

No. 1871/27.04.2017

To,

**Bucharest Stock Exchange  
Financial Supervisory Authority  
Division of Financial Instruments and Investments**

### **CURRENT REPORT**

Pursuant to CNVM (Romanian National Securities Commission) Regulations no. 1/2006 on issuers and operations with securities and Law no. 297/2004 on capital market.

**Date of the report:** 27.04.2017

**Name of the issuing entity:** SSIF BRK Financial Group SA,

**Registered office:** Cluj-Napoca, str. Moșilor, nr. 119, jud. Cluj

**Telephone no. /fax:** 0364-401.709/0364-401.710,

**Tax Identification Code:** 6738423

**No. of registration with the Trade Register:** J12/3038/1994,

**Subscribed and paid share capital:** lei 54.039.987,04

**Regulated market where issued securities are traded:** Regulated market – premium tier.

Symbol: BRK, BBGID: BBG000C78LZ7

**Important events to report:** 2016 Annual Report availability

SSIF BRK Financial Group informs the general public about the availability of the 2016 Annual Report.

The annual report and the related documents are available from April 27<sup>th</sup> 2017 by request at the company's headquarters: 119 Moșilor Street, Cluj-Napoca or can be downloaded from the company's website, [www.brkfinancialgroup.ro](http://www.brkfinancialgroup.ro).

Chairman  
Darie Moldovan

**Capital Social: 54.039.987,04 lei**  
RO14BTRL06601202R1814001, BT-sucursala Zorilor, Cluj-Napoca  
ANSPDCP nr. înreg. 11847-2009, Decizia CNVM 3097/10.09.2003  
Nr. Înreg. la ORC J12/3038/1994 CUI 6738423



Translation from Romanian

# **Individual Report of the Board of Directors for 2016**



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## 1. Chairman's message to the shareholders

**Dear shareholders,**

2016 was a year of surprises all over the world. Few were anticipating the outcome of the UK referendum on leaving the European Union or the winner of the presidential elections in the United States. Despite all these troubles, the financial markets had positive developments until the end of the year, providing investors with viable alternatives to bank interest rates which remained low.

The financial activities of BRK Financial Group followed several directions: intermediating customer transactions, managing its own investment portfolio, issuing and securing the liquidity of structured products, corporate operations for companies.

The company's market share on the Bucharest Stock Exchange was lower than the one we have got accustomed to over the years, partly due to the sophistication of our customers and their migration to international markets or other investment products. On the other hand, the transactions carried out on our own account managed to positively offset the balance of the company's profitability. The overall positive context mentioned above gave us the opportunity to sell historical investments which, in conjunction with speculative transactions, increased our profit by 165% compared to the previous year.

The issuance of structured products focused mainly on turbo certificates, which continued to be preferred by investors with an appetite for risks on the Bucharest Stock Exchange. The very low interest rates in 2016 turned the issuance of structured products with protected capital into mission impossible (a phenomenon present in all markets), but this type of certificates remains in the company's product programme.

If 2016 was a year of major changes in the company's shareholding structure, 2017 will be one of changes inside the company. Focusing on profitable activities, cost discipline, technology investments, and talented employees are ambitious targets which, once achieved, will generate perennial results.

We start our journey to reach our goals by putting the interests of our customers and investors first, believing that quality services and transparent communication, integrity and honesty are pillars for the company's success.

By focusing on reaching our goals, through teamwork in the entire company, and by anticipating the changes that may occur in a strong competitive market, we are confident that we will create added value in the long run for our shareholders.

