SHORT OVERVIEW OF THE BOND MARKET

JANUARY 2020

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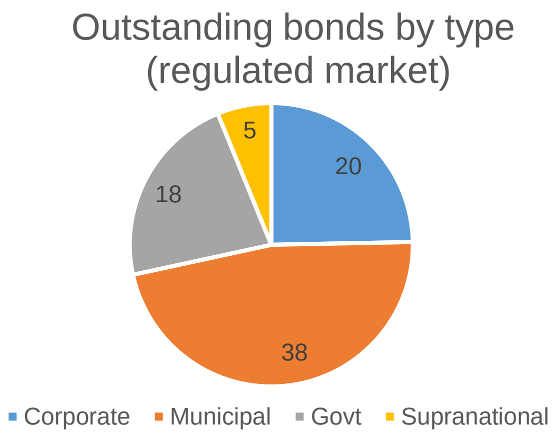
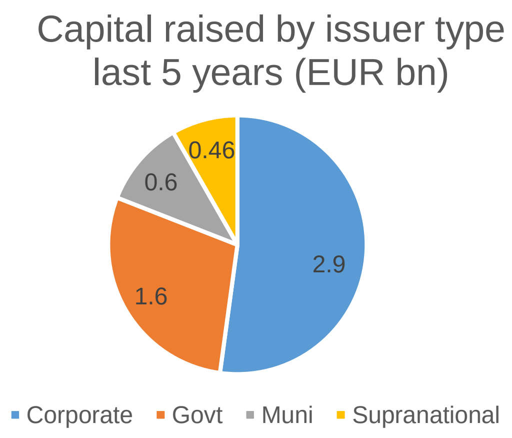
Current snapshot

- BVB operates a bond section on both the regulated market and on the alternative market (Aero)
- 81 bond issues outstanding on the main market & 16 on Aero
- 63 bonds listed in the last 5 years, EUR 5.8bn raised
- The secondary market for bonds is illiquid. In 2019 bond trading accounted for 1.2% of total turnover (EUR 100k daily average), a significant decline from 2018 (11.3% share in turnover and EUR 1.28mn daily average)
- The trading fee for bonds is 1bp for both buy and sell, except for Govt securities where 0.04bps fee applies
- OTC market is largely relevant only for Government bonds. The transparency and mark-to-market requirements of the institutional investors are strong arguments for bond listings





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Bonds issuance and listing procedure
Regulated market

- Two options for bonds issuances
  - Public offering – requires prospectus, open to all investors
  - Private placement – no prospectus required. Max 149 investors can participate in a private placement
- Steps for listing
  - Formal internal approval (GSM for corporate bonds)
  - Selection of intermediary and decision on bonds characteristics
  - Preparation of the prospectus (for public offerings) and submission to the regulator for approval
  - Public offering or private placement process taking place
  - Preparation of the listing prospectus (for private placements)
  - Registration of the securities with the regulator and the Central Depository
  - Submission of the listing documents to the stock exchange
- Costs
  - BVB charges a processing fee (EUR 250), an admission fee (EUR 300-700), both one time costs and a yearly maintenance fee (EUR 300-700)
  - Broker fees and regulator / depository registration fees
- The entire process takes between 2 and 4 months depending on the complexity of the deal

Recent trends

- 2019 was a record year in terms of new listings: 17 new bonds, EUR 1bn raised

- Corporate bonds dominate the landscape
  - Banks and leasing companies (a traditional player in the bond market)
  - Real-estate companies
  - Small-caps from various industries

- Municipal bonds retreating
  - Traditionally municipal bonds were the largest subsection in the market
  - Only one issuer in the last five years (Bucharest) – legal changes in 2010 and preferences switching towards bank financing

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Opportunities

- Keeping the momentum on the corporate bonds segment: increasing visibility and marketing efforts in order to monetizing on the positive economic trend and the large number of small-mid caps looking for capital to grow

- Plentiful capital available to invest driven by the rising assets of the local institutional investor base (e.g. local pension funds)

- Stopping the decline in the municipal bonds category: BVB a very competitive alternative to bank financing

- Large investments required in the energy sector and transportation infrastructure for both state owned and private companies

- Fiscal incentives and easy fiscal procedures should be introduced for individuals investing in securities

- BVB is very keen to work together with the relevant parties to provide solutions for new types of projects and financing schemes