April 2019 for approval to be shared in 2018 as gross dividends for 2018 is RON 9,021,531 .

By distributing in full the amount of RON 9,021,531 in the form of dividends, each share, including treasury shares, is to correspond a gross dividend of RON 1.12079 . 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).

24. CAPITAL AND RESERVES (CONTINUED)

The BVB General Meeting of Shareholders held on 16 April 2018 approved the proposal for the distribution of the 2017 statutory net profit of the Bucharest Stock Exchange amounting to RON 14,246,624 as follows: RON 695,833 as legal reserve and the rest as gross dividends. Thus, the amount distributed in 2018 as gross dividends for 2017 was RON 13,550,791. The value of the dividend for 2017 is RON 1.6862 gross dividend/share.

During 2018, Depozitarul Central SA distributed dividends amounting to 1,355,971 RON out of the 2017 net profit, whereas out of the 2018 statutory net profit the Company will propose the amount of RON 2,134,799 to be approved for dividends distribution during 2019.

(d) Legal reserve

According to legal requirements, the Group constitutes legal reserves in the amount of 5% of the profits registered according to RCR up to a level of 20% of the share capital. Legal reserves are not distributable to shareholders.

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

(e) Revaluation reserves

The reserves resulting from the following:

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

25. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2018 is based on profit attributable to Company's shareholders in the amount of RON 10,187,228 (2017: RON 14,685,654) and the weighted average number of ordinary shares outstanding of 8,049,246 (2017: 7,674,198).

26. TRANSACTIONS WITH RELATED PARTIES

Management key personnel
31 December 2018

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

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

• 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. Adrian Tanase	General Manager starting with January 23 2018
• Mr. Alin Barbu	Deputy General Manager

In 2018, the remuneration granted to the key management personnel of BVB amounted to RON 1,257,223 (2017: RON 2,406,067), the remunerations paid being 1,257,223 lei (2017: 1,423,595 lei). During 2018 the Company paid the debt recorded as at 31/12/2017, related to the provisions of the mandate contract, to the former General Manager, Ludwik Sobolewski, amounting RON 982,472.

In 2018, the remuneration granted to the members of the Board of Governors and members of the Special Committees were RON 900,591 (2017: RON 687,740).

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

27. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Litigation

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

(b) Off-balance sheet commitments

In 2015 and 2016 the Fondul de Compensare a Investitorilor ("the Fund") had two offset cases, namely Harinvest S.A. and Eurosavam S.A. Payments to investors from the clearing fund in these 2 cases amount to RON 4,437,747.

27. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

During 2018, the Fund continued the offset procedure for Mobinvest S.A., the procedure being opened in 2017.

In this respect, on the basis of the claims made by the investors of Mobinvest S.A. and taking into account the obligations of the administrator as a competent body, he submitted to the Fund in August 2018 the final list of investors, natural and legal persons eligible for compensation, comprising 85 natural persons and 5 legal persons with a total amount of 4.658.886 lei.

After the Fund's analysis of the investors' compensation claims submitted on the Final List, the Board of Directors of the Fund dated December 13, 2018, approved the Payment List comprising 52 individuals with a value of compensation in a total amount of 2,335,421 lei and 3 legal persons or without legal personality with a value of compensation in the total amount of 269,766 lei.
Therefore, the total amount of compensation that the Fund is about to pay in this case is 2,605,187 lei.
The payment list was sent to A.S.F. and the bodies legally entitled to be verified pursuant to art. 36 par. (3) of Regulation C.N.V.M. no. 3/2006

Also in 2018, the Fund enrolled on the final debts table of debtor Mobinvest S.A. with a provisional claim amounting to 4,658,886 lei (representing compensation for the client investors of Mobinvest SA according to the Final List communicated by the legal administrator), the final amount with which the Fund will be registered at the creditor's table, after paying the compensations, being 2,605. 187 lei.

28. SITUATION OF CCB

The General Shareholders Meeting of Casa de Compensare Bucuresti held on May 24, 2018 decided liquidate the company, thus the financial performance related to this subsidiary is presented separately in financial statements under “Loss from discontinued operations” as per IFRS5 provisions.

29. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On January 29, 2019, the Extraordinary General Shareholders Meeting of the of BVB took place, in which it was approved the establishment of a joint-stock company in accordance with the provisions of Law No. 31/1990, for authorization and functioning as a central counterparty (hereinafter referred to as "CCP"), according to the provisions of the Financial Supervisory Authority (FSA) Regulation no. 3/2013 on the authorization and functioning of central counterparties and Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. BVB's share of the new entity's share capital will be up to EUR 10 mn out of a total of EUR 16 mn.

On January 28, 2019, the National Trade Registry Office attached to the Sibiu Court issued the Liquidation Certificate for the SIBEX Depositary based on Resolution no. 1204/25.01.2019.

