

BURSA DE VALORI BUCURESTI S.A.

**Consolidated financial statements prepared in
accordance with International Financial Reporting
Standards as adopted by the European Union**

31 DECEMBER 2014

BURSA DE VALORI BUCURESTI S.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AS AT 31 DECEMBER 2014

CONTENTS

| | |
|---|--------|
| The independent auditor's report | - |
| Consolidated income statement and statement of comprehensive income | 1 |
| Consolidated statement of financial position | 2 - 3 |
| Consolidated statement of changes in equity | 4 - 5 |
| Consolidated statement of cash flows | 6 - 7 |
| Notes to the consolidated financial statements | 8 - 85 |

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

| | <u>Note</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|----------------------|----------------------|
| Revenues from services | | 39,121 | 36,396 |
| Other revenues | | <u>524</u> | <u>140</u> |
| Operating revenue | 7 | <u>39,645</u> | <u>36,536</u> |
| Salaries expenses and benefits of the members of Board of Directors | 8 | (16,180) | (17,704) |
| Expenses with services provided by third parties | 8 | (3,464) | (4,100) |
| Other operational expenses | 8 | <u>(8,871)</u> | <u>(10,675)</u> |
| Operating profit | | <u>11,130</u> | <u>4,057</u> |
| Financial income | | 5,276 | 4,648 |
| Financial expenses | | (378) | (226) |
| Net income from interest related to assets covering the guarantee and clearing funds and the margin | | <u>734</u> | <u>986</u> |
| Net financial income | 9 | <u>5,632</u> | <u>5,408</u> |
| Loss from the financial assets depreciation | | (19) | - |
| Profit before tax | | <u>16,743</u> | <u>9,465</u> |
| Corporate income tax expense | 10 | <u>(2,660)</u> | <u>(1,979)</u> |
| Profit for the year | | <u>14,083</u> | <u>7,486</u> |
| Profit attributable to: | | | |
| Non-controlling interests | | 407 | (343) |
| Owners of the Company | | <u>13,676</u> | <u>7,829</u> |
| Profit for the year | | <u>14,083</u> | <u>7,486</u> |
| Revaluation of financial assets available for sale | 9 | <u>40</u> | <u>222</u> |
| Total comprehensive income for the year | | <u>14,123</u> | <u>7,708</u> |
| Attributable amounts: | | | |
| Non-controlling interests | | 407 | (343) |
| Owners of the Company | | <u>13,716</u> | <u>8,051</u> |
| Total comprehensive income for the year | | <u>14,123</u> | <u>7,708</u> |
| Earnings per share: | | | |
| Base/ diluted earnings per share | 23 | 0.0018 | 0.0010 |

The consolidated financial statements were approved by the Board of Governors on 28 August 2015 and were signed by:

President,
Lucian Claudiu Anghel

CEO,
Ludwik Leszek Sobolewski

CFO,
Virgil Adrian Stroia

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

(thousand RON)

| | Note | 31 December 2014 | 31 December 2013 |
|--|-------------|-------------------------|-------------------------|
| Assets | | | |
| Tangible assets | 11 | 5,501 | 5,585 |
| Intangible assets | 12 | 1,524 | 184 |
| Deferred tax | 13 | - | 21 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin | 14 | 11,513 | 6,189 |
| Other held-to-maturity financial assets | 14 | 48,866 | 40,604 |
| Available-for-sale financial assets | 14 | <u>1,391</u> | <u>1,358</u> |
| Total fixed assets | | <u>68,795</u> | <u>53,941</u> |
| Trade and other receivables | 15 | 7,569 | 6,159 |
| Prepayments | 16 | 310 | 363 |
| Bank deposits | | 26,940 | 34,829 |
| Bank deposits covering the guarantee fund and the margin | | 3,110 | 4,463 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin | 14 | 8,840 | 14,678 |
| Other held-to-maturity financial assets | 14 | 10,511 | 8,609 |
| Cash and cash equivalents | 17 | 28,130 | 27,222 |
| Other assets | | <u>46</u> | <u>32</u> |
| Total current assets | | <u>85,456</u> | <u>96,355</u> |
| Total assets | | <u>154,251</u> | <u>150,296</u> |
| Equity | | | |
| Share capital | 22 | 76,742 | 76,742 |
| Legal reserve | 22 | 7,882 | 7,053 |
| Revaluation reserve | 22 | 2,811 | 2,811 |
| Fair value reserve | 22 | (27) | (67) |
| Retained earnings | 22 | <u>13,212</u> | <u>9,403</u> |
| Total equity attributable to the owners of the Company | | <u>100,620</u> | <u>95,942</u> |
| Non-controlling interests | | <u>12,989</u> | <u>12,582</u> |
| Total shareholders' equity | | <u>113,609</u> | <u>108,524</u> |

The explanatory notes to the financial consolidated statements on pages 8 to 85 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2014***(thousand RON)*

| | Note | 31 December 2014 | 31 December 2013 |
|--|-------------|-------------------------|-------------------------|
| Payables | | | |
| Trade and other payables | 18 | 19,480 | 15,179 |
| Prepaid revenues | 19 | 821 | 805 |
| Current corporate income tax liabilities | | 558 | 1,004 |
| Provisions | 20 | 1,643 | 1,839 |
| Guarantee and clearing funds and settlement operation margin | 21 | <u>18,140</u> | <u>22,945</u> |
| Current liabilities – total | | <u>40,642</u> | <u>41,772</u> |
| Total equity and liabilities | | <u>154,251</u> | <u>150,296</u> |

The consolidated financial statements were approved by the Board of Governors on 28 August 2015 and were signed by:

President,
Lucian Claudiu Anghel

CEO,
Ludwik Leszek Sobolewski

CFO,
Virgil Adrian Stroia

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2013

(thousand RON)

| | <u>Share capital</u> | <u>Retained earnings</u> | <u>Revaluation reserve</u> | <u>Revaluation reserves available-for-sale financial assets</u> | <u>Revaluation reserves</u> | <u>Total attributable to shareholders</u> | <u>Non-controlling interests</u> | <u>Total shareholder equity</u> |
|---|----------------------|--------------------------|----------------------------|---|-----------------------------|---|----------------------------------|---------------------------------|
| Balance as at 1 January 2013 | <u>76,742</u> | <u>10,440</u> | <u>1,637</u> | <u>(289)</u> | <u>6,597</u> | <u>95,127</u> | <u>13,084</u> | <u>108,211</u> |
| Total comprehensive income for the year | | | | | | | | |
| Profit or loss account | - | 7,829 | - | - | - | 7,829 | (343) | 7,486 |
| Other items of comprehensive income | | | | | | | | |
| Reserve from available-for-sale financial assets | - | - | - | 222 | - | 222 | - | 222 |
| Inflation adjustment impact on land – cancellation of the deferred tax impact | - | 184 | - | - | - | 184 | - | 184 |
| Reserve from revaluation of land – net impact | - | - | 1,174 | - | - | 1,174 | - | 1,174 |
| Total items of comprehensive income | <u>-</u> | <u>184</u> | <u>1,174</u> | <u>222</u> | <u>-</u> | <u>1,580</u> | <u>-</u> | <u>1,580</u> |
| Total comprehensive income for the year | <u>-</u> | <u>8,013</u> | <u>1,174</u> | <u>222</u> | <u>-</u> | <u>9,409</u> | <u>(343)</u> | <u>9,066</u> |
| Transactions with shareholders, recognised directly in equity | | | | | | | | |
| Contributions by and distributions to shareholders | | | | | | | | |
| Legal reserve increase | - | (456) | - | - | 456 | - | - | - |
| Dividend paid | <u>-</u> | <u>(8,594)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,594)</u> | <u>-</u> | <u>(8,594)</u> |
| Total contributions by and distributions to shareholders | <u>-</u> | <u>(9,050)</u> | <u>-</u> | <u>-</u> | <u>456</u> | <u>(8,594)</u> | <u>-</u> | <u>(8,594)</u> |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Dividend paid to minority shareholders | - | - | - | - | - | - | (158) | (158) |
| Acquisition of non-controlling interests | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>(1)</u> |
| Total changes in ownership interests in subsidiaries that do not result in a loss of control | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(159)</u> | <u>(159)</u> |
| Total transactions with shareholders | <u>-</u> | <u>(9,050)</u> | <u>-</u> | <u>-</u> | <u>456</u> | <u>(8,594)</u> | <u>(159)</u> | <u>(8,753)</u> |
| Balance at 31 December 2013 | <u>76,742</u> | <u>9,403</u> | <u>2,811</u> | <u>(67)</u> | <u>7,053</u> | <u>95,942</u> | <u>12,582</u> | <u>108,524</u> |

The explanatory notes to the financial consolidated statements on pages 8 to 85 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014

(thousand RON)

| | <u>Share capital</u> | <u>Retained earnings</u> | <u>Revaluation reserve</u> | <u>Revaluation reserves available-for-sale financial assets</u> | <u>Revaluation reserves</u> | <u>Total attributable to shareholders</u> | <u>Non-controlling interests</u> | <u>Total shareholder s' equity</u> |
|---|----------------------|--------------------------|----------------------------|---|-----------------------------|---|----------------------------------|------------------------------------|
| Balance at 1 January 2014 | <u>76,742</u> | <u>9,403</u> | <u>2,811</u> | <u>(67)</u> | <u>7,053</u> | <u>95,942</u> | <u>12,582</u> | <u>108,524</u> |
| Total comprehensive income for the year | | | | | | | | |
| Profit or loss account | - | 13,676 | - | - | - | 13,676 | 407 | 14,083 |
| Other items of comprehensive income | | | | | | | | |
| Reserve from available-for-sale financial assets | - | - | - | 40 | - | 40 | - | 40 |
| Inflation adjustment impact on land – cancellation of the deferred tax impact | - | - | - | - | - | - | - | - |
| Reserve from revaluation of land – net impact | - | - | - | - | - | - | - | - |
| Other reserves | - | (2) | - | - | - | (2) | - | (2) |
| Total items of comprehensive income | <u>-</u> | <u>(2)</u> | <u>-</u> | <u>40</u> | <u>-</u> | <u>38</u> | <u>-</u> | <u>38</u> |
| Total comprehensive income for the year | <u>-</u> | <u>13,674</u> | <u>-</u> | <u>40</u> | <u>-</u> | <u>13,714</u> | <u>407</u> | <u>14,121</u> |
| Transactions with shareholders, recognised directly in equity | | | | | | | | |
| Contributions by and distributions to shareholders | | | | | | | | |
| Legal reserve increase | - | (829) | - | - | 829 | - | - | - |
| Dividend paid | <u>-</u> | <u>(9,036)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,036)</u> | <u>-</u> | <u>(9,036)</u> |
| Total contributions by and distributions to shareholders | <u>-</u> | <u>(9,865)</u> | <u>-</u> | <u>-</u> | <u>829</u> | <u>(9,036)</u> | <u>-</u> | <u>(9,036)</u> |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Dividend paid to minority shareholders | - | - | - | - | - | - | - | - |
| Acquisition of non-controlling interests | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total changes in ownership interests in subsidiaries that do not result in a loss of control | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total transactions with shareholders | <u>-</u> | <u>(9,865)</u> | <u>-</u> | <u>-</u> | <u>829</u> | <u>(9,036)</u> | <u>-</u> | <u>(9,036)</u> |
| Balance at 31 December 2014 | <u>76,742</u> | <u>13,212</u> | <u>2,811</u> | <u>(27)</u> | <u>7,882</u> | <u>100,620</u> | <u>12,989</u> | <u>113,609</u> |

The explanatory notes to the financial consolidated statements on pages 8 to 85 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

| | <u>Note</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 14,083 | 7,486 |
| Adjustment to remove non-cash items and re-classifications: | | | |
| Depreciation of fixed assets | 8 | 1,035 | 1,003 |
| Interest income | 9 | (3,793) | (4,617) |
| Expenses with amortization of costs related to government bonds purchase | 9 | 378 | 55 |
| Net income from interests related to assets covering the guarantee and clearing funds and the margin | 9 | (734) | (986) |
| Loss from impairment of uncollected receivables | 8 | 320 | 274 |
| Revenue from provision reversal - land | 8 | - | - |
| Expense from litigations provision | 8 | (196) | 1,517 |
| Net expenses with receivables adjustment | 8 | (109) | 707 |
| Corporate income tax expense | 10 | 2,660 | 1,979 |
| Others | | <u>(55)</u> | <u>(72)</u> |
| Net cash from operating activities before changes in working capital | | <u>13,589</u> | <u>7,346</u> |
| Changes in working capital: | | | |
| Change in trade and other receivables | | (1,636) | (3,220) |
| Change in prepaid expenses | 16 | 53 | (168) |
| Change in trade and other payables | | 4,193 | 4,233 |
| Change in prepaid revenues | 19 | 16 | (40) |
| Change in the guarantee and clearing funds and the margin | 21 | (4,805) | (1,226) |
| Corporate income tax paid | | <u>(3,085)</u> | <u>(910)</u> |
| Net cash from operating activities | | <u>8,325</u> | <u>6,015</u> |
| Cash flows from investing activities | | | |
| Interest received | | 3,723 | 6,030 |
| Interest received from assets covering the guarantee and clearing funds and margin | | 318 | 1,030 |
| Purchases of other held-to-maturity financial assets | 14 | (58,813) | (91,016) |
| Revenues from sales of held-to-maturity financial assets | 14 | 49,782 | 70,453 |
| Change of deposits balance | 14 | 9,197 | 15,230 |
| Dividends received | | 57 | 31 |
| Purchases of tangible and intangible fixed assets | 11.12 | (2,292) | (1,069) |
| Purchases of other financial assets | 6 | <u>7</u> | <u>(12)</u> |
| Net cash from investing activities | | <u>1,979</u> | <u>677</u> |

The explanatory notes to the financial consolidated statements on pages 8 to 85 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)

Cash flows from financing activities

| | | | |
|---|--|-----------------------|-----------------------|
| Dividends paid | | (8,928) | (8,769) |
| Dividends paid to ordinary shareholders | | <u>-</u> | <u>(158)</u> |
| Net cash generated by financing activities | | <u>(8,928)</u> | <u>(8,927)</u> |

Total cash flows

| | | | |
|--|--|--------------|----------------|
| | | <u>1,376</u> | <u>(2,235)</u> |
|--|--|--------------|----------------|

| | | | |
|--|----|--------|---------|
| Cash and cash equivalents at the beginning of the financial year | 17 | 18,875 | 21,313 |
| Cash and cash equivalents at the end of the financial year | 17 | 20,251 | 19,078 |
| Net (decrease)/increase of cash and cash equivalents | | 1,376 | (2,235) |

The explanatory notes to the financial consolidated statements on pages 8 to 85 are an integral part of these consolidated financial statements.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

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 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 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 "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.

