

PRESS RELEASE  
FEBRUARY 3, 2017**ROMANIA IS SET TO ATTRACT BILLIONS OF EUROS ONCE UPGRADED TO EMERGING MARKETS**

- "The capital market has now a chance for a big quick win, the upgrade to Emerging Market is very close," said BVB's CEO Ludwik Sobolewski
- NN Pensions Romania: "We invested about EUR 500 million in Romania in the last nine years and we need to invest a double amount for the next nine years"
- Romania will likely offer dividends over 7% this year also; double-digit dividends are expected for some companies, according to Carsten Hesse, EME Equity Strategist at Berenberg

Romania is on the last mile to be upgraded to Emerging Markets, a status which is at one's fingertips to grasp and which will make the economy benefit from massive capital inflows, representatives involved in capital market concluded at the "Capital Market of Romania - Next Capital Developments" conference, an event organized by the [Bucharest Stock Exchange \(BVB\)](http://www.bvb.ro) and hosted at the National Bank of Romania (BNR). Billions of euros could be invested in Romania once the country gets upgraded to Emerging Market, which will have a huge positive impact on the local economy.

"The Romanian capital market has now a chance, maybe for the first time, to have a big quick win because the upgrade of the whole environment into the family of Emerging Markets is now very close. We have this paramount objective which we need to tackle: to upgrade Romania to Emerging Market status," said BVB's CEO Ludwik Sobolewski.

"We will keep on pushing inch by inch to meet this objective so that the capital market becomes a financing alternative for businesses in this country. It took us four years to get us in the Watchlist of the FTSE Russell, and the upgrade would be a huge success for Romania, not only for the capital market. There is a huge competition to attract capital, and funds who are 20-25 larger than current ones will be allowed to invest in Romania once the market gets upgraded," BVB's chairman Lucian Anghel said.

Adrian Tanase, who acts as the Chief Investment Officer at NN Pensions Romania, said the pension funds need more companies to invest in. "We invested about EUR 500 million in Romania in the last nine years and we need to invest a double amount for the next nine years," Tanase said. And there is one major downside to not having where to place the money: it will go somewhere else. "We are currently not thrilled with the diversification degree we are having for our portfolio. The NN investment fund alone can spend one billion euros on the local market, but we would like to invest it in a variety of companies. If the local market does not get upgraded, the pension fund will invest the money elsewhere," Tanase warned.

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This is one area where the state and the politicians can step in, Attila Szalay-Berzeviczy, Head of Group Securities Services at Raiffeisen Bank International, said at the conference. "What the politicians need to understand in this country is [...] that they are not doing any favors. When you list companies on the stock exchange this is not making favors to some bankers or brokers. This is doing favor to your own country. When you are boosting your stock exchange, you are boosting your country," the former president of the Budapest Stock Exchange declared.

New opportunities can arise from state-owned companies getting listed on the stock exchange. "Bringing Hidroelectrica to market would really help to comply with free float criterion," said Jim Stewart, Vicepresident at Raiffeisen Bank.

But that is not the only reason. BNR's Chief Economist, Valentin Lazea, explained: "Having private companies listed on the stock exchange is not enough to assure the liquidity needed to promote to Emerging Market is met. State companies are needed." The state will largely benefit from this move as Romania has a chance to capitalize the state-owned companies through the capital market, the Financial Supervisory Authority (ASF) pointed out. "The perspective of setting up a sovereign fund, a national fund for development, is a good signal to the market," ASF's Vicepresident Mircea Ursache stated.

Romania is getting closer to meet not only the criteria of FTSE Russell, but also those of MSCI. "Three companies are already fulfilling the MSCI emerging markets criteria. Romgaz, OMV Petrom and Banca Transilvania are now fulfilling the free float market cap criteria and also the trading volume. The larger free float market cap there is, the more trading there is, the more likely investors will say yes, Romania is an Emerging Market. It's all about getting the free float up. Obviously an IPO from Hidroelectrica would be amazing and would make sure that all those criteria are even more easily fulfilled," said Carsten Hesse, EME Equity Strategist at Berenberg.

Aside from the above mentioned criteria, there is more to becoming an Emerging Market, BVB's CEO told investors at the conference. "It is not about to have three, four or five companies to meet some criteria, but it is the degree to which we are efficient to finance the economy and a good marketplace for investors. This formal upgrade to Emerging Market not only describes the new reality, but also creates it," Sobolewski stated.

And the reality has proved that investors who bought shares in company's offering dividends had an extra reason to celebrate in 2016 as Romania had the biggest dividends in the world last year, a trend which is likely to continue in 2017, according to Berenberg's official. "I did a conservative analysis and I can happily announce that it is going to be around 7 % the yield again in 2017. Because Fondul Proprietatea is going to pay a special cash dividend so they are going to have double digit dividend this year and also the Government recent announcement that they want state owned companies to pay at least 90% of their earnings. So we are going to have Transelectrica, Transgaz and also OMV Petrom paying double digits figures," Hesse estimated.

The Bucharest Stock Exchange kicked off 2017 with new heights in January. The value traded on the main market on equities was the highest January value in the past 6 years. The BET-TR index, which includes the most ten liquid shares and dividends distributed to shareholders of these companies, has posted a 6.11% growth rate in January. BVB's main index BET, which mirrors the evolution of top ten most liquid stocks, also started 2017 with similar strong boost and sprang by 6.11%, the best growth pace for January in the last four years.

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