**Darie Moldovan, PhD**

**Chairman of the Board of Directors**

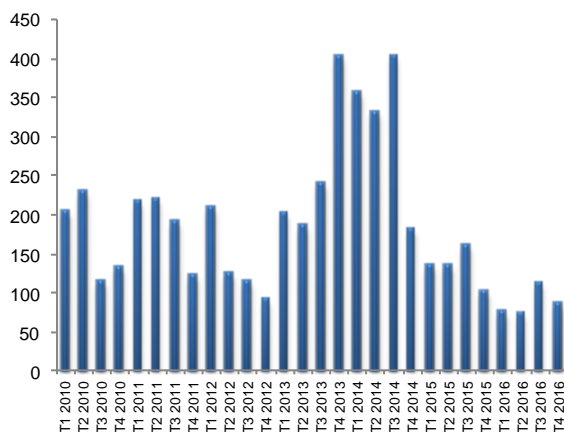


## 2. Key indicators

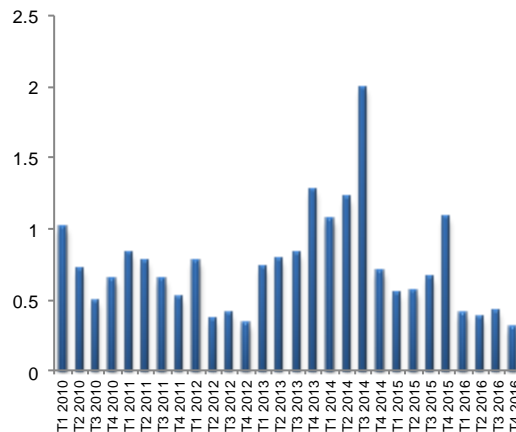
Indicators	31-Dec-16	31-Dec-15	Evolution
<b>Profit and loss account and other comprehensive income (RON)</b>			
Income from continuing operations	10,302,506	11,108,454	-7.26%
Operational income/loss	1,066,340	(2,738,164)	n/a
Income/loss for the period	1,066,340	(2,738,164)	n/a
Total comprehensive income for the period	1,009,227	1,909,336	-47.14%
<b>Individual balance (RON)</b>			
Ownership equity	62,826,576	61,857,739	1.57%
Total ownership equity and debts	104,637,442	86,045,531	21.61%
<b>Performance indicators</b>			
Not profit per share (Ron/share)	0.0032	(0.0081)	n/a
Accounting net asset (Ron/share)	0.1860	0.1831	1.59%
Net profit margin	10.35%	n/a	n/a
<b>Income/loss by segments (RON)</b>			
Income/loss from brokerage activity	704,072	319,060	120.67%
Income/loss from own portfolio management	4,966,339	1,872,153	165.27%
Undistributed general administrative costs	(4,604,071)	(4,929,377)	-6.60%
Income/loss before provisions	1,066,340	(2,738,164)	n.a.
<b>Price of BRK share (Ron/share)</b>			
	<b>2016</b>	<b>2015</b>	<b>Evolution</b>
Opening price (closing price of the previous year)	0.0780	0.1078	-27.64%
Maximum (intraday price)	0.0798	0.1090	-26.79%
Minimum (intraday price)	0.0664	0.0610	8.85%
Closing price (on 31 December)	0.0684	0.0780	-12.31%



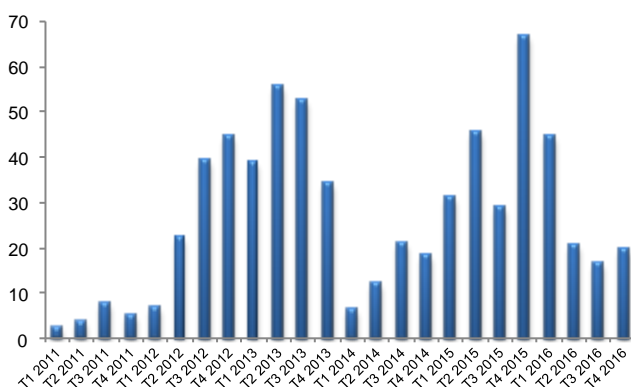
Share transactions on BSE (mil.Ron)



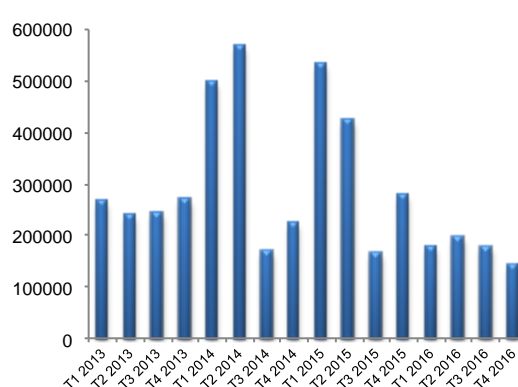
BSE commissions (mil.Ron)



Transactions with structured products on BSE (mil.Ron)



Foreign market commissions (Ron)



### 3. Company profile

Legal name	SSIF BRK FINANCIAL GROUP S.A.
Field of activity	Security and commodity contracts brokerage
NACE Code	6612
Tax Identification Number	6738423
Registered in the Trade Register under no.	J12/3038/1994
Address	Headquarters: 119 Motilor Street, Cluj-Napoca
Telephone, Fax	0364-401709, 0364-401710
Email	<a href="mailto:secretariat@brkfinancialgroup.ro">secretariat@brkfinancialgroup.ro</a>
Webpage	<a href="http://www.brkfinancialgroup.ro">www.brkfinancialgroup.ro</a>
Symbol	BRK
ISIN	ROBRKOACNOR0

SSIF BRK Financial Group S.A. was established as a joint-stock company on the 26<sup>th</sup> of October 1994 under the initial name of SIMV Broker SA, which later became SSIF Broker S.A. until the end of 2015. Following the expansion of the company's activity to other financial segments through strategic acquisitions, as well as through internal development, in 2015 the company decided to change its name from SSIF Broker SA into SSIF BRK Financial Group S.A. Thus, the name change operation was completed on 21.03.2016, after publication of the Resolution of the Shareholders' Extraordinary



General Meeting of 16.12.2015 in the Official Gazette of Romania no. 226, Part IV, on 15.01.2016. The FSA authorisation to change the name was received on 24.02.2016

SSIF BRK Financial Group S.A. is a founding member of the Bucharest Stock Exchange and shareholder of the Sibiu Stock Exchange (Sibex), the Sibex Depository, the Romanian Clearing House in Sibiu, the Romanian Commodities Stock Exchange, the Bucharest Clearing House and S.C. Fondul de Compensare a Investitorilor S.A. (Investor Compensation Fund).