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 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".

The consolidated statements of the Company for the year ended 31 December 2014 comprise the financial information of the Company and its subsidiaries (hereinafter referred to as the "Group").

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**1.REPORTING ENTITY (CONTINUED)**

The following entities are subsidiaries of BVB:

| <u>Subsidiary</u> | <u>Line of business</u> | <u>Percentage of ownership at 31 December 2014</u> | <u>Percentage of ownership at 31 December 2013</u> |
|--|--|---|---|
| Depozitarul Central SA | Clearing / settlement operations for transactions with securities carried out on the Bucharest Stock Exchange and keeping the register of shareholders | 69.0420% | 69.0420% |
| 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 | 62.4500% | 62.4500% |
| Casa de Compensare Bucuresti SA | Registration, guarantee, clearing and settlement of derivative financial instrument transactions carried out on the Bucharest Stock Exchange | 52.5080% | 52.5080% |
| The Corporate Governance Institute | Providing vocational training to the listed companies and the capital market participants, in corporate governance and sustainable development area | 100% | 100% |

The Corporate Governance Institute had on 31 December 2014 a total net assets of 16 thousand RON (31 December 2013: 31 thousand RON) and a net loss for 2014 of 16 thousand RON (2013: 14 thousand RON). This entity was considered to be insignificant by the BVB management for inclusion in the Group's consolidated financial statements.

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") applicable on the annual reporting date for the Group, i.e. 31 December 2014.

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

Differences between statutory financial statements and EU IFRS statements

The Company's accounting records are kept in Ron, according to Romanian Accounting Regulations ("RARs"). Statutory accounts have been revised to reflect the differences between RARs and EU IFRSs .

The most significant changes made to the statutory financial statements are the following:

- grouping several items into more comprehensive categories;
- adjustments of assets and liabilities in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies") because the Romanian economy was a hyperinflationary economy until 31 December 2003;
- adjustments to fair value and impairment of financial instruments in accordance with IAS 39 ("Financial Instruments: Recognition and Measurement");
- recognising the goodwill from acquisitions (IAS 27 "Consolidated and Separate Financial Statements", EU IFRS 3 "Business Combinations");
- setting up provisions for the deferred tax (IAS 12 "Income Taxes"); and
- presentation of required disclosures according to IFRS UE.

2. BASIS OF PREPARATION (CONTINUED)

(b) Bases of measurement

The financial statements have been prepared on the historical or amortised cost basis, except for the available-for-sale financial assets and land which are measured at fair value.

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

(c) Functional and presentation currency

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. All amounts have been rounded to the nearest thousand.

(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 reviewed on an ongoing 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of consolidation

(i) Business combinations

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

The Group assesses the goodwill at fair value of the consideration transferred including the recognised value of the non-controlling interests in the acquired entity minus the recognised net value (fair value) of the identifiable assets acquired and the payables assumed, all measured at the acquisition date.

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

Any contingent payable of the acquired entity is assumed in a business combination only if such a payable represents a current liability resulting from a previous event and its value may be measured in a reliable manner.

The Group assesses non-controlling interests as part owned by minority shareholders in the identifiable net assets of the acquired entity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (ii) *Changes in the parent company's share in subsidiaries without loss of control*
Changes in the parent company's share in a subsidiary that does not result in loss of control must be accounted for as equity transactions. The acquisitions of non-controlling interests are accounted for as transactions with shareholders in their capacity as owners and therefore no goodwill is recognised as a result. The result of these transactions is recognized by the Group in Equity.
- (iii) *Subsidiaries*
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to harmonise with the policies adopted by the Group. List of Group's subsidiaries is given in Note 1.
- (iv) *Transactions eliminated on consolidation*
Intra-group balances and transactions, as well as any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment in the associate entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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-accounting position are prepared, are translated in RON at the exchange rate of that 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 result. 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency differences are recognised in profit or loss, except for the differences arising on the retranslation of the available-for-sale financial instruments included in the reserve resulting from the change in fair value of these financial instruments. The exchange rates of the main foreign currencies are as follows:

| <u>Currency</u> | Spot exchange rate 31 December 2014 | Spot exchange rate 31 December 2013 | Average exchange rate 2014 | Average exchange rate 2013 |
|-----------------|--|--|---------------------------------------|---------------------------------------|
| EUR | 4.4821 | 4.4847 | 4.4446 | 4.4190 |
| USD | 3.6868 | 3.2551 | 3.3492 | 3.3279 |

(c) Going concern

These financial statements are prepared on a going concern basis which assumes that the Group will carry on its activity in the future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.

Bucharest Clearing House SA (“CCB”) recorded a net loss of 382 thousand RON in individual financial statements prepared according to IFRS UE during the year ended as at 31 December 2014 (2013: net loss of 778 thousand RON) and on 31 December 2014 the reported loss was of 1,966 thousand RON. These issues together with the details described in Note 26 indicate the existence of a material uncertainty which may raise significant doubt about the ability of Bucharest Clearing House to continue as a going concern

However, as described in Note 26, management considers the situation and undertakes actions in this regard; based on this management believes that CCB will be able to continue its activity in the foreseeable future and therefore the application of the going concern principle on the financial statements is justified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Accounting for effects of hyperinflation

According to IAS 29 ("Financial Reporting in Hyperinflationary Economies"), the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy should be presented in terms of current purchasing power of that currency on the date on which the consolidated statement of the financial position is prepared, i.e. the non-monetary items are retranslated by applying the general price index on the acquisition or contribution date.

According to IAS 29 an economy is considered hyperinflationary if, among other factors, the accumulated inflation index exceeds 100% over a period of three years. The steady decrease in the inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary affecting the financial periods starting from 1 January 2004. The provisions of IAS 29 were adopted in preparing the financial statements only for those holdings older than 1 January 2004. Amounts expressed in the current measuring unit used at 31 December 2003 are considered as basis for the reported accounting amounts included in these consolidated financial statements and are not measured values, replacement cost or any other measurement of the current value of assets or prices at which transactions would take place at present.

(e) Financial assets and liabilities

Financial assets

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are initially recognised on the trade date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Held-to-maturity financial assets

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

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

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification before maturity of more than an insignificant amount of held-to-maturity investments and that does not occur near their maturity leads to the reclassification of all held-to-maturity investments as available-for-sale assets, and the Group will not be able to classify the investment instruments as held-to-maturity during the current year and the next two financial years.

During its activities, the Group performs also government securities repurchase operations. These involve placements with banks using government securities as collateral from banks. Repurchase securities have fixed maturities and are treated as bank deposits with the same rules for recognition, measurement and derecognition.

(ii) Receivables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Available-for-sale financial assets

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

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

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

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

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") acts 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. Its role is to perform the registration, guarantee, clearing and settlement operations of the financial derivatives transactions concluded on the Bucharest Stock Exchange.

Since the date when the clearing and settlement reports are confirmed, CCB is interposed between clearing members, becoming the counterparty to transactions required to be performed by them on the post-trading platform. The CCB obligations as a central counterparty cease on the daily settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If a clearing member cannot fulfil its obligations, CCB takes over those obligations and fulfils them by replacing the incapacitated party.

In order to provide resources necessary for the proper functioning of derivative financial instruments clearing and settlement mechanism, the participants in the clearing - settlement system (clearing members) set up financial guarantees and make available collaterals in margin accounts in order to guarantee the financial obligations arising from derivative financial instruments transactions developed in the derivative market. For the same purpose, CCB has established the guarantee fund which consists of contributions in cash, securities and letter of bank guarantee for the benefit of CCB filed by each clearing member to cover the flows recorded after liquidation of amounts recorded at clearing members.

The CCB registers in the balance sheet or a payable equal to the financial guarantees and the guarantee fund set up by participants in the clearing and settlement system, along with the registration of the corresponding asset (cash, deposits, securities, etc.). As a result, the assets and payables resulted from the CCB activity, are of similar sizes.

The financial resources from the investment of amounts of margin accounts managed by the Casa de Compensare Bucuresti SA go entirely to the CCB (in the May 2011 – December 2012 period, only 10% of these resources went to the CCB, with the remaining 90% going to clearing members). Therefore, as of 2013, CCB recognises 100% of the interest income from the investment of amounts of margin accounts in profit or loss.

Financial resources from the investment of the guarantee fund administered by the Bucharest Clearing House - namely 90% - are not distributed to the clearing members, but are capitalised and included in the total resources of the guarantee fund and cannot be disposed of by CCB.

The financial resources resulted from the investment of the guarantee fund managed by the Bucharest Clearing House – equivalent to 10% – go to the CCB. Therefore, CCB recognises interest income from the investment of guarantee fund – equivalent to 10% of the financial resources resulting from the investment of the guarantee fund.

The contributions to the guarantee fund of a clearing member, and the not used financial guarantees are given back only after their removal from the Register of the Clearing Members based on the decision of the CCB Board of Directors to withdraw the clearing membership. The capitalised resources from the investment of the guarantee fund are not distributed to the clearing members.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Clearing fund managed by Fondul de Compensare a Investitorilor SA

Fondul de Compensare a Investitorilor SA (Investors Compensation Fund) („FCI” or “the Fund”) aims at providing financial services to the investors in case the intermediaries which provide financial services for an investment management company 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. Income from the investment of the Fund is mentioned as profit or loss and may be used to cover 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the Casa de Compensare Bucuresti SA (Bucharest Clearing House), Fondul de Compensare a Investitorilor SA (the Investors Compensation Fund) and the Depozitarul Central SA (Central Depository) is as follows:

- the current receivables and payables in relation to the participants in the Bucharest Clearing House, 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 residual maturity on balance sheet date; they are recognised initially at fair value and subsequently at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Tangible and intangible fixed assets

Intangible fixed assets

(i) Recognition and measurement

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. Any amortization cumulated on the re-assessment date is removed from the gross carrying amount of the assets, and the net value is restated at the re-assessed value of the asset. All other tangible assets are carried at their historical cost, less cumulated amortization. The historical cost includes expenses directly attributable to the purchase of the respective items.

(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 expense is capitalised 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 since they are performed.

(iii) Tangible asset amortisation

Amortisation is calculated using the straight-line method over the estimated useful life of each tangible asset. Land is not subject to amortisation.

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 IT licenses) that are acquired by the Group and have finite useful lives are measured at cost, less accumulated amortisation and accumulated impairment losses. Development costs, which can be directly attributable to the design and testing of identifiable and single software products controlled by the Company are disclosed as intangible assets when the following criteria are met:

- The technical possibility to complete the software product, in order for it to be available for every use;
- The Management plans to complete the software product and use or sell it;
- The software product can be used or sold;
- The manner in which the software product will generate future economic benefits can be proven;
- Technical, financial and other adequate resources are available in order to complete the development and use or sell the software product;
- The expenses attributable to the software product during its development can be reliably measured.

The directly attributable costs that are capitalized as part of the software product include the costs related to the employees involved in software development and an appropriate part of the relevant general expenses.

Other development expenses that do not fulfill these criteria are disclosed as expenses. The development costs previously disclosed as expenses are not disclosed as assets in a subsequent period.

Computer software development costs disclosed as assets are depreciated during the estimated useful life, which does not exceed 3 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Subsequent expenditure

The expenditure enabling intangible assets to generate future economic benefits beyond the originally forecast performance is added to the original cost thereof. Such expenses are capitalised as intangible assets if not integral part of intangible assets.

(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 useful life of IT programmes and licenses is between 1 and 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Prepaid expenses and revenues

The expenses made and the incomes obtained 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.

(i) Impairment

(i) Financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's initial effective interest rate. Losses are recognised in profit or loss and reflected in a receivables adjustment account. Interest on the impaired asset continues to be recognised through the discount amortisation. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

(ii) Non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are used first of all for reducing the carrying amount of any goodwill allocated to units, as the case may be, and then for reducing the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed in profit or loss. In respect to other assets, impairment losses recognised during prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed in profit or loss if there has been changes in the estimates used to determine the recoverable amount. An impairment loss is reversed in profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of impairment or amortisation, if no impairment loss had been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 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 did not recognize any debt in these financial statements.