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 Separate Financial Statements

Opinion

1. We have audited the accompanying separate financial statements of Bursa de Valori Bucuresti S.A. ("the Company" or "BVB"), with registered office in 34-36 Carol I Blvd., 14th floor, 2nd district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/12328/2005 and having sole registration code RO17777754, which comprise the separate statement of financial position as at 31 December 2018, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the Financial Supervisory Authority ("FSA") Norm no. 39/2015 for "approving accounting regulations in accordance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority from the Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:

    - Equity — RON 108,202,319
    - Net profit for the financial year — RON 9,490,411

2. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, and its separate financial performance and its separate cash flows for the year then ended, in accordance with IFRS and FSA Norm 39/2015.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA") and with the EU Regulation no. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation no. 527/2014") and Law no. 167/2017 ("the Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and in accordance with other ethical requirements relevant for an audit of financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. For the audit of the year 2018 we have not identified any key audit matters to be communicated in our report.

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

5. The Management of the Company is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and FSA Norm 39/2015 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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.

10. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Separate Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 8 - 13 of the Accounting Regulations approved by FSA Norm 39/2015, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented on pages 1 to 49 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 2018, we have read the Administrators' Report attached to the separate financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required articles 8 - 13 of the Accounting Regulations approved by FSA Norm 39/2015;

c) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2018 regarding the Company and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

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Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company by the General Meeting of Shareholders ("GMS") on 12 April 2017 to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 11 March 2019 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, 11 March 2019

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554/2004

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

Audit firm registered in the Public Electronic Register under no. 699/29.01.2017

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 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 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the Financial Supervisory Authority ("FSA") Norm no. 39/2015 for "approving accounting regulations in accordance with the International Financial Reporting Standards, applicable for entities authorised, regulated and supervised by the Financial Supervisory Authority from the Capital Market Sector" as subsequently amended ("FSA Norm 39/2015"), presenting the following:

   - Equity RON 120,426,484
   - Net profit for the financial year RON 10,187,228

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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS and FSA Norm 39/2015.

Basis for Opinion

3. We conducted our audit in accordance with the International Standards on Auditing ("ISA") and with the EU Regulation no. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation no. 527/2014") and Law no. 167/2017 ("the Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and in accordance with other ethical requirements relevant for an audit of financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a

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

Key audit matter	Audit procedures performed to address the key audit matter
Revenue recognition (Depozitarul Central S.A.)	
As disclosed in the Note 7 to the accompanying consolidated financial statements, the Group records post-transaction and registry services from the activity of Depozitarul Central SA. The total value of these services is significant in the total revenues recorded by the Group at the reporting date. The method of computation of the amounts representing fees and tariffs for the post-transaction and registry activity is a complex one, based on both an automated and a manual algorithm. Due to the significance and complexity of these revenues, we consider this matter to be a key audit matter.	The procedures performed to obtain a reasonable assurance regarding the revenue recognition are as follows: • a thorough understanding of the rendering and invoicing process; • testing the design and operating effectiveness of relevant controls (where applicable); • inspection of relevant supporting documents; • performing analytical and substantive procedures; • obtaining written confirmation letters for the significant transactions; • analysis of the transactions and estimates recorded by the Group at the end of the audited period to reflect the revenues in the period they relate to. Following the audit procedures performed we have obtained sufficient and appropriate audit evidence to conclude that the policies adopted by the Group, the post-transaction and registry revenue amounts recognized in the consolidated financial statements and the information in the notes to the consolidated financial statement regarding these revenues are reasonable.
Adequacy of the compensation fund (Fondul de Compensare a Investitorilor S.A.)	
As disclosed in Note 27 b) to the accompanying 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. The Fund forsees new such payments in 2019, following the insolvency of another financial investment entity. Considering the role of FCI as a compensation body and due to the importance of the compensation fund adequacy and completeness, we consider this matter to be a key audit matter.	The procedures performed to obtain a reasonable assurance regarding the adequacy of the compensation fund are as follows: • a thorough understanding of the method of computation of contributions to the compensation fund and of the compensation process; • inspection of relevant supporting documents; • performing analytical and substantive procedures; • obtaining the written confirmation letters from the laywers who collaborated with FCI during 2018, with the purpose of identifying any potential risks that might contribute to a singificant decrease of the compensation fund and not reflected in the consolidated financial statements of the Group as at 31 December 2018. Following the audit procedures performed we have obtained sufficient and appropriate audit evidence to conclude that the policies adopted by the Group, the compensation fund amount recognized in the consolidated financial statements and the information in the notes to the consolidated financial statement regarding the compensation fund are reasonable.

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

5. The management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and FSA Norm 39/2015 and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

   - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

10. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Consolidated Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 29-30 of the Accounting Regulations approved by FSA Norm 39/2015, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented on pages 1 to 49 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 2018, we have read the Administrators' Report attached to the consolidated financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required by articles 29-30 of the Accounting Regulations approved by FSA Norm 39/2015;

c) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2018 regarding the Group and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

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Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company and of the Group by the General Meeting of the BVB Shareholders on 12 April 2017 to audit the single financial statements and the consolidated financial statements of BVB for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 11 March 2019 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, 11 March 2019

Vasile Andrian

Auditor registered in the Public Electronic Register under no. 1554/2004

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

Audit firm registered in the Public Electronic Register under no. 699/29.01.2017