The main activity is security and commodity contracts brokerage, BRK being one of the largest independent brokerage companies in Romania, operating under the supervision of no other financial institution.

The company offers a wide range of financial services for both retail and institutional customers. Transaction brokerage on the Bucharest Stock Exchange and in other international markets is still one of the main sources of income for the company. In the past, BRK was involved in listing some of the most prestigious companies in Romania on the Bucharest Stock Exchange and listed 11 of the 12 companies initially listed on the Bucharest Stock Exchange, preparing and introducing to trading a total of 45 companies. Some of these companies are: Antibiotice Iasi, Azomures Targu-Mures, Terapia Cluj-Napoca, Artrom Slatina, Astra Vagoane Arad, etc.

In addition to the services intended for customers, the management of its own financial assets portfolio contributes to SSIF BRK Financial Group S.A.'s revenue. The investments are made both in Romania and in international markets, both in premium companies listed on regulated markets and in private companies. Thus, SSIF BRK Financial Group S.A. has become a significant shareholder in several Romanian companies and is actively involved in their development.

In 2005, BRK Financial Group became the first and, to date, the only financial investment firm listed on the Bucharest Stock Exchange, category 1. The shares of SSIF BRK Financial Group S.A. (BRK Financial Group S.A. at that time) were admitted to trading on the main market operated by the Bucharest Stock Exchange on 5 February, 2005, under the symbol BRK. BRK shares are listed on the Bucharest Stock Exchange, Premium tier, and are included in the BETPlus index.

The Company's headquarters are in Cluj-Napoca, and its presence across Romania is ensured through its agencies in Bucharest, Timisoara, Iasi and Suceava.

## 4. Corporate governance

The corporate governance of SSIF BRK Financial Group represents the set of principles that constitute the basis for the administration framework applied to manage and control the company. Stipulated in the company's internal regulations and procedures, these principles determine the efficiency of the control mechanisms enforced in order to protect and harmonise the interests of all categories of participants in the activity carried out by the company - shareholders, directors, managers, heads of various structures of the company, employees, customers, third-party business partners and collaborators, central and local authorities, etc.

### 4.1. Shareholders

In accordance with the corporate governance principles, SSIF BRK Financial Group respects the rights of its shareholders, carrying out the activities initiated by the company in their interest. The company shows constant concern about improving communication and its relationship with the shareholders, ensuring fair treatment.

To the above-mentioned effect, the company's articles of association regulate the shareholders' rights regarding their shares and the exercise of those rights by participating in the Ordinary and Extraordinary General Meeting of Shareholders. The articles of association also regulate the company's governing body and administration.





The relationship with shareholders is ensured through the company's executive management and Board of Directors. The website provides full and detailed information about the company's organisation, activity (products and services), financial statements in accordance with the applicable standards, Ordinary and Extraordinary General Meetings, litigation in which the company is involved, and other events that are relevant both for shareholders and investors and for collaborators and/or customers. The website also includes information on the company's board members, audit reports, and the company profile. Most of the information intended for shareholders and investors available in the "Shareholders" and "Why BRK Financial Group" sections and are provided also in English.

Along with the information available on the company's website, shareholders and investors can also consult the reports/communications provided by BRK Financial Group to the Bucharest Stock Exchange. The company provides BSE the annual planning of financial reporting and communication, the convening notices for the Ordinary and Extraordinary General Meetings and the resolutions thereof, current reports in accordance with the BSE code and the corporate governance principles applicable to companies listed on the BSE regulated market.

## 4.2. Board of Directors

In 2016, the management of BRK Financial Group was provided most of the time by a Board of Directors made up of three members (the normal number of members according to the articles of association being 5), elected by the General Meeting of Shareholders.

Following elections held in the Shareholders' Ordinary General Meeting of April 2016, a new Board of Directors was elected, made up of five members: Mr. Stratan Tiberiu, Mr. Chis Grigore, Mr. Mancas Catalin, Mr. Rosu Dragos and Mr. Gavriela Daniel Florin, for whom the necessary documents were sent to the Financial Supervisory Authority for authorisation. The last three members received the FSA approval in October 2016. Mr. Mancas Catalin submitted his resignation as board member in November 2016. As a result, Mr. Moldovan Darie was elected as temporary board member.