(k) Trade and other payables

Commercial liabilities and other liabilities consist in obligations to pay for the goods or services provided by suppliers and other creditors during the normal course of business. Commercial liabilities and other liabilities are classified as current liabilities if the payment is due within no more than one year. Otherwise, they will be presented as long-term liabilities. The commercial liabilities and other liabilities are initially recognized at fair value, and subsequently measured at amortized cost, using the effective interest rate method.

(l) 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 discount amortisation is recognised as financial cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenues

(i) Revenues from services

Revenues from services rendered are recognised in profit or loss for the period during which such services are provided.

The main sources of revenue 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 and derivatives) – revenues are recognised as services are rendered.

(ii) Fees

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of the commission made by the Group.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(o) Net income from interests related to assets covering the guarantee and clearing funds and the margin

During their specific activities, the Company's subsidiaries obtain interest income from the investment of financial resources made available through the guarantee and clearing funds and margin accounts. These are reflected separately in profit or loss.

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.
- The financial resources from the investment of amounts of margin accounts managed by the Casa de Compensare Bucuresti SA go entirely to the CCB (in the May 2011 – December 2012 period, only 10% of these resources went to the CCB, with the remaining 90% going to clearing members). Therefore, as of 2013, CCB recognises 100% of the interest income from the investment of amounts of margin accounts in profit or loss;
- Financial resources from the investment of the guarantee fund managed by the Bucharest Clearing House – namely 90% – are not distributed to clearing members, but are capitalised and included in the total resources of the guarantee fund which are not available to the CCB.
- The financial resources resulted from the investment of the guarantee fund managed by the Bucharest Clearing House – equivalent to 10% – come to the CCB. Therefore, the Group recognises interest income from the investment of guarantee fund – equivalent to 10% of the financial resources resulting from the investment of the guarantee fund.
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current income tax and deferred tax

The tax expenses for the period include the current tax and the deferred tax. Income tax is recognised in the income and expense statement, unless it is related to the items recognised directly in equity or in other comprehensive income. In such a case, the related income is also recognized directly in equity or in other comprehensive income.

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 Company 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. It sets-up provisions where applicable, on the basis of the amounts assessed as payable to the fiscal authorities.

The deferred income tax is recognized for the temporary differences occurring between the fiscal bases of the assets and liabilities, on one hand, and their book values as shown in the consolidated financial statements, on the other. However, deferred tax liabilities are not recognized if resulting from the initial recognition of goodwill; the deferred income tax is not carried if resulting from the initial recognition of an asset or liability from a transaction, other than a business combination, which did not affect neither the profit, nor the accounting and fiscal loss at the time of the transaction. The deferred income tax is determined on the basis of tax rates (and legislation) enacted or substantively enacted before the balance sheet date, which will be implemented in the period within which the deferred tax assets will be utilized, or the deferred tax liabilities paid.

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.

The deferred tax assets and liabilities are offset when there is an applicable legal right to offset current tax assets with current tax liabilities, and when the deferred tax assets and liabilities refer to income taxes charged by the same tax authority to either the same taxable entity, or to different tax entities, when there is an intention to offset balances on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax rate used to calculate current and deferred tax at 31 December 2014 was of 16% (31 December 2013: 16%).

(q) Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to the issuance of new ordinary shares or options are stated in equity as deductions from cash proceeds, net of tax.

(r) 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-company 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.

(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 it reaches 20% of the share capital. When this stage has been reached, the company can make additional allocations of net profit only. Legal reserve is deductible within the limit of 5% applied to the accounting profit before determining the corporate income tax.

(t) 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 statutory accounts, which is different of the profit from these separate financial statements prepared in accordance with IFRSs, due to differences between IFRSs and the Romanian accounting law.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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 Company's Board of Governors.

(v) New accounting regulations

i) New or revised standards and interpretations which are mandatory for the Company's accounting periods, beginning on or after 1 January 2013,

Hyperinflation and Removal of fixed data for entities adopting IFRS for the first time - Amendments to IFRS 1 (issued in December 2010 and effective for the annual periods beginning on or after July 1, 2011, inclusive; applicable to EU IFRS beginning with 1 January 2013). The amendment had no impact on the Company's financial statements.

Recovery of underlying assets - Amendments to IAS 12 (issued in December 2010 and effective for the annual periods beginning on or after 1 January 2013; applicable to EU IFRS from 1 January 2013). The amendment had no impact on the Company's financial statements.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for the annual periods beginning on or after January 1, 2013, inclusive; applicable to EU IFRS from 1 January 2013). The standard resulted in additional presentations in these financial statements (Note 5).

Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, effective for the annual periods beginning on or after July 1, 2012, inclusive; applicable to EU IFRS from 1 January 2013), the changes in the presentation of items included in other items of the comprehensive income. The amendments require entities to separate the items presented in other items of comprehensive income into two groups, depending on whether or not they can be

reclassified to profit or loss in the future. The title suggested used by IAS 1 has been changed from “profit or loss account in the comprehensive income”. The amendment did not have a significant effect on these financial statements.

IAS 19 amended, Employee Benefits (issued in June 2011, effective for the annual periods beginning on or after 1 January 2013, inclusive; applicable to EU IFRS from 1 January 2013), brings significant changes in recognition and assessment of pension benefit expenses and termination benefits, as well as in the information to be provided for all employee benefits. The standard requires recognition of all changes in the net obligation (receivable) on the benefits determined when they occur, as follows: (i) the service cost and net interest in profit or loss; and (ii) revaluations in other comprehensive income items. The amendment did not have a significant effect on these financial statements.

IFRIC 20, Stripping costs in the production phase of a surface mine (issued in October 2011 and effective for the annual periods beginning on or after January 1, 2013, inclusive; applicable to EU IFRS from 1 January 2013). The interpretation specifies that benefits from the stripping activity are accounted in accordance with the principles of IAS 2, Inventories, insofar as they are made in the form of stock products. To the extent in which the benefits represent the improved access to the ore, the entity must recognize those costs as “stripping activity asset” within fixed assets, subject to certain criteria. The amendment did not have a significant effect on these financial statements.

Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for the annual periods beginning on or after 1 January 2013, including applicable to the EU IFRS from 1 January 2013).

The amendment stipulates the provision of information which will allow users of financial statements within an entity to assess the effect or the potential effect of the offsetting commitments, including the offsetting rights. The amendment did not have a significant effect on these financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government loans. The amendments, which treat state loans with a discounted interest rate, grant the entities adopting IFRS for the first time an exemption from the full retrospective application of IFRS, when they account these loans in transition. The same exemption will be applied both to the entities adopting IFRS for the first time and to those already applying these standards. The amendment did not have a significant effect on these financial statements.

- ii) ***New or revised standards and interpretations which are mandatory for the Company's accounting periods beginning on and after 1 January 2014, but which have not been previously applied by the Company.***

Recoverable amount disclosures of non-financial assets – Amendments to IAS 36 (issued on 29 May 2013 and applicable for annual periods subsequent to 1 January 2014, previous application allowed if IFRS 13 is applied for the same comparable accounting period). The amendment excluded the requirement to present the recoverable amount where CGU contains goodwill or intangible assets with an indefinite useful life, but no provision for loss of value has been set up. This amendment had no impact on the Company's financial statements.

IFRS 10, Consolidated financial statements (issued in May 2011 and effective for the annual periods beginning on or after 1 January 2013; applicable to EU IFRS from 1 January 2014).

The amendment had no impact on the Company's financial statements.

IFRS 11, Joint arrangements (issued in May 2011 and effective for the annual periods beginning on or after 1 January 2013; applicable to EU IFRS from 1 January 2014) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities-Non-Monetary Contributions by Venturers".

The amendment had no impact on the Company's financial statements.

IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011 and effective for the annual periods beginning on or after 1 January 2013; applicable to EU IFRS from 1 January 2014).

The amendment had no impact on the Company's financial statements.

IAS 27, Separate Financial Statements (revised in May 2011 and effective for the annual periods beginning on or after 1 January 2013, inclusive;

applicable to EU IFRS from 1 January 2014), was modified and its purpose now is to prescribe the accounting and presentation dispositions for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

Recommendations referring to control and consolidated financial statements have been replaced by IFRS 10, Consolidated Financial Statements.

The amendments had no significant impact on the Company's financial statements.

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for the annual periods beginning on or after 1 January 2013, inclusive; applicable to EU IFRS from 1 January 2014). The amendment to IAS

28 resulted from the IASB project on joint ventures. When debating this project, the

Council decided to include the accounting of joint ventures on the basis of the equity method in IAS 28, as this method applies to both joint ventures and associated entities. Besides this exception, the recommendations remain unchanged. The amendments had no significant impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (issued on 31 October 2012 and applicable from 1 January 2014). The amendments had no significant impact on the Company's financial statements.

Transitional provisions, amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and applicable from 1 January 2013; applicable for EU IFRS from 1 January 2014). The amendments had no significant impact on the Company's financial statements.

Novation of derivatives and continuation of hedge accounting - Amendments to IAS 39 (issued on 27 June 2013 and in force for annual periods, starting on 1 January 2014). The amendments will allow the hedge accounting to continue in the case of the novation of a derivative that was appointed as a hedging instrument (i.e. the parties agreed to replace the original counterparty with a new one) in order to compensate with a central counterparty, as a result of the legal provisions, if certain conditions are met. The amendments had no significant impact on the Company's financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for the annual periods beginning on or after 1 January 2014, inclusive; applicable to EU IFRS from 1 January 2014). The amendment added recommendations on implementing IAS 32 in order to correct the inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of the expression “currently has a legally enforceable right of set-off” and the fact that some gross offsetting systems may be considered equivalent to net offsetting.

The amendments had no significant impact on the Company's financial statements.

iii) ***IASB standards or interpretations in force for the years stating on or after 1 January 2015*** and adopted by the European Union
IFRIC 21 - Levies (issued on 20 May 2013 and in force for annual periods, starting on 1 January 2014).

Employees' benefits - Amendments to IAS 19 (issued in November 2013 and applicable for annual periods after 1 July 2014; applicable for IFRS EU starting on 1 January 2016). The amendment allows companies to deduct employee contributions as costs from the period in which they are paid, instead of carrying them for the period when the services are rendered. This amendment does not apply where the amount is independent from the number of employment years. It is estimated that the amendment will have no significant impact on the Company's financial statements.

Improvements to the International Financial Reporting Standards 2012 (issued in December 2013 and applicable starting 1 January 2013; applicable starting 1 July 2014; applicable for the European Union starting 1 January 2016). The amendments consist of changes made to seven standards. It is estimated that the amendments will have no significant impact on the Company's financial statements.

- **IFRS 2** was amended in order to clarify the definition of the “vesting condition” and to distinctly define “the performance condition” and “the service condition”. The amendment enters into force for payment transactions based on actions for which the granting date is on or after 1 July 2014.
- **IFRS 3-** IFRS 3 Amendments apply to business combinations if the purchase date is on or after 1 July 2014.
- **IFRS 8** was amended in order to impose (1) de presentation of the management decisions in the aggregation of operating segments, including a description of the segments that were aggregated and the economic indicators measured in determining that the cumulated segments have similar economic characteristics and (2) a reconciliation of assets in the asset segment of an entity, when the segment assets are reported.
- **The Basis for Conclusions for IFRS 13** was amended in order to clarify the fact that the elimination of certain paragraphs of IAS 39 when the IFRS 13 was published was not intended to eliminate the possibility of measuring receivables and short-term liabilities based on the invoice value if the impact of the update is insignificant.
- **IAS 16 and IAS 38** were amended in order to clarify the manner in which the gross carrying amount and accumulated depreciation are treated if an entity uses the revaluation model.

IAS 24 was amended in order to include, as an affiliate, an entity which provides key management personnel services of the reporting entity or the parent company of the reporting entity (“the management entity”), and to require the disclosure of the amounts charged by the management entity for the services provided.

Improvements to the International Financial Reporting Standards 2013 (issued in December 2013 and applicable for the years starting 1 July 2014; applicable for the IFRS EU starting 1 January 2015). The amendments consist in changes brought to four standards. It is estimated that the amendments will have no significant impact on the Company's financial statements.

- **The Basis for Conclusions for IFRS 1** is amended, in order to clarify the fact that, if a new version of a standard is not yet compulsory, but is available for early adoption, an entity adopting for the first time may use either the old or the new version, on condition that the standard be used in all the periods disclosed.
- **IFRS 3** was amended in order to clarify the fact that it does not apply to accounting for the creation of any joint-venture in compliance with IFRS 11. The amendment also clarifies the

fact that the exception applies only in the financial statements of the joint-venture entity itself.

- The change of IFRS 13 clarifies the fact that the portfolio exception in IFRS, allowing an entity to measure the fair value of a group of financial assets and the financial debts on a net basis, applies to all the agreements (including the agreements for the purchase or sale of assets or non-financial debts) under UAS 39 or IFRS 9.

IFRS 40 was amended in order to clarify the fact that IAS 40 and IFRS 3 are not mutually exclusive.

Improvements to the International Financial Reporting Standards 2013 (issued in December 2013 and applicable for the years starting 1 July 2014; no adopted by the European Union).

- **IFRS 14**, Regulatory deferral accounts (issued in January 2014 and valid for the years starting on or after 1 January 2016).
- **Accounting for Acquisitions of Interests in Joint Operations** - Amendments to IFRS 11 (issued on 6 May 2014 and applicable for periods starting on or after 1 January 2016). This amendment adds new directions concerning the accounting of the purchase if an interest in a joint-venture which constitutes a business.
- **IFRS 9 “Financial Instruments: Classification and Measurement”**, (see note 4(c)) (published in July 2014 and valid for the years starting on or after 1 January 2018). The main features of the new standard are the following:

Financial assets should be classified in three measurement categories: the ones to be measured subsequently at the amortized cost, the ones to be measured subsequently at the fair value through other items of the comprehensive income (FVOCI) and the ones to be measured subsequently at the fair value through profit or loss (FVPL)

- The classification for receivables is led by the business model of the entity managing the financial assets and if the contractual cash flows represent only payment of principal and interest (SPPI) Debt instruments are held to be collected, may be disclosed at amortized cost if they too fulfill the SPPI requirement. Debt instruments that fulfill the SPPI requirement, held in its portfolio by an entity both for the collection of cash flows of assets and for the sale of assets can be classified as FVOCI. The financial assets that do not contain cash flows which are SPPI should be measured at FVPL (for instance derivatives). Integrated derivatives are no longer separated from financial assets but they will be included in the measurement of the SPPI status.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable choice to disclose the changes in the fair values in other items of the comprehensive income, on condition that the instrument should not be held for trading. If an equity instrument is held for trading, the changes in the fair value are disclosed in the profit and loss account.

- Most of the IAS 39 requirements for the classification and measurement of financial liabilities were included in IFRS 9 without any changes. The key change is that an entity will be required to disclose the effects of the changes in the own credit risk of the financial liabilities disclosed at fair value through the profit and loss account in the comprehensive income items.
- IFRS 9 introduces a new model for the disclosure of impairment losses - the estimated credit loss (ECL) model. There is a “three-step” approach based on the change in the quality of the financial asset loan from the initial disclosure. In practice, the new rules mean that entities will have to enter an immediate loss equal to the loss estimated for the next 12 months from the initial disclosure of financial assets that are not impaired (or the estimated loss during the lifetime of trade receivables If the credit risk increased significantly, the impairment is measured using the estimated loss during the lifetime, as compared to the estimated loss for the next 12 months The model includes operational simplifications for leasing and trade receivables.
- Hedge accounting requirements were changed for a more strict alignment of accounting with risk management. The standard provides entities with an accounting policy choice between the application of the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 for all the hedges, since the current standards does not approach macro hedge accounting.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, applicable for annual periods subsequent to 1 January 2017; not yet enacted in the European Union).

The standard introduces the basic revenue recognition principle in cases where goods or services are transferred to the customer at the transfer price. Any combined severable goods must be recognized separately, and any reduction of the contract price must be allocated separately. Where the price varies, minimum values must be recognized, as long as they are not subject to a significant reversal risk. The costs for the securitization of customer contracts must be capitalized and depreciated for the lucrative period of the contract. The Company is assessing the impact of this standard.

- ***Clarification of Acceptable Methods of Depreciation and Amortisation-*** Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and applicable for periods starting on or after 1 January 2016).
- ***IAS 15, Revenue from Contracts with Customers*** (issued on 28 May 2014 and applicable for periods starting on or after 1 January 2017).
- ***Equity Method in Separate Financial Statements - Amendments to IAS 27*** (issued on 12 August 2014 and in force for annual periods, starting on 1 January 2016).
- ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 29*** (issued on 11 September 2014 and applicable for annual periods starting on or after 1 January 2016).

Annual Improvements to the 2014 IFRS (issued on 25 September 2014 and valid for the years starting on or after 1 January 2016). The amendments affect four standards.

- **IFRS 5** was amended in order to clarify the fact that the change in the removal manner (reclassification from “held for sale” to “held for distribution” or vice-versa does not constitute a change to a sales plan and should not be accounted as such.
- **The change in IFRS 7** adds new instructions to help management determine whether the terms of an agreement for the collection of a transferred financial asset constitutes a continuing involvement, within the meaning of the disclosure required by IFRS 7. The Amendment to IAS 19 clarifies the fact that, for the post-employment benefits, the decisions concerning the discount rate existing on the active market for high-quality corporate bonds or state bonds used as a basis, should be based on the currency of the obligations and not depending on the country where the obligation is valid.

Disclosure changes in IAS 1 (issued in December 2014 and valid for annual periods starting on or after 1 January 2016). The standard was amended in order to clarify the concept of materiality and it explains that an entity does not have to provide specific disclosure required by an IFRS if the information resulting from such a disclosure is not material, even though IFRS comprises a list of specific requirements or describes them as minimal requirements. The standard also includes new approaches for subtotals in financial statements. These subtotals (a) should consist of lines representing amounts disclosed and measured in compliance with IFRS; (b) should be disclosed and labeled in a way that makes the lines forming the subtotal clear and easy to understand ; (c) should be consistent from one period to another and (d) should not be presented more prominently than the subtotals and totals required by the IFRS standards.

Investment entities: Application of the exception amendment concerning the consolidation to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and valid for annual periods starting on or after 1 January 2016).

4. FAIR VALUE MEASUREMENT

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 identical assets and liabilities.
- Level 2: Measurement techniques based on observable market data. This category includes instruments measured using: 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 payables together with the carrying amounts included in the statement of financial position are as follows:

| | 31 December 2014 | | 31 December 2013 | |
|--|------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying amount</u> | <u>Fair value</u> | <u>Carrying amount</u> | <u>Fair value</u> |
| Assets carried at fair value | | | | |
| Available-for-sale financial assets | 1,391 | 1,391 | 1,358 | 1,358 |
| Assets carried at amortised cost | | | | |
| Other held-to-maturity financial assets with a maturity longer than one year | 48,866 | 51,140 | 40,604 | 40,604 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin, with a maturity longer than one year | 11,513 | 11,513 | 6,189 | 6,189 |
| Bank deposits | 26,940 | 26,940 | 34,829 | 34,829 |
| Bank deposits covering the guarantee and clearing fund and the margin | 3,110 | 3,110 | 4,463 | 4,463 |
| Financial receivables | 7,569 | 7,569 | 4,161 | 4,161 |
| Other held-to-maturity financial assets with a maturity under one year | 10,511 | 10,511 | 8,609 | 8,609 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin, with a maturity longer than one year | 8,840 | 9,023 | 14,678 | 14,678 |
| Cash and cash equivalents | <u>28,130</u> | <u>28,130</u> | <u>27,222</u> | <u>27,222</u> |
| Total assets carried at amortized cost | <u>145,479</u> | <u>147,936</u> | <u>140,755</u> | <u>140,755</u> |
| Liabilities carried at amortized cost | | | | |
| Guarantee and clearing funds and margin | 18,140 | 18,140 | 22,945 | 22,945 |
| Dividends to be distributed on behalf of customers | 7,880 | 7,880 | 8,143 | 8,143 |
| Financial liabilities | <u>8,415</u> | <u>8,415</u> | <u>1,037</u> | <u>1,037</u> |
| Total payables | <u>34,435</u> | <u>34,435</u> | <u>32,125</u> | <u>32,125</u> |

All available-for-sale financial instruments representing shares quoted on different markets, amounting to 1,391 thousand RON (31 December 2013: 1,358 thousand RON) are classified at Level 1: quoted prices in active markets.

Held-to-maturity financial assets representing government bonds are classified at Level 1: quoted prices in active markets. Government bonds denominated in USD, EUR and RON, classified as held-to-maturity financial assets with a maturity longer than one year, have been purchased from the secondary banking market, and we believe their fair value is approximately equal to their carrying value.

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 investors' protection;
- c. principle of promoting the 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 of banks in which the Group has cash and deposits at the end of financial reporting periods:

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

| | <u>31 December 2014</u> | <u>31 December 2013</u> | <u>Rating agency</u> |
|--|--------------------------------|--------------------------------|-----------------------------|
| BRD - Groupe Societe Generale S.A. | BBB+ | BBB+ | Fitch Ratings |
| Banca Transilvania S.A. | BB- | BB- | Fitch Ratings |
| ING Bank NV, sucursala Bucuresti | A | A+ | Fitch Ratings |
| RBS BANK (ROMANIA) S.A. | A- | A- | Standard & Poor's |
| PIRAEUS BANK ROMANIA S.A. | B- | B- | Fitch Ratings |
| RAIFFEISEN BANK S.A. | Ba1 | Ba1 | Moody's |
| Banca Comerciala Romana S.A. | BBB+ | BBB+ | Fitch Ratings |
| Bancpost S.A. | B- | B- | Fitch Ratings |
| Credit Europe Bank (Romania) S.A. | BB- | BB- | Fitch Ratings |
| ALPHA BANK ROMANIA S.A. | B- | B- | Fitch Ratings |
| VOLKSBANK ROMANIA S.A. | B2 | Baa3 | Moody's |
| UniCredit Tiriac Bank S.A. | BBB | BBB | Fitch Ratings |
| Credit Agricole Bank Romania S.A. | A2 | A2 | Moody's |
| Citibank Europe Plc, Sucursala Bucuresti | A3 | A3 | Moody's |

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 as follows:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|--|--------------------------------|--------------------------------|
| Other held-to-maturity financial assets with a maturity longer than one year | 48,866 | 40,604 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin | 11,513 | 6,189 |
| Available-for-sale financial assets – long term | 1,391 | 1,358 |
| Bank deposits | 26,940 | 34,829 |
| Bank deposits covering the guarantee and clearing funds and the margin | 3,110 | 4,463 |
| Financial receivables | 7,569 | 4,161 |
| Other held-to-maturity financial assets with a maturity less than one year | 10,511 | 8,609 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin, with a maturity less than one year | 8,840 | 14,678 |
| Cash and cash equivalents | <u>28,130</u> | <u>27,222</u> |
| Total | <u>146,870</u> | <u>142,113</u> |

The Group monitors credit risk exposure by analyzing the age of liabilities it owns, as reflected in the table below:

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Financial receivables | | Held-to-maturity financial assets | | Cash and cash equivalents | | Available-for-sale financial assets | | Bank deposits | |
|---|-----------------------|--------------|-----------------------------------|---------------|---------------------------|---------------|-------------------------------------|--------------|---------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Individually impaired | | | | | | | | | | |
| Significant risk | 648 | 1,793 | - | - | - | - | - | - | - | - |
| Gross value | 648 | 1,793 | - | - | - | - | - | - | - | - |
| Adjustment for impairment | 648 | 1,793 | - | - | - | - | - | - | - | - |
| Net amount | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Outstanding, individually non-impaired | | | | | | | | | | |
| Outstanding less than 90 days | - | 1,470 | - | - | - | - | - | - | - | - |
| Outstanding from 90 to 180 days | 15 | 144 | - | - | - | - | - | - | - | - |
| Outstanding from 180 to 360 days | 1,070 | 161 | - | - | - | - | - | - | - | - |
| Gross value | 1,085 | 1,775 | - | - | - | - | - | - | - | - |
| Adjustment for impairment | 1,085 | 49 | - | - | - | - | - | - | - | - |
| Net amount | <u>-</u> | <u>1,726</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Current, non-impaired | | | | | | | | | | |
| Without a significant risk | 7,569 | 2,435 | 79,730 | 70,080 | 28,130 | 27,222 | 1,391 | 1,358 | 30,050 | 39,292 |
| Gross value | 7,569 | 2,435 | 79,730 | 70,080 | 28,130 | 27,222 | 1,391 | 1,358 | 30,050 | 39,292 |
| Adjustment for impairment | - | - | - | - | - | - | - | - | - | - |
| Net amount | <u>7,569</u> | <u>2,435</u> | <u>79,730</u> | <u>70,080</u> | <u>28,130</u> | <u>27,222</u> | <u>1,391</u> | <u>1,358</u> | <u>30,050</u> | <u>39,292</u> |
| Total gross amount | <u>9,302</u> | <u>6,003</u> | <u>79,730</u> | <u>70,080</u> | <u>28,130</u> | <u>27,222</u> | <u>1,391</u> | <u>1,358</u> | <u>30,050</u> | <u>39,292</u> |
| Total net amount | <u>7,569</u> | <u>4,161</u> | <u>79,730</u> | <u>70,080</u> | <u>28,130</u> | <u>27,222</u> | <u>1,391</u> | <u>1,358</u> | <u>30,050</u> | <u>39,292</u> |

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Casa de Compensare Bucuresti SA

Casa de Compensare Bucuresti SA acts as a central counterparty for all clearing members admitted in the system. The CCB role is to perform the registration, guarantee, clearing and settlement operations of the financial derivative transactions concluded on the derivative market at the Bucharest Stock Exchange.

Since the date when the clearing and settlement reports are confirmed, CCB is interposed between clearing members, becoming the counterparty to transactions required to be performed by them on the post-trading platform. The CCB obligations as a central counterparty cease on the daily/final settlement.

The clearing members participate together with their contributions to the guarantee fund in case the guarantee fund's resources corresponding to one or more clearing members are not covering.

The guarantee fund may be used if the collateral and other financial guarantees deposited by the clearing members in a default situation are not sufficient to cover the debts arising after the liquidation of the open positions of those members.