In 2016, BRK Financial Group SA's Board of Directors met 24 times, either by participation at company's headquarters or by remote communication means, and its activity complied with the law and its articles of association. The Board debated important projects and issues relevant for the company's activity, deciding on the various aspects of the company's operation. One of the issues on the agenda of the company's Board of Directors, which had great impact on the company's current activity, was the approval of internal rules and procedures, which were updated so as to be consistent with the changes occurred in the company.

The Board of Directors operates under its own rules of procedure, which set out the actual way in which the Board works, how it is convened and how it meets, the company's personnel who must submit activity reports (managers, ICD representatives, internal auditor, CFO). To avoid any potential conflict of interest, the Board members' submitted and published résumés provide information, both to the Board and to shareholders and potential investors, on any professional commitments, including executive and non-executive positions in the Board of Directors of other companies and/or non-profit institutions; and their statements submitted to the Financial Supervisory Authority for authorisation purposes reveal all information related to direct or indirect holdings, individual holdings or holdings resulting from actions in concert with third parties.

The remuneration of Board members and the general limits of all remunerations are approved by the General Meeting of Shareholders. Board members do not carry out related activities which are directly or indirectly influenced by the activity of BRK Financial Group SA.



### 4.3. Committees of the Board of Directors

Four Committees operate within the Board of Directors: the Nomination Committee, the Audit Committee, the Risk Committee, and the Remuneration Committee. The committees set up within the Board of Directors operate as Board working groups, their role is determined and established in line with the applicable laws and so as to meet the company's needs. The members of these committees are appointed based on the expertise of board members and the need to optimally capitalise on their experience acquired in various fields of activity. In accordance with the Resolution of the Shareholders' General Meeting of April 2016, the board members dismissed in the said General Meeting were authorised to continue the management of the company until the new members were validated by the Financial Supervisory Authority. As a result, the members of the committees were the dismissed members until the new Board of Directors was authorised.

The role of the Risk Committee, made up of: Mr. Buliga Mihai (until 27 April 2016), Mr. Stratan Tiberiu (until 12 October 2016), Mrs. Catalin Ramona (until 07 April 2016), Mr. Rosu Dragos (as of 13 October 2016), Mr. Gavrilă Florin Daniel (as of 13 October 2016) and Mr. Mancas Catalin (from 13 October to 2 November 2016) – is mainly to monitor the risks that might have an impact on the company, and to analyse and assess the reports submitted by the person in charge with risk management. The Risk Committee is informed on a monthly basis, by the person in charge with risk management, in a full report of activity, on the status of the company in terms of liquidity indices and other risk indices that are calculated in accordance with the FSA regulations.

The Audit Committee consists of three Board members as of 13 October 2016: Mr. Rosu Dragos, Mr. Gavrilă Florin Daniel and Mr. Mancas Catalin; its role is to analyse and audit the financial statements of the company. The Audit Committee assesses the company's periodic financial statements, their accuracy, and the auditors' opinions on the financial statements.

The Remuneration Committee, made up of Mr. Buliga Mihai (until 27 April 2016), Mr. Stratan Tiberiu (until 12 October 2016), Mr. Ionescu Anton (until 27 April 2016), Mr. Rosu Dragos (as of 13 October 2016), Mr. Gavrilă Florin Daniel (as of 13 October 2016) and Mr. Mancas Catalin (from 13 October to 2 November 2016), is in charge with assessing the company's remuneration policies and proposing their amendment and updating to the Board of Directors for approval.

The Nomination Committee, made up of Mr. Buliga Mihai (until 27 April 2016), Mr. Stratan Tiberiu (until 12 October 2016), Mr. Dia Corneliu (until 27 April 2016), Mr. Rosu Dragos (as of 13 October 2016), Mr. Gavrilă Florin Daniel (as of 13 October 2016) and Mr. Mancas Catalin (from 13 October to 2 November 2016), is in charge with evaluating the persons proposed for management positions and key positions in the company, and analysing the propositions of persons that may represent the company in the Boards of Directors of other entities. The Nomination Committee conducts evaluations of persons proposed for management positions in the company, analysing the professional skills and the information contained in the résumés of the persons concerned.

### 4.4. External auditor

According to legal provisions, the financial-accounting statements and operations of BRK Financial Group are audited by an independent financial auditor that meets the criteria set out by both the Financial Supervisory Authority and the Chamber of Financial Auditors of Romania. In the Ordinary General Meeting of Shareholders held on 24.02.2016, BDO AUDIT SRL of Bucharest was appointed as the financial auditor of the company for the 2015 and 2016 financial years. Later, in the General Meeting of Shareholders held on 6 October 2016, the appointment of BDO AUDIT SRL as financial auditor was extended for another two years, 2017 and 2018.

### 4.5. Internal auditor

The internal audit is conducted by the company G2 Expert SRL and it is fully independent, in accordance with corporate governance recommendations. The internal audit reports are submitted to the company's Board of Directors, and the



measures proposed therein are implemented by resolutions of the Board of Directors. The internal audit reports refer to checks on the consistency of customers' balances with analytical records, checks on reports on capital adequacy, random checks on customers' available funds and other relevant aspects of the company's activity.

#### 4.6. Internal control

In accordance with the legal provisions in force, the company set up an Internal Control Division (ICD) consisting, in 2016, of personnel authorised by FSA (CNVM). The company also took the necessary steps for the authorisation of ICD personnel.

The Internal Control Division sends monthly reports to company's Board of Directors, to Managers and to the Internal Auditor about the performed activity and the identified problems, if any. ICD proposes to the company management measures to remedy the problematic issues, and the decision on the implementation of the proposed measures is taken by the board members and/or the executive management. The decision is then notified to those involved by the representatives of the executive management.

Furthermore, the Internal Control Division checks the communication to the capital market institutions of all the reports required by the applicable legislation, including current reports on significant events related to the company's activity.

In 2016, the Internal Control Division submitted to the Board of Directors and the executive management a total of 41 inspection reports showing the outcomes of the investigations carried out during the year.

#### 4.7. Risk management

A risk manager, an employee specifically in charge with monitoring risk at the company level, was appointed within the BRK Financial Group in accordance with the applicable legal provisions. The monitoring of the risks specific to the company's activity is conducted in accordance with the *Procedure on risk assessment and management*, approved by company's Board of Directors.

The process of identifying and assessing financial risks and the indicators used in risk management is carried out in accordance with Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, as required by the European legislator.

The assessment of the operational risks generated by the IT systems is conducted in accordance with the FSA Standard no. 6/2015 on the management of operational risks generated by the computer systems used by the regulated entities, authorised/approved and/or supervised by the Financial Supervisory Authority.

The risk management system, built according to the above-mentioned regulations, includes a set of analyses, presentation of the results of financial risk identification and assessment, and proposals to reduce the effects of the risks related to the investment and general activity of the company.

In this respect, the following categories of potential or existing risks to which SSIF BRK Financial Group SA is exposed have been analysed and assessed:

1. liquidity risks, with the following sub-categories: the risk of not meeting the current liquidity needs, the risk of financing long-term assets from non-permanent resources, and the risk related to the liquidity of the financial asset portfolio held by SSIF BRK Financial Group SA;
2. market risks, with the following sub-categories: position risk, currency risk, commodity risk and long-term interest rate risk;
3. credit risks, with the following sub-categories: credit risk (related to the financial strength of the issuers of the financial assets held by SSIF BRK Financial Group SA), and counterparty credit risk.



4. operational risks, analysed from the perspective of the quantitative approach. All operational risks generated by the processes, systems and human resources that SSIF BRK Financial Group SA uses in its current activity are analysed in this category;
5. concentration risk, with the following sub-categories: high exposures to a debtor/issuer and high exposures to an economic sector.


In addition to these categories of financial and operational risks, the following risks/vulnerabilities are also analysed in this report on the risks to which SSIF BRK Financial Group SA is exposed:

6. the actuarial risk (the possibility of occurrence of human error in the calculations regarding the assessment and quantification of risk levels) to which SSIF BRK Financial Group SA is exposed. The materialisation of this risk leads to the emergence of various vulnerabilities in the risk management policy and implicitly to the emergence of different residual risks that may have implications for the financial stability of the company;
7. the business risk, which takes into account the economic aspects that may affect the financial results of SSIF BRK Financial Group SA set out in the Income and Expense Budget. This category of risks considers the risk associated with a business environment characterised by a low interest rate and the possibility that the economy enters into a deflationist cycle.
8. the risk related to the political factor, which considers the potential negative effects caused by amendments to regulatory acts that regulate the activity of investment firms;





At the level of SSIF BRK Financial Group SA, the financial, investment and operational risks were assessed/quantified, monitored and processed in order to reduce their impact according to the above classification. When establishing this risk classification structure, account was taken of the size of the risks' impact on the levels of SSIF BRK Financial Group SA's own funds if those risks were to materialise.

The following principles and issues were taken into account when establishing the quantitative limits for financial risks:

#### Principles:

-  as a general principle, SSIF BRK Financial Group SA's risk profile, the current structure of its portfolio, the possible asset dynamics, and the prudent levels of liquidity and capital adequacy so as to contain shock absorbers for possible crisis situations, as set out by the European regulator, were taken into account when determining the current quantitative levels of financial risks;

#### Aspects considered:

-  the required liquidity level was determined so as to be prudent and able to cope at any time with any net outflow of cash in the event of a crisis situation;
-  the liquidity level of the assets in the portfolio was determined according to the characteristics of the portfolio and so as to ensure a minimum level of liquidity to cope with any need for reorientation of the business policy;
-  when determining the levels for market, credit, counterparty, operational risk levels, the aim was to ensure that the solvency level determined as a ratio between the capital requirements for these financial risks and the SSIF BRK Financial Group SA's own funds (financial resources) was at least three times higher than the required minimum (existence of reserves), as set out in Regulation (EU) No 575/2013);
-  when determining the current quantitative limits, a leverage level of at least 27% was considered.