The order of execution of the guarantee fund is as follows:

- a) individual contribution (initial, annual and special) of the clearing member that is in default situation;
- b) other reserve funds available to CCB;
- c) financial resources from the CCB receivable liquidation related to the guarantee fund;
- d) financial resources from the investment of the guarantee fund;
- e) contributions of other clearing members (initial, annual and special);
- f) short-term loans contracted by the CCB if the guarantee fund's resources are not sufficient.

If the guarantee fund's resources available are not sufficient to fully cover the CCB actual obligations, the Board of Directors may decide on the contracting of short-term loans. The expenses resulting from the contracted loans of CCB shall be assigned to the clearing member that established the use of the guarantee fund's resources.

On 31 December 2014, the fair value of derivative settlement agreements for which CCB acts as central counterparty, being both creditor and debtor party in relation to the clearing members, was of zero RON, without ongoing contracts, i.e. open positions (31 December 2013: RON 0).

Since its establishment until now, CCB has not recorded any event likely to generate the use of guarantee fund.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fondul de Compensare a Investitorilor (Investors Compensation Fund)

Fondul de Compensare a Investitorilor SA 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.

Since its establishment until now, the Fund has recorded events likely to generate the payment of compensations (see Note 25(b)).

Depozitarul Central SA

Depozitarul Central SA 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.

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2014, the value of transactions having as trading date the end of the year 2014 and paid during 2015, was of 116,052 thousand RON (31 December 2013: there were transactions amounting to 68,691 thousand RON at the end of 2013 and paid in 2014).

(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 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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| 31 December 2014 | Carrying amount | Contractual cash flows | Less than 6 months | 6-12 months |
|--|----------------------------|-----------------------------------|-------------------------------|------------------------|
| Non-derivative financial liabilities | | | | |
| Guarantee and clearing funds and margin | 18,140 | 18,140 | 17,105 | 1,035 |
| Financial liabilities | 8,415 | 8,415 | 8,415 | - |
| Dividends to be distributed on behalf of customers | <u>7,880</u> | <u>7,880</u> | <u>7,880</u> | <u>-</u> |
| Total | <u>34,435</u> | <u>34,435</u> | <u>33,400</u> | <u>1,035</u> |
| | | | | |
| 31 December 2013 | Carrying amount | Contractual cash flows | Less than 6 months | 6-12 months |
| Non-derivative financial liabilities | | | | |
| Guarantee and clearing funds and margin | 22,945 | 22,945 | 21,659 | 1,286 |
| Financial liabilities | 1,037 | 1,037 | 1,037 | - |
| Dividends to be distributed on behalf of customers | <u>8,143</u> | <u>8,143</u> | <u>8,143</u> | <u>-</u> |
| Total | <u>32,125</u> | <u>32,125</u> | <u>30,839</u> | <u>1,286</u> |

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 (thousands):

| 31 December 2014 | <u>EUR</u> | <u>USD</u> | <u>RON</u> | <u>Total</u> |
|---|----------------------|----------------------|-----------------------|-----------------------|
| Financial assets | | | | |
| Financial receivables | 391 | 2 | 7,176 | 7,569 |
| Securities (government securities, bank deposits, cash and cash equivalents)* | | | | |
| | 17,432 | 12,523 | 107,955 | 137,910 |
| Total financial assets | <u>17,823</u> | <u>12,525</u> | <u>115,131</u> | <u>145,479</u> |
| Financial liabilities | | | | |
| Guarantee and clearing funds and margin | | | | |
| | - | - | 18,140 | 18,140 |
| Financial liabilities | 170 | 20 | 8,225 | 8,415 |
| Dividends to be distributed on behalf of customers | - | - | 7,880 | 7,880 |
| Total financial payables | <u>170</u> | <u>20</u> | <u>34,245</u> | <u>34,435</u> |
| Net financial assets/liabilities | <u>17,653</u> | <u>12,505</u> | <u>80,886</u> | <u>111,044</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

| 31 December 2013 | <u>EUR</u> | <u>USD</u> | <u>RON</u> | <u>Total</u> |
|---|----------------------|----------------------|-----------------------|-----------------------|
| Financial assets | | | | |
| Financial receivables | 418 | 1 | 3,742 | 4,161 |
| Securities (government securities, bank deposits, cash and cash equivalents)* | | | | |
| | 16,920 | 10,940 | 108,734 | 136,594 |
| Total financial assets | <u>17,338</u> | <u>10,941</u> | <u>112,476</u> | <u>140,755</u> |
| Financial liabilities | | | | |
| Guarantee and clearing funds and margin | - | - | 22,945 | 22,945 |
| Financial liabilities | 144 | - | 893 | 1,037 |
| Dividends to be distributed on behalf of customers | - | - | 8,143 | 8,143 |
| Total financial payables | <u>144</u> | <u>-</u> | <u>31,981</u> | <u>32,125</u> |
| Net financial assets | <u>17,194</u> | <u>10,941</u> | <u>80,495</u> | <u>108,630</u> |

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A depreciation of the RON on 31 December 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, especially interest rates, remain constant.

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|-------------------------------------|--------------------------------|--------------------------------|
| RON depreciation by 10% against EUR | 1,765 | 1,719 |
| RON depreciation by 10% against USD | <u>1,250</u> | <u>1,094</u> |
| Total | <u>3,015</u> | <u>2,813</u> |

An appreciation of the RON on December 31 against other currencies would have had an opposite effect on the amounts shown above, assuming that all other variables remain constant.

Exposure to interest rate risk

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

(e) Operational risk

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(f) Capital management

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

The Group's debts-equity ratio at the end of the reporting date was as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------|----------------|-----------------|
| Total payables | 40,642 | 41,772 |
| Cash and cash equivalents | 28,130 | <u>(27,222)</u> |
| Net debt | <u>12,512</u> | <u>14,550</u> |
| Total equity | <u>113,609</u> | <u>108,524</u> |
| Gearing ratio | 11% | 13% |

(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 investors' confidence, led to a joint effort of governments and central banks to adopt special measures to counter the vicious circle of increasing risk aversion and to ensure normal functioning of the market.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

(h) Tax risk

Since 1 January 2007, following the accession of Romania to European Union, the Group had to observe the EU regulations and therefore it prepared itself for changes brought by European law enforcement. The Group has implemented these changes, but how to implement them shall be subject to fiscal audits for 5 years.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The text interpretation and the practical implementation of new tax regulation procedures applicable and harmonised with European legislation may vary from entity to entity and there is a risk that the tax authorities adopt in some cases a different position from that of the Group.

In addition, the Romanian Government has a number of agencies authorised to conduct audits (controls) for 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 Group continues to be subject to tax audits as new tax regulations are issued.

6. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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 27 thousand RON, represented by the difference between the fair value of the consideration transferred amounting to 196 thousand RON and a percentage of fair value of net assets acquired amounting to 169 thousand RON. The goodwill is included under the intangible assets of these financial statements (see Note 12).

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);
- Services of the Investors Compensation Fund related to the investors compensation scheme.

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", while the activities carried out by the Central Depository are divided between the "post-trading services" and "registry services" segments, while the activity of Investors Compensation Fund was stated separately, considering the specific activities of the FCI.

For the services rendered within the business segments described above the income is obtained mainly from fees charged to the capital market participants.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

7. SEGMENT REPORTING (CONTINUED)

The Group's revenues, expenses and gross income for the financial year 2014 are shown below by the segments described:

| 2014 | Trading services | Post-trading services | Registry services | FCI services | Group |
|--|-----------------------------|----------------------------------|------------------------------|---------------------|----------------------|
| Revenues from external clients | 26,539 | 4,628 | 8,478 | - | 39,645 |
| <i>Revenues from transactions with other segments (eliminated on consolidation)</i> | <i>320</i> | <i>7</i> | <i>177</i> | <i>-</i> | <i>504</i> |
| Operating expenses - out of which tangible and intangible asset impairment expenses | (15,692) | (3,336) | (8,628) | (859) | (28,515) |
| Operating profit | <u>10,847</u> | <u>1,292</u> | <u>(150)</u> | <u>(859)</u> | <u>11,130</u> |
| Financial income | 4,057 | 492 | 729 | (2) | 5,276 |
| Financial expenses | (379) | (1) | - | 2 | (378) |
| Net income from interests related to assets covering the guarantee and clearing funds and the margin | - | 7 | - | 727 | 734 |
| Net financial income | <u>3,678</u> | <u>498</u> | <u>729</u> | <u>727</u> | <u>5,632</u> |
| (Loss)/Gain from the impairment of current assets | (19) | - | - | - | (19) |
| Pre-tax profit | <u>14,506</u> | <u>1,791</u> | <u>578</u> | <u>(132)</u> | <u>16,743</u> |
| Corporate income tax | (2,254) | (138) | (268) | - | (2,660) |
| Net profit | <u>12,252</u> | <u>1,653</u> | <u>310</u> | <u>(132)</u> | <u>14,083</u> |

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

7. SEGMENT REPORTING (CONTINUED)

The Group's revenues, expenses and gross income for the financial year 2013 are shown below by the segments described:

| 2013 | Trading services | Post-trading services | Registry services | FCI services | Group |
|--|-------------------------|------------------------------|--------------------------|---------------------|--------------|
| Revenues from external clients | 24,092 | 6,905 | 5,538 | 1 | 36,536 |
| <i>Revenues from transactions with other segments (eliminated on consolidation)</i> | 320 | 93 | 127 | - | 540 |
| Operating expenses - out of which tangible and intangible asset impairment expenses | (17,135) | (7,502) | (6,925) | (917) | (32,479) |
| Operating profit | <u>6,957</u> | <u>(597)</u> | <u>(1,387)</u> | <u>(916)</u> | <u>4,057</u> |
| Financial income | 2,803 | 1,128 | 717 | - | 4,648 |
| Financial expenses | (182) | (24) | (20) | - | (226) |
| Net income from interests related to assets covering the guarantee and clearing funds and the margin | - | 28 | - | 958 | 986 |
| Net financial income | <u>2,621</u> | <u>1,131</u> | <u>698</u> | <u>958</u> | <u>5,408</u> |
| Pre-tax profit | <u>9,578</u> | <u>534</u> | <u>(689)</u> | <u>42</u> | <u>9,465</u> |
| Corporate income tax | (1,547) | (237) | (195) | - | (1,979) |
| Net profit | <u>8,031</u> | <u>297</u> | <u>(884)</u> | <u>42</u> | <u>7,486</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**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 | Group |
|-------------------------|-----------------------------|----------------------------------|------------------------------|-------------------------|--------------|
| 31 December 2014 | | | | | |
| Assets | 80,155 | 22,776 | 31,428 | 19,892 | 154,251 |
| Liabilities | 4,993 | 7,223 | 10,808 | 17,618 | 40,642 |
| Capital expenditure | 1,823 | 163 | 305 | - | 2,291 |
| 31 December 2013 | | | | | |
| Assets | 77,868 | 32,768 | 20,804 | 18,856 | 150,296 |
| Liabilities | 6,243 | 11,443 | 7,636 | 16,450 | 41,772 |
| Capital expenditure | 1,027 | 81 | 61 | 1 | 1,170 |

8. OPERATING EXPENSES

The operating expenses comprise the following:

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

| | 2014 | 2013 |
|---|---------------|---------------|
| Staff costs | 11,307 | 12,454 |
| Benefits of the members of the Board of Governors | 1,811 | 1,818 |
| Other staff-related liabilities | 174 | - |
| Contributions and taxes related to personnel and benefits | <u>2,888</u> | <u>3,432</u> |
| Total | <u>16,180</u> | <u>17,704</u> |

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

| | End-year | 2014 Annual average | End-year | 2013 Annual average |
|--|-----------------|------------------------------------|-----------------|------------------------------------|
| Bursa de Valori Bucuresti SA | 43 | 42 | 40 | 50 |
| Depozitarul Central SA | 52 | 63 | 56 | 63 |
| Fondul de Compensare a Investitorilor SA | 5 | 4 | 4 | 4 |
| Casa de Compensare Bucuresti SA | <u>8</u> | <u>5</u> | <u>8</u> | <u>5</u> |
| Total number of employees | <u>108</u> | <u>114</u> | <u>108</u> | <u>122</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**8. OPERATING EXPENSES (CONTINUED)****8.2 Services provided by third parties include:**

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Recruitment and business consultancy services | - | 541 |
| Financial, IT and internal audit services | 346 | 303 |
| Commissions fees (legal, contributions, etc.) | 282 | 824 |
| Other services provided by third parties | <u>2,836</u> | <u>2,432</u> |
| Total | <u>3,464</u> | <u>4,100</u> |

8.3 Other operating expenses include:

| | <u>2014</u> | <u>2013</u> |
|--|--------------|---------------|
| Rent and office utilities | 2,367 | 2,156 |
| Tangible asset depreciation (Note 11) | 638 | 632 |
| Intangible asset depreciation (Note 12) | 397 | 371 |
| Costs related to non-deductible VAT, FSA (CNVM) fees and other taxes | 1,896 | 1,739 |
| Consumables | 228 | 212 |
| IT Maintenance, service and repairs | 497 | 368 |
| Assuring professional equipment, etc. | 186 | 185 |
| Protocol | 193 | 235 |
| Marketing and Advertising | 676 | 935 |
| Transport and trips | 1,033 | 729 |
| Telecommunications and mail services | 421 | 444 |
| Bank fees | 139 | 151 |
| Loss from non-paying customers | 320 | 274 |
| Expenses/(Income) from provisions for disputes (Note 20) | (196) | 1,517 |
| Net expenses/(income) from adjustment of receivables (Note 15) | (109) | 707 |
| Other expenses | <u>185</u> | <u>20</u> |
| Total | <u>8,871</u> | <u>10,675</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**9. FINANCIAL INCOME AND FINANCIAL COSTS**