Thus, on 31.12.2016, the level of SSIF BRK Financial Group's own funds amounted to 57,463,227 and the risk-weighted exposures totalled 98,360,197.93.

The increase in the level of the company's own funds compared to 2015 is due both to the change in the methodology used for their determination and to the decrease of the deductions applied to the company's basic level 1 own funds.

#### **4.8. Transparency and financial reporting**

In order to ensure transparency in its activity and financial statements, SSIF BRK Financial Group makes available to any interested person, through the notifications sent to BSE and on its own website, the annual, biannual and quarterly reports drawn up in accordance with the applicable accounting standards (IFRS). The annual financial reports are presented both individually and consolidated, both preliminary and audited, along with the explanatory accounting notes. Quarterly and semi-annual results are only presented in individual and unaudited reports. The company also makes public other current reports on all important events that have or may have an impact on its image and activity. The company has published on its website the company's articles of association and the CVs of its board members.

#### **4.9. Avoiding conflicts of interests**

In order to avoid conflicts of interest, the company applies clear procedures that regulate the execution of customers' orders, which have priority over the company's own orders. The order execution priorities are included in the company's internal procedures.

The company also reports to the Bucharest Stock Exchange all the transactions made by initiated persons with BRK Financial Group, in order to inform shareholders and other interested parties. According to the regulations and laws in force, the Company reports the necessary transactions to the Financial Supervisory Authority.

BRK Financial Group has taken the necessary actions to avoid conflicts of interest by segregating and separating the operational activities where appropriate.

#### **4.10. Social responsibility**

BRK Financial Group, through its Board of Directors and executive management, contributes to the financial education of students in Cluj-Napoca, offering them, free of charge, internships and documentation on the Romanian capital market.

#### **4.11. Financial calendar**

15 February 2017	Publication of the preliminary results for 2016
26 & 27 April 2017	General Meeting of Shareholders
27 April 2017	Publication of the annual audited and consolidated financial results for 2016
15 May 2017	Publication of the financial results for the first quarter of 2017
11 August 2017	Publication of the financial results for the first half of 2017
15 November 2017	Publication of the financial results for the third quarter and the first nine months of 2017



## 5. BRK share

BRK Financial Group's shares are dematerialised, ordinary, indivisible, and freely negotiable since their admission to trading on Bucharest Stock Exchange (BSE).

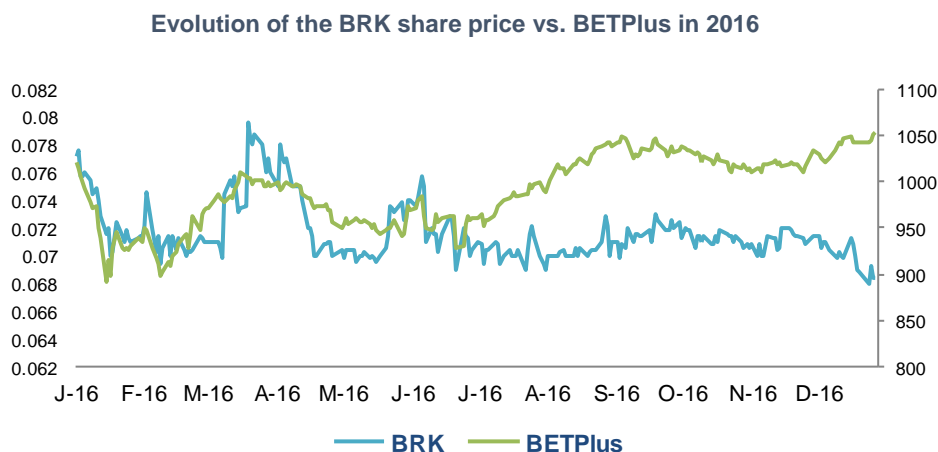
BRK Financial Group's shares were admitted to trading on the main market administered by the Bucharest Stock Exchange on 5 February 2005 under the BRK symbol. BRK shares are listed on the *Premium Tier* of the Bucharest Stock Exchange and are included in the BETPlus index basket.

The company is governed by the capital market legislation, i.e. Law no. 297/2004 on capital market, and the secondary regulations issued by the Financial Supervisory Authority (FSA) and BSE.

The records of the shares are kept by the Central Depository, which is an independent registrar authorised by the Financial Supervisory Authority.

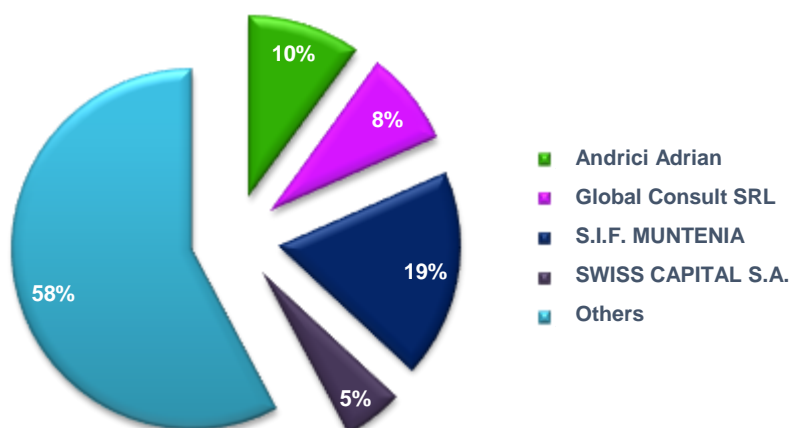
The total number of BRK shares is 337,749,919 and the par value of one share is 0.16 Ron.

In 2016, the **average price** of a BRK share was 0.0717 Ron/share, down by 15.75% compared to the average price recorded in 2015 (0.0851 Ron/share). The closing price of a BRK share on 30 December 2016, the last trading day of the year, was 0.0684 Ron/share, down by 12.31% compared to the previous year.



### 5.1. Shareholding

On 31 December 2016, BRK Financial Group's shareholding structure was the following:



## 5.2. Dividends and redemption of own shares

In 2016, the company had a net profit of 1,062,492 Ron, while the year before it suffered a loss of 2,738,164 Ron. This return to profit encourages the company to continue its investment projects and follow the market opportunities.

The Extraordinary General Meeting of Shareholders held on 16.12.2015 resolved to approve the initiation of a programme for the redemption of its own shares, aimed at cancelling shares and diminishing the share capital. According to that resolution, the maximum number of shares that could be redeemed was 50,802,280 (max. 15% of the share capital), at a price ranging from 0.0400 to 0.1700 Ron/share. The redemption programme was to be carried out within a maximum period of 18 months after the publication of the resolution in the Official Gazette (Official Gazette no. 226, Part IV of 15.01.2016). In 2016, the redemption programme was carried out as follows:

Date	No. of traded shares	Average price/day (Ron/share)	Amount (Ron)
28.03.2016	40,000	0.07780	3.112
31.03.2016	40,000	0.07600	0.040
10.06.2016	30,000	0.07300	2.190
<b>Total</b>	<b>110,000</b>	<b>0.07584</b>	<b>8.342</b>

## 6. Stock market

### 6.1. Retrospective on world stock market developments

2016 began in decline, with financial markets losing more than \$ 4 trillion in the first 10 trading days. The declining oil prices and the slowing down of the global growth made investors withdraw part of their capital. The losses were mitigated by improving economic data in US and the new fiscal stimulus measures in China.





<b>Index</b>	<b>Country</b>	<b>(%) 16/15</b>	<b>(%) 15/14</b>
Dow Jones	USA	13.40%	-2.20%
S&P 500	USA	11.74%	-0.70%
DAX-30	Germany	6.87%	9.60%
CAC-40	France	4.86%	9.10%
FTSE-100	UK	14.43%	-4.70%
NIKKEI-225	Japan	0.42%	9.10%
ATX	Austria	9.24%	-15.20%
Shanghai Composite	China	-12.31%	9.40%
WIG-20	Poland	4.77%	-16.60%
PX	Czech Rep.	-3.76%	1.00%
RTS	Russia	52.21%	-4.30%
SOFIX	Bulgaria	27.23%	-11.70%
BUX	Hungary	33.78%	43.80%

Source: [www.1stock1.com](http://www.1stock1.com)

The American markets recovered in March after three consecutive months in which they suffered losses. The S&P 500 and DJIA indices increased by 1% and 2% respectively, while the NASDAQ Index suffered a 2% loss, due to the poor performance of the financial and technological sectors. The European markets declined in the first quarter due to the slowdown in economic growth and the problems in the financial and banking sector. The European Central Bank lowered its interest rate and increased its bond purchase programme in an attempt to boost economic growth in Europe.

In the second quarter, the financial markets had moderate growth, and the investors paid close attention to what was happening in the UK. After the Brexit vote results, the market declined immediately, but recovered spectacularly and continued to grow in the following days. The oil barrel price rose by 25% this quarter, and the price of an ounce of gold rose by 24% since the beginning of the year. In the US, the second quarter was characterised by investments in defensive sectors and safe-haven financial instruments. In Europe, Brexit made the British pound reach its 1980 level against the US dollar. The energy sector performed better, helped by the rise in oil prices, while the financial and banking sector underperformed due to reports of financial results well below analysts' expectations.