Financial income and expenses recognised in profit or loss include:

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Interest income from held-to-maturity financial assets i) | 3,793 | 4,617 |
| Dividend income | 57 | 31 |
| Net gain from exchange rate differences | <u>1,426</u> | - |
| Financial income | <u>5,276</u> | <u>4,648</u> |
| Expenses with amortization of government bonds premiums | (378) | (55) |
| Net loss from exchange rate differences | - | <u>(171)</u> |
| Financial expenses | <u>(378)</u> | <u>(226)</u> |
| Net income from interest related to assets covering the guarantee and clearing funds and the margin ii) | 734 | 986 |
| Net financial income | <u>5,632</u> | <u>5,408</u> |

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

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|
| Change in fair value of available-for-sale financial assets | <u>40</u> | <u>222</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**10. CORPORATE INCOME TAX EXPENSE*****Reconciliation between the pre-tax profit and the corporate income tax expense in profit or loss***

| | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|
| Pre-tax profit | 16,743 | 9,465 |
| Non-taxable and assimilated income (-) | 1,224 | 2,822 |
| Non-deductible and assimilated expenses (+) | 1,808 | 4,058 |
| Impact of EU IFRS adjustments and removal of tax loss impact (+) | (242) | <u>2,037</u> |
| Tax profit | <u>17,085</u> | <u>12,738</u> |
| Current Corporate income tax (tax profit *16 %) | <u>2,734</u> | <u>2,038</u> |
| Sponsorship deducted from corporate income tax | <u>(82)</u> | <u>(64)</u> |
| Current tax expense after deduction of sponsorship amounts | 2,652 | 1,974 |
| Deferred tax expense | <u>8</u> | <u>5</u> |
| Total corporate income tax expense | <u>2,660</u> | <u>1,979</u> |

The impact of the EU IFRS adjustments was determined by the restatement of the statutory figures, as follows: the amount of the adjustment of the provision for doubtful customers, the impact of the deferred tax related to this restatement and to other adjustments.

At the end of 2014, the Bucharest Clearing House recorded a tax loss of 1,966 thousand RON. However, the management does not estimate a recovery of this loss over the next years.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

11. PROPERTY, PLANT AND EQUIPMENT

| | <u>Land and buildings</u> <i>i)</i> | Plant | IT, office equipment and <u>furniture ii)</u> | <u>Assets in progress</u> | <u>Total</u> |
|---|--|------------|---|-------------------------------|---------------|
| Cost | | | | | |
| Balance at 1 January 2014 | <u>3,722</u> | <u>284</u> | <u>12,290</u> | - | <u>16,296</u> |
| Acquisitions | - | - | 554 | - | 554 |
| Revaluations | - | - | - | - | - |
| Disposals | - | - | <u>502</u> | - | <u>502</u> |
| Balance as of 31 December 2014 | <u>3,722</u> | <u>284</u> | <u>12,342</u> | - | <u>16,348</u> |
| Depreciation | | | | | |
| Balance at 1 January 2014 | <u>74</u> | <u>250</u> | <u>10,387</u> | - | <u>10,711</u> |
| Amortisation during the year | 24 | 34 | 581 | - | 638 |
| Disposals | - | - | <u>502</u> | - | <u>502</u> |
| Balance as of 31 December 2014 | <u>98</u> | <u>284</u> | <u>10,466</u> | - | <u>10,868</u> |
| Net carrying amount | | | | | |
| Balance as of 1 January 2014 | <u>3,648</u> | <u>34</u> | <u>1,903</u> | - | <u>5,585</u> |
| Balance as of 31 December 2014 | <u>3,624</u> | - | <u>1,877</u> | - | <u>5,501</u> |

i) In 2013, the land owned by BVB was revaluated on 30 June 2013 by an ANEVAR certified expert, resulting in an increase of its gross value by 1,174 thousand RON. The BVB management believes that the fair value on 31 December 2013 and 31 December 2014 does not differ significantly from the fair value determined on 30 June 2013 based on the assessment report.

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.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | <u>Land and buildings i)</u> | <u>Plant and equipment</u> | <u>IT, office equipment and furniture ii)</u> | <u>Assets in progress</u> | <u>Total</u> |
|---|--------------------------------------|--------------------------------|---|-------------------------------|----------------------|
| Cost | | | | | |
| Balance at 1 January 2013 | <u>2,526</u> | <u>284</u> | <u>12,190</u> | = | <u>15,000</u> |
| Acquisitions | 22 | - | 772 | 50 | 844 |
| Revaluations | 1,174 | - | - | - | 1,174 |
| Disposals | <u>-</u> | <u>-</u> | <u>(672)</u> | <u>(50)</u> | <u>(722)</u> |
| Balance as of 31 December 2013 | <u><u>3,722</u></u> | <u><u>284</u></u> | <u><u>12,290</u></u> | = | <u><u>16,296</u></u> |
| Depreciation | | | | | |
| Balance at 1 January 2013 | <u>43</u> | <u>250</u> | <u>10,454</u> | = | <u>10,747</u> |
| Amortisation during the year | 31 | - | 601 | - | 632 |
| Disposals | <u>-</u> | <u>-</u> | <u>(668)</u> | <u>-</u> | <u>(668)</u> |
| Balance as of 31 December 2013 | <u><u>74</u></u> | <u><u>250</u></u> | <u><u>10,387</u></u> | = | <u><u>10,711</u></u> |
| Net carrying amount | | | | | |
| Balance as of 1 January 2013 | <u><u>2,483</u></u> | <u><u>34</u></u> | <u><u>1,736</u></u> | = | <u><u>4,253</u></u> |
| Balance as of 31 December 2013 | <u><u>3,648</u></u> | <u><u>34</u></u> | <u><u>1,903</u></u> | = | <u><u>5,585</u></u> |

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

12. INTANGIBLE ASSETS

| | <u>Goodwill i)</u> | <u>Licenses, software ii)</u> | <u>Total</u> |
|------------------------------------|--------------------|-----------------------------------|---------------|
| Cost | | | |
| Balance at 1 January 2014 | <u>162</u> | <u>12,340</u> | <u>12,502</u> |
| Acquisitions | - | 1,738 | 1,738 |
| Disposals | <u>-</u> | <u>(435)</u> | <u>(435)</u> |
| Balance at 31 December 2014 | <u>162</u> | <u>13,643</u> | <u>13,805</u> |
| Depreciation | | | |
| Balance at 1 January 2014 | <u>135</u> | <u>12,183</u> | <u>12,318</u> |
| Amortisation during the year | - | 397 | 397 |
| Disposals | <u>-</u> | <u>(434)</u> | <u>(434)</u> |
| Balance at 31 December 2014 | <u>135</u> | <u>12,146</u> | <u>12,281</u> |
| Net carrying amount | | | |
| Balance at 1 January 2014 | <u>27</u> | <u>157</u> | <u>184</u> |
| Balance at 31 December 2014 | <u>27</u> | <u>1,497</u> | <u>1,524</u> |

- (i) On 31 December 2014 and 2013, the outstanding goodwill, amounting to 27 thousand RON resulted from the acquisition of 57% of the Investors Compensation Fund in 2006. The Investors Compensation Fund recorded profit between 2008 and 2011. 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 135 thousand RON, has been fully impaired before 1 January 2009, in the context of losses recorded by CCB, which led to an increase in the net assets compared to the time of setting-up the goodwill.

- (ii) The software and license-related costs include mainly the value of trading, clearing and settlement and registry systems used by the Group's companies during their specific activities.

The increase in the value of licenses is due mainly to the completion of the projects concerning the development of the ARENA trading and post-trading system (the inventory value of ARENA increased as a result of the capitalization of the internal costs) and following the completion and commissioning of the new BVB website, and these fixed assets will be amortized over the next 3 years.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

12. INTANGIBLE ASSETS (CONTINUED)

| | <u>Goodwill i)</u> | <u>Licenses, software ii)</u> | <u>Total</u> |
|------------------------------------|--------------------|-----------------------------------|---------------|
| Cost | | | |
| Balance at 1 January 2013 | <u>162</u> | <u>12,084</u> | <u>12,246</u> |
| Acquisitions | - | 326 | 326 |
| Disposals | <u>-</u> | <u>(70)</u> | <u>(70)</u> |
| Balance at 31 December 2013 | <u>162</u> | <u>12,340</u> | <u>12,502</u> |
| Depreciation | | | |
| Balance at 1 January 2013 | <u>135</u> | <u>11,882</u> | <u>12,017</u> |
| Amortisation during the year | - | 371 | 371 |
| Disposals | <u>-</u> | <u>(70)</u> | <u>(70)</u> |
| Balance at 31 December 2013 | <u>135</u> | <u>12,183</u> | <u>12,318</u> |
| Net carrying amount | | | |
| Balance at 1 January 2013 | <u>27</u> | <u>202</u> | <u>229</u> |
| Balance at 31 December 2013 | <u>27</u> | <u>157</u> | <u>184</u> |

13. DEFERRED TAX

Deferred tax receivables and liabilities are attributable to the following items:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|--|-------------------------|-------------------------|
| Held-to-maturity financial assets | - | 13 |
| Tangible assets | - | - |
| Trade and other receivables | - | 8 |
| Adjustment of equity instruments received free of charge. | <u>-</u> | <u>-</u> |
| Deferred tax receivables/(liabilities) | <u>-</u> | <u>21</u> |

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

13. DEFERRED TAX (CONTINUED)

Variation in temporary differences during the year:

| | <u>Tangible assets</u> | <u>Tangible assets</u> | <u>Trade and other receivables</u> | <u>Available- for-sale financial assets</u> | <u>Investments in associates</u> | <u>Total</u> |
|--|----------------------------|----------------------------|--|---|--------------------------------------|--------------|
| Balance at 1 January 2014 | <u>-</u> | <u>-</u> | <u>8</u> | <u>13</u> | <u>-</u> | <u>21</u> |
| Recognized in profit or loss | - | - | (8) | (13) | - | (21) |
| Recognised in other items of comprehensive income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance as of 31 December 2014 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| | <u>Tangible assets</u> | <u>Tangible assets</u> | <u>Trade and other receivables</u> | <u>Available- for-sale financial assets</u> | <u>Investments in associates</u> | <u>Total</u> |
|--|----------------------------|----------------------------|--|---|--------------------------------------|--------------|
| Balance at 1 January 2013 | - | (184) | 14 | 55 | - | (115) |
| Recognized in profit or loss | - | - | (6) | - | - | (6) |
| Recognised in other items of comprehensive income | <u>-</u> | <u>184</u> | <u>-</u> | <u>(42)</u> | <u>-</u> | <u>142</u> |
| Balance as of 31 December 2013 | <u>-</u> | <u>-</u> | <u>8</u> | <u>13</u> | <u>-</u> | <u>21</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**14. FINANCIAL INSTRUMENTS**

The Group's financial instruments are the following:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|--|--------------------------------|--------------------------------|
| Financial assets with residual maturity longer than one year <i>i)</i> | 48,866 | 40,604 |
| Financial assets with residual maturity longer than one year to cover the guarantee and clearing funds and the margin <i>ii)</i> | 11,513 | 6,189 |
| Available-for-sale financial assets <i>iii)</i> | <u>1,391</u> | <u>1,358</u> |
| Total fixed assets (financial instruments) | <u>61,770</u> | <u>48,151</u> |
| Bank deposits with maturity between 3 months and one year <i>iv)</i> | 26,940 | 34,829 |
| Bank deposits with maturity from 3 months to one year covering the guarantee and clearing funds and margin <i>v)</i> | 3,110 | 4,463 |
| Held-to-maturity financial assets <i>vi)</i> | 10,511 | 8,609 |
| Held-to-maturity financial assets covering the guarantee and clearing funds and the margin <i>vii)</i> | <u>8,840</u> | <u>14,678</u> |
| Total current assets (financial instruments) | <u>49,401</u> | <u>62,579</u> |

- i)* The financial assets classified as held-to-maturity financial assets are bonds issued by the Romanian government in RON, acquired at an annual coupon rate between 2.02% and 6.75%, and bonds denominated in USD, at a coupon rate of 6.75% for USD and 4.63% for EURO.
- ii)* The held-to-maturity financial assets which cover the guarantee and clearing fund and the margin are bonds issued by the Romanian government, with maturities between 2015 and 2023, and a coupon rate between 2.02% and 5.27%.
- iii)* The available-for-sale financial assets are shares at foreign stock exchanges, listed on international markets and shares held in the Sibiu Clearing House and Chisinau Stock Exchange. Listed shares are measured at closing price on the stock exchanges listed on the last trading day before the balance sheet date.
- Term deposits with Romanian with maturity from 3 months to one year are made in RON with Romanian banks, at interest rates between 0.25% and 4% depending on period, for deposits in RON, between 0.5% and 2.2% for deposits in EUR and between 1% and 1.8% for deposits in USD.
- iv)* Term deposits in RON with banks in Romania have initial maturities ranging from 3 months and one year, covering the guarantee and clearing funds and the, made in RON with Romanian banks, at interest rates from 2% to 3%.

BURSA DE VALORI BUCURESTI S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2014 (thousand RON)

14. FINANCIAL INSTRUMENTS (CONTINUED)

- v) Held-to-maturity financial assets are treasury bills and bonds issued by the Romanian government in RON, with a residual maturity of maximum 1 year, acquired at yields from 1.2 % to 3.46 %.
- vi) Held-to-maturity financial assets with maturity less than 1 year covering the guarantee and compensation funds and the margin are treasury bills with discount issued by the Ministry of Finance with maturity in 2015 and yields from 1.20% and 2.67% and bonds issued by the Ministry of Finance, held for short-term with maturity in 2015 and a coupon rate from 0% to 6%.

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

| | Government bonds with maturity over one year to cover the guarantee and clearing funds and the margin | Government securities with maturity less than one year to cover the guarantee and clearing funds and the margin |
|-------------------------|--|--|
| | Government bonds with a maturity over one year | Government bonds less than one year |
| 1 January 2014 | <u>40,604</u> | <u>8,609</u> |
| Acquisitions | 21,764 | 15,987 |
| Redemptions | <u>13,502</u> | <u>14,085</u> |
| 31 December 2014 | <u>48,866</u> | <u>10,511</u> |

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

| | Available-for-sale financial assets |
|--|--|
| 1 January 2014 | <u>1,358</u> |
| Acquisitions | - |
| Increase / decrease in value after re-measurement (before deferred tax) | 33 |
| Sales | <u>-</u> |
| 31 December 2014 | <u>1,391</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**15. TRADE AND OTHER RECEIVABLES**

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

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|--------------------------------|
| Trade receivables – gross value i) | 8,464 | 5,676 |
| Adjustment for trade receivables impairment ii) | (1,733) | (1,842) |
| Debit balance from trading – FSA tax | 522 | 1,766 |
| Undue VAT | 23 | 68 |
| Other receivables | <u>293</u> | <u>491</u> |
| Total | <u>7,569</u> | <u>6,159</u> |

Financial receivables taken into account in the calculations of Note 5 are made of 7,569 thousand RON at 31 December 2014 and 4,161 thousand RON at 31 December 2013.

- i) Trade receivables are mostly receivables from investment service companies whose services provided during the last month of the financial year have been invoiced, and receivables for services invoiced to issuers listed and to 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 others.

The adjustment to receivable impairment is divided as follows:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|--------------------------------|
| Adjustment for receivable impairment – individual component | 1,733 | 1,793 |
| Adjustment for receivable impairment – collective component | <u>-</u> | <u>49</u> |
| Total | <u>1,733</u> | <u>1,842</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**15. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Adjustment variation for the receivables impairment during the year was as follows:

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| <i>Adjustment for impairment – individual component</i> | | |
| Balance at 1 January | 1,793 | 1,057 |
| Impairment losses | 357 | 1,045 |
| Impairment reversal | <u>(417)</u> | <u>(309)</u> |
| Balance at 31 December | <u>1,733</u> | <u>1,793</u> |
| <i>Adjustment for impairment – collective component</i> | | |
| Balance at 1 January | 49 | 78 |
| Impairment losses | - | - |
| Impairment reversal | <u>(49)</u> | <u>(29)</u> |
| Balance at 31 December | <u>-</u> | <u>49</u> |
| Total | <u>1,733</u> | <u>1,842</u> |

16. PREPAID EXPENSES

Prepaid expenses amounting to 310 thousand RON (31 December 2013: 363 thousand RON) mainly represent, prepaid rent, equipment and IT equipment maintenance-related insurance premiums, liability insurance premiums for managers and various subscriptions.

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**17. CASH AND CASH EQUIVALENTS**

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

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|--------------------------------|
| Deposits with banks with original maturity less than 3 months | 17,621 | 14,093 |
| Current accounts with banks | 10,481 | 13,096 |
| Cash | <u>28</u> | <u>33</u> |
| Total | <u>28,130</u> | <u>27,222</u> |

On 31 December 2014, the Central Depository holds on behalf of customers amounts to be distributed to its shareholders as dividends in the amount of RON 7,879 thousand RON (31 December 2013: 8,144 thousand RON). These amounts were not included in the cash and cash equivalents item of the cash flow statement.

18. TRADE AND OTHER PAYABLES

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

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|--|--------------------------------|--------------------------------|
| Trade payables <i>i)</i> | 1,898 | 928 |
| Credit balance of BVB trading – FSA tax | 522 | 1,915 |
| Salary contributions due | 226 | 291 |
| Taxes due | 114 | 119 |
| VAT payable | 35 | 74 |
| Dividends payable to the company's shareholders | 691 | 584 |
| Dividends to be distributed by the Central Depository | 7,879 | 8,144 |
| Prepayments received from customers | 8 | 255 |
| Guarantees received | 27 | 27 |
| Other payables related to management and staff <i>iii)</i> | 1,897 | 925 |
| Estimates for leave days not taken and for compensation of Board of Governors members <i>ii)</i> | 753 | 685 |
| Payables representing compensations to be paid to investors by FCI <i>iv)</i> | 5,002 | - |
| Other payables | <u>428</u> | <u>1,232</u> |
| Total | <u>19,480</u> | <u>15,179</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**18. TRADE AND OTHER PAYABLES (CONTINUED)**

Financial liabilities taken into account in the calculations of Note 5 are made of 8,415 thousand RON at 31 December 2014 and 1,037 thousand RON at 31 December 2013.

- i) The trade payables consist mainly in obligations to internal suppliers, some of them with a maturity less than 30 days, paid in early 2015.
- ii) In 2014, 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.
- iii) Other payables to the management and staff consist in amounts related to performance bonuses granted to the BVB management and staff for 2014, and paid in 2015.
- iv) Payables consisting in compensations to be paid to investors by FCI are compensations to be paid by Fondul de Compensare a Investitorilor (Investors Compensation Fund) to the Eurosavam clients (investors who used Eurosavam services) , amounting to RON 76,734 and compensations estimated for the payment of Harinvest clients (investors who used Harinvest services), amounting to RON 4,925,988.

19. PREPAID REVENUES

Prepaid revenues consists in:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|--------------------------------------|--------------------------------|--------------------------------|
| Revenues from registry activities | 126 | 143 |
| Revenues from maintenance to trading | <u>695</u> | <u>662</u> |
| Total | <u>821</u> | <u>805</u> |

20. PROVISIONS

Provisions include:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|--------------------------------|
| Provisions for litigations | <u>1,643</u> | <u>1,839</u> |
| Provision variations during the financial years 2014 and 2013 are as follows: | | |
| | <u>2014</u> | <u>2013</u> |
| Provisions on 1 January | 1,839 | 322 |
| Provisioning during the year | - | 1,517 |
| Reversals of provisions during the year | <u>196</u> | <u>-</u> |
| Provisions on 31 December | <u>1,643</u> | <u>1,839</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**20. PROVISIONS (CONTINUED)****Provision for litigation – Pitesti Court**

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

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

The final and irrevocable decision was given on 1 November 2013 by the Court of Appeal Pitesti. The Court rejected the appeal filed by the Central Depository and ordered it to pay, jointly with the defendants, the amount of 1,765,742.24 RON representing damages for the civil parties of the case and the amount of 73,400 RON in court fees.

On 31 December 2013, the Group set-up a provision of 1,516,762 RON following the above-mentioned court decision. The 322,380 RON amount was recorded as a provision on 31 December 2012, pending the payment of the amount ordered by the Court.

In 2014, payments to the injured parties started, Depozitarul Central being responsible for all the amounts, with a total amount of RON 196,280 paid until the end of 2014.

21. GUARANTEE AND CLEARING FUNDS AND MARGIN

The guarantee and clearing funds and margin comprise:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|--------------------------------|
| Guarantee fund for transactions with derivative financial instruments | - | 1,286 |
| Margin for transactions in derivatives | 1,387 | 603 |
| Guarantee fund for transactions in securities | 3,233 | 3,546 |
| Margin for transactions in securities | 941 | 1,087 |
| Investors compensation fund | <u>12,579</u> | <u>16,423</u> |
| Total | <u>18,140</u> | <u>22,945</u> |

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**22. CAPITAL AND RESERVES****(a) Share capital**

On 31 December 2014 and 2013, BVB had the same share capital amounting to 76,741,980 RON, divided into 7,674,198 shares with a nominal value of 10 RON/share, dematerialized, with the same voting rights, divided into the following categories:

| | <u>31 December 2014</u> | <u>31 December 2013</u> |
|---|--------------------------------|----------------------------------|
| Ordinary shares (number) | <u>7,674,198</u> | <u>7,674,198</u> |
| | | <u>% in share capital</u> |
| Shareholding structure on 31 December 2014 | <u>Share number</u> | |
| Legal entities, of which: | <u>6,496,958</u> | <u>84.66%</u> |
| - Romanian | 5,209,658 | 67.89% |
| - foreign | 1,287,300 | 16.77% |
| Individuals, of which: | <u>1,177,240</u> | <u>15.34%</u> |
| - Romanian | 1,134,602 | 14.78% |
| - foreign | 42,638 | 0.56% |
| Total | <u>7,674,198</u> | <u>100</u> |

In accordance with the provisions of article 129 paragraph 1 of Law 297/2004 on the capital market, any shareholder of a market operator shall not be able to hold, directly or indirectly, more than 5% of the total voting rights. Also, according to the BVB Articles of Incorporation, the subscription, acquiring and holding the Company's shares will be subject to the condition that no shareholder should own directly or indirectly more than 5% of total voting rights. Accordingly, on 31 December 2014, no shareholder of BVB was a significant shareholder. BVB also does not hold shares in their own name.

By the Decision No. 632/18.05.2010 issued by CNVM the prospectus drawn up with a view to admission to trading on the regulated market operated by BVB of its own shares was approved. On 8 June 2010 the first transactions in shares issued by BVB took place. The closing price for the last trading session of 2014 was of 33.97 RON/share (2013: 32.5 RON/share).

22. CAPITAL AND RESERVES (CONTINUED)**(b) Dividends**

BVB's Board of Governors submitted to the approval of the General Meeting of Shareholders of 27/28 April 2015 a distribution proposal for 2014 statutory net profit of the company amounting to 11,896 thousand RON, as follows: the amount of 707 thousand RON for the legal reserve, and the rest as gross dividends. Thus, the amount approved by the General Shareholders' Meeting of 28 April 2015 for distribution in 2015 as gross dividends for 2014 was 11,189 thousand RON. The amount of the dividend for 2014 is 1.4579 RON gross per share.

Of the net profits for 2013, Depozitarul Central SA did not distribute any dividends, whereas of the net statutory profit for 2014, the Company approved the distribution in 2015 of dividends amounting to RON 1,900 thousand.

(c) 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.

(d) Fair value reserve

This reserve includes the cumulative net change in fair values of available-for-sale financial assets from their classification into this category until the date they have been derecognised or impaired.

Movements in other reserves are as follows:

| <u>Reserve for available-for-sale assets</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| Balance at 1 January | (67) | (289) |
| Reserve of available-for-sale financial assets - set up during the year | 40 | 264 |
| Reserve of available-for-sale financial assets - impact deferred tax (Note 13) | <u>-</u> | <u>(42)</u> |
| Balance at 31 December | <u>(27)</u> | <u>(67)</u> |

22. CAPITAL AND RESERVES (CONTINUED)

(e) Revaluation reserves

The reserves resulting from the re-measurement of intangible assets of the Depozitarul Central SA and of the land owned by BVB.

23. EARNINGS PER SHARE

The calculation of basic earnings per share on 31 December 2014 is based on the profit attributable to parent company's ordinary shareholders amounting to 13,676 thousand RON (2013: 7,829 thousand RON) and the weighted average number of ordinary shares outstanding of 7,674,198 (2013: 7,674,198).

24. TRANSACTIONS WITH ASSOCIATES

Management key personnel

31 December 2014

The Company was managed by the Board of Governors validated by CNVM from 1 February 2012, made up of the following members:

- Mr. Anghel Lucian Claudiu President
- Mr. Lupsan Pompei Vice-president
- Mr. Paul Dan-Viorel Vice-president
- Mr. Pana Robert Secretary General
- Mr. Valerian Ionescu Member
- Mr. Matjaz Schroll Member
- Mrs. Narcisa Oprea Member
- Mr. Stere Constantin Farmache Member
- Mr. Octavian Molnar Member

The executive management was ensured by:

- Mr. Ludwik Sobolewski General Manager
- Mr. Alin Barbu Deputy General Manager
- Mrs. Anca Dumitru Deputy General Manager
- Mr. Virgil Stroia Manager
- Mr. Calin Macedon Manager
- Mrs. Ileana Botez Manager

24. TRANSACTIONS WITH ASSOCIATES (CONTINUED)

Throughout the year 2014, the salaries paid to the key management personnel of BVB amounted to 2,253 thousand RON (2013: 1,981 thousand RON). In 2014, the costs related to the compensations for members of the Board of Governors and members of the Special Committees were 628 thousand RON (2013: 568 thousand RON). The Company has not granted loans, prepayments or guarantees to members of Board of Governors and to Executive Directors of BVB.

25. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Litigations

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 and on-balance sheet commitments

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

In compliance with the applicable regulations, the Fund must compensate the investors when a competent judicial authority, for reasons directly or indirectly related to the financial condition of one of the Fund's members, issued a final decision the effect of which is the suspension of the investors' ability to exercise their rights concerning the sale of their receivables from the company.

Eurosavam SA

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

The consolidated list of creditors was prepared by official receiver Hodos Business Recovery SPRL and published on 30.10.2013 in Buletinul Procedurilor de Insolventa no. 17868.

25. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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

Victrix Capital SPRL provided the Fund with the final List which comprises four compensation requests, of which the Fund's Board of Directors approved the compensation of a single person who had the capacity as investor.

Thus, following the analysis of the investors' eligibility made by the Fund's executives and based on the opinions of several law firms, the list of payments for the investors to be compensated under the compensation procedure opened for Eurosavam SA was approved in the meeting of the Board of Directors held on 27.02.2015 (RON 76 thousand). Those are presented as short term liabilities in both Group and Fund financial statements.

Harinvest SA

In March 2014, Sentence no. 2176 was passed in File no. 1034/90/2014 by the Court of Law of Valcea, 2nd Civil Department, by which the opening of the insolvency procedure for company HARINVEST SA is accepted and Evilex IPURL - Rm. Valcea is appointed official receiver.

On 13.06.2014, Evilex IPURL provided the Fund with the provisional List of creditors for 111 investors, with the amount of RON 5,030,028 to be compensated, out of which 5 are not eligible (RON 446,370).

By the Court Resolution no. 254/2014 passed in June 2014, the Court of Law of Valcea appoints a new official receiver, namely AMT Servicii Insolventa SRL, based on Craiova, Dolj Department.

On 18.09.2014, by the publication of the Press Release, in compliance with the legal procedures, the Fund opened the compensation procedure in the case of Harinvest S.A. Starting on this date, the investors who considered themselves as having been injured may submit requests for compensation to the official receiver.

25. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

So far, official receiver AMT Servicii Insolventa SRL sent the Fund 103 compensation requests (63 in December 2014 and 40 in March 2015), the amount requested as compensation being approx. RON 4,703,000, and, for this amount, the related files were received. By comparing the 103 compensation requests with the amounts recorded in the provisional list of creditors received on 13.06.2014, it resulted that receiver AMT Servicii Insolventa SPRL additionally adjusted the total amount by RON 45,302. Besides the provisional list of creditors, other files were received amounting to RON 199,704.

By Report no. 1125/23.02.2015 issued by official receiver AMT Servicii Insolventa SPRL, also submitted, to the Court, 11 compensation requests and the related files are relieved from the effects of expiry, the compensation amount for these investors being RON 263,954. Out of these, the files for 3 investors have not yet been received (RON 97,145).

To conclude, in order to estimate the amount of receivables for which compensation is payable, the Fund used the following:

| | |
|--|---------------|
| The provisional List of Creditors Evilex IPURL | 5,030,208 |
| Adjustment of 5 ineligible investors | (446,370) |
| Additional amount for the investors in the initial list | 45,302 |
| Additional files received | 199,704 |
| Investors in the report issued by AMT Servicii Insolventa SPRL | <u>97,145</u> |
| Total | 4,925,988 |

Those are presented as short term liabilities in both Group and Fund financial statements.

Several appeals were made against the provisional list of creditors prepared by receiver Evilex on 13.06.2014, before the Court of Law of Valcea, which are now being settled.

The final list of investors who request compensation was received by the Fund on 06.07.2015 from the official receiver of Harinvest S.A.

The list comprises 104 natural persons and 6 legal entities. Out of the 110 investors, 33 had holdings above the EUR 20,000 limit, calculated based on the exchange rate valid on the reference date of 26.03.2014 and will be taken into account for compensation for no more than RON 89,274.

25. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Considering the total net holdings, limited by the compensation limit, the total value of the investors' requests is RON 4,935,637, an amount covered by the resources that the Fund has accumulated so far.

The next steps in the compensation process are the following:

- 1) Based on this final List received from the official receiver, the Investors compensation Fund should prepare "The Payment List", and will notify, within 30 days, any errors or mismatches found by the official receiver. The final List received from the official receiver of Harinvest also includes persons exempted from compensation in compliance with Art. 301 of Regulation no. 3 / 2006 on the authorization, organization and operation of the Investors Compensation Fund, who will not be included in the "Payment List" prepared by the Fund.
- 2) After the preparation of the "Payment List", the List will be sent to A.S.F. in order to be checked, by A.S.F together with the competent authorities, the non-involvement of the persons entitled to compensation in money laundering operations and/or in operations sanctioned at international level.
- 3) Within 5 working days from the receipt from A.S.F. of the confirmation from the competent authorities, the Fund begins the procedure of compensation payment to the persons included in the Payment List and not involved in money-laundering operations and/or in operations that are not sanctioned at international level. Payment shall be made by bank transfer into the accounts indicated by the investors in their compensation requests.

26. REAUTHORIZATION OF THE CCB AS CENTRAL COUNTERPARTY

The European Commission has developed and adopted, after going through all the stages and deadlines stipulated by the applicable regulations, the Regulation on OTC derivatives, central counterparties ("CCP") and trade repositories (EMIR Regulation). EMIR Regulation [(EU) Regulation no. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, a text with EEA relevance] was approved by the European Parliament and the Council of Europe.

To implement the provisions contained in this Regulation, ESMA (European Securities and Markets Authority) and EBA (European Banking Authority) were appointed to develop specific technical standards which were published in the Official Journal of the European Union on 23 February 2013. The entry into force of the technical standards triggers the obligation of re-authorization of the existing central counterparties, within six months, in accordance with the requirements of EMIR Regulation. The application for renewal of the CCB authorization must be made within 6 months from 15 March 2013 - the date of entry into force of the technical standards issued in implementation of EMIR Regulation, deadline on 15 September 2013.

The new CCP applicable requirements, established by EMIR Regulation, are accompanied by provisions of regulations issued in its application and are addressed to any entity that provides central counterparty services in the European Union, even if they were previously authorized under national laws. EMIR Regulation stipulates that until a decision is made on the re-authorization of an applicant central counterparty (regulations stipulate a period of six months for issuing the authorization, under EMIR), the national rules on operation and supervision issued by the competent authority of the respective state will continue to apply. This provision ensures the continuity of clearing services and central counterparty provided by CCB after 15 September 2013. For this, the CCB, which holds the functioning authorization issued by CNVM in 14 August 2007, under the Capital Market Law no. 297/2004 and CNVM Regulation no. 13/2005 on the authorization and functioning of the central depository, clearing houses and central counterparties, should meet EMIR requirements by 15 September 2013 and apply for re-authorization under EMIR.

Considering that the share capital requirements (the RON equivalent of at least 7,500,000 EUR) and the other EMIR Regulation requirements have not been met until 15 September 2013, CCB submitted the re-authorization file with the FSA, as provided under the EMIR regulation package (EU) (in September 2013). FSA notified the deadline for the compliance by the CCB with the requirements and conditions under the EMIR Regulation in the FSA Regulation no. 2/2014 and in the FSA notification of 13 November 2013, namely 13 May 2014. Later, FSA extended the deadline to 31 January 2015.

BURSA DE VALORI BUCURESTI S.A.**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2014** (thousand RON)**26. REAUTHORIZATION OF THE CCB AS CENTRAL COUNTERPARTY (CONTINUED)**

The share capital of CCB as at 31 December 2014 is RON 6,835,850 (the equivalent amount of EUR 1,522,902), whereas the shareholding structure as at the same date is the following:

| <u>Shareholder category</u> | <u>Shareholders number</u> | <u>Total shares</u> | <u>% ownership</u> |
|------------------------------------|---------------------------------------|--------------------------------|---------------------------|
| Bucharest Stock Exchange | 1 | 358,937 | 52.50% |
| Financial investment companies | 36 | 122,447 | 17.91% |
| Credit companies | 20 | 97,880 | 14.31% |
| Brokers' Association | 1 | 14,274 | 2.08% |
| SIBEX – Sibiu Stock Exchange SA | 1 | 135 | 0.01% |
| Other legal entities | <u>118</u> | <u>89,912</u> | <u>13.15%</u> |
| Total | <u>177</u> | <u>683,585</u> | <u>100.00%</u> |

The authorization of the CCB as central counterparty requires the increase of its share capital with the equivalent of at least 7,500,000 EUR.

Since these requirements have not been fulfilled, on 13 January 2015, the Financial Surveillance Authority, through official letter no. 245/13 January 2015, communicated that, if all the requirements of the EMIR rules are not completely fulfilled by CCB by 31 January 2015, FSA will issue a decision to reject the authorization request within no more than 30 days from the expiry of the abovementioned date and, also, FSA will withdraw the operating license of Societatea Casa de Compensare Bucuresti SA (Bucharest Clearing House SA) within no more than 90 days from FSA's rejection of the authorization request.

Also, the Board of Directors of CCB decided to summon the General Meeting of the Company's Shareholders on 26 March 2015, in order for the shareholders to decide the manner in which CCB will continue to operate if the operating license is withdrawn by FSA in the immediate future. For this purpose, the proposal was made to the shareholders to approve any of the following alternatives, which could be implemented when FSA issues the decision to withdraw CCB's operating license:

- a) The approval of the start of the actions for the compliance with the standards provided for by (EU) Regulation no. 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR Regulation) and taking all the measures necessary for the authorization of the Company as central counterparty, without any time restrictions concerning the reauthorization process.

26. REAUTHORIZATION OF THE CCB AS CENTRAL COUNTERPARTY (CONTINUED)

The legal actions necessary for the implementation of the decision mentioned at (a), if this decision is adopted, would have been subject to the approval of the General Shareholders' Meeting.

Between the date of the authorization withdrawal by FSA and the date of the reauthorization as central counterparty, based on the fulfilment of all the related requirements, the Company will not carry out business, all the other activities being strictly related to the fulfilment of the authorization requirements and the fulfilment of all the necessary steps, in compliance with the items decided by the Extraordinary General Meeting specially summoned for this purpose.

- b) Approval of the change of the main activity of the Company. For this purpose, the Board of Directors will be authorized to identify possible fields of activity in which the Company will be able to operate and to make concrete proposals to be approved by the general shareholders' meeting. The meeting to be summoned will be organized no later than the end of April 2015.
- c) Approval of the suspension of the Company's activity for 3 years. For this purpose, the Company's Board of Directors will be authorized to take all the necessary measures and to fulfill all the necessary formalities, from a legal perspective, to suspend the company's activity and to fulfill the legal requirements.

During the Extraordinary General shareholders' Meetings organized upon its second summoning, on 27 March 2015, the shareholders voted against all the three solutions proposed by the person who summoned the meeting, thus subscribing to the CCB action towards FSA of 19 March 2015.

At the same time, on 19 March 2015, following the official letter of FSA no. 336/26.02.2015 concerning the rejection of the request for reauthorization according to the EMIR rules, CCB sent a letter, namely a request for the change of the existing authorization with a new activity, namely the provision of services as clearing house for financial instruments, other than derivatives, thus maintaining the option to develop a central counterparty on the CCB structure open.

The CCB actions led to the issue by FSA of Regulation no. 7/27.05.2015, by which the period for the withdrawal of CCB's operating license was extended from no more than 90 days to no more than 9 months from the rejection by FSA of the authorization request. Also, CCB must prepare a master plan comprising the planning of the activities considered by CCB if its activity is changed as a result of the positive solution to maintain the operating license as clearing house.

As at the date of these financial statements, this master plan was sent to FSA.

27. EVENTS AFTER THE BALANCE SHEET DATE

In December 2014, the Romanian Government adopted Emergency Ordinance no. 90/2014 for the amendment and supplementation of Law no. 297/2004 on the capital market, amending the existing provisions concerning the maximum limit of holdings and the quorum requirements applicable to market operators. According to the new provisions, the holding limit was increased to 20% (from 5%) whereas the quorum requirements for the General Extraordinary Meetings of Shareholders were aligned with the requirements of Law no. 31/1990 on companies, namely that 1/4 of the voting rights for the first summoning and 1/5 for the second.

The Emergency Ordinance entered into force on 9 January 2015 and, on the same date, the BVB Board decided to amend the Company's Articles of Association in order to align them with the provisions of Art. 129 and 286³ of Law no. 297/2004, as amended and supplemented by Government emergency Ordinance no. 90/2014. In the meeting of 16 March 2015, the BVB Board approved the re-sending of these amendments to the Articles of Association to FSA, for the issue of the authorization, as follows:

- in the first stage, the changes concerning the alignment of the provisions of the Articles of Association to Art. 129;
- in the second stage, after the clarification of the provisions concerning the quorum requirements (in compliance with Art. 286³) and the publication of the law approving Government emergency Ordinance no. 90/2014, the changes concerning the alignment of the provisions of the Articles of Association with the provisions concerning the quorum requirements will be sent.

The General Shareholders' Meeting of 28 April 2015 approved the payment of dividends to the BVB shareholders in total amount of RON 11,189 thousand (gross dividend of RON 1.4579 per share).

The FSA Decision no. 7/27.05.2015 extends the deadline for the authorization of Casa de Compensare Bucuresti as central counterparty by 30 November 2015 (see note 26).

There were no subsequent events to the balance sheet date that, by not being included, might affect the users' capacity to make assessment or to take proper decisions.