The third quarter brought a stabilised global economy, with markets supported by stimulus measures from central banks. Investors were expecting an increase in the interest rate by the EDF, but this came only in the fourth quarter. Towards the end of the quarter, OPEC and the other major oil exporting countries reached an agreement and limited oil production; this was the first agreement after eight years. The US market continued to grow, the S&P 500 index increased by 4%. The European markets recovered after British citizens voted to leave the EU. The MSCI Europe Index grew by 6%.

The fourth quarter was marked by two very important events, namely the election of the US president in November and the increase in the benchmark interest rate by the EDF in December. The global financial markets responded surprisingly to Donald Trump's election win and reached new highs. The S&P 500 rose by 4%, while Dow Jones Industrial Average rose by 9%. All this happened after Donald Trump promised to reduce taxes and implement an investment plan for the US infrastructure. The European markets responded well in the fourth quarter, despite Italy's political tensions that prompted Italy's prime minister to resign, and they ended the quarter with growth.

On the whole, 2016 was characterised by high volatility and political tensions, but the global markets managed to reach new highs due to the improvement of the global economy and the stimulus measures provided by central banks around the world. Volatility created significant investment opportunities. Emerging markets enjoyed strong returns supported by raw materials growth and policy reform efforts.





## 6.2. Retrospective on local stock market developments

The Romanian capital market had a modest increase in 2016. The benchmark index of the Bucharest Stock Exchange, BET, increased by 1.15% in 2016, after declining by 1.11% in 2015. BETPlus had the best performances of all the BSE indices, with an increase of 1.74%. Instead, BET-FI and BET-NG suffered losses of 1.87% and 2.97%, respectively.

Index	Q1	Q2	Q3	Q4	'15/'16
BET	-3.81%	-4.08%	7.16%	2.14%	1.16%
BETPlus	-3.42%	-3.50%	7.78%	1.26%	1.95%
BET-FI	-7.73%	-5.51%	9.22%	2.12%	-1.91%
BET-XT	-4.77%	-4.25%	7.06%	2.50%	5.00%
BET-NG	-6.11%	-1.82%	1.78%	2.86%	-3.06%
BET-TR	-3.95%	2.31%	9.13%	2.13%	9.70%
BET-XT-TR	-4.76%	1.04%	9.41%	2.70%	8.38%
ROTX	-6.09%	-1.92%	11.28%	2.23%	-5.22%

Source: Bloomberg

The main macroeconomic indicators had positive developments, thus continuing the positive trend of 2015. In the first quarter, the BSE indices were influenced by a sharp drop in oil prices and by the international financial market trends. BET-FI was the most affected one, with a decline of 7.17%, while the benchmark BET decreased by 3.81%. The value of the transactions carried out in the first quarter of 2016 decreased by 10.36% compared to the value of the transactions carried out in the same period last year. This negatively influenced the broker's income generated by the trading on BSE.

For the second quarter, Eurostat reported an economic growth of 6% due to the expansion of population consumption and increased investment. Both the Romanian capital market and the international markets experienced a high volatility caused by the UK referendum. The BET index dropped by 3.58% this quarter and by 7.58% since the beginning of the year. The BET-FI index also underperformed, with a loss of 4.72% in the second quarter. The losses suffered as a result of Brexit were recovered in the following weeks.

The third quarter was marked by stability on the Romanian stock market. During this time, the BET index grew by 6.93% and reached the 7000-points threshold in its evolution. Overall, in the first nine months, BET had a slight depreciation of 0.96%. In the first nine months of 2016, the value of the transactions on BSE declined by 11% compared to the value recorded in the same period of the previous year, causing lower commission income for BRK Financial Group.

The report of the National Institute of Statistics in the fourth quarter showed that the Romanian economy grew by 4.8%. During that period, the Romanian capital market was also marked by the successful listing of MedLife S.A. The BET index grew by 1.85% in the last quarter of 2016.

The most traded companies in 2016 were Transilvania Bank, with a value of 2.18 billion Ron, followed by Fondul Proprietatea with 1.38 billion Ron and Romgaz with 871.9 million Ron.

Overall, the activity on the stock market's main share segment rose in 2016 compared to 2015. The traded volume increased from about 6.7 billion to about 11.05 billion shares. The traded value also increased from 8.8 billion Ron to 9.25 billion Ron, while the number of transactions dropped from 685,248 in 2015 to 653,270 in 2016. As a result, due to increasing volume and values, correlated with the decreasing number of transactions, the average daily trading value increased from about 35 million Ron to about 36.4 million Ron on the main share segment. The difference in BSE's activity was made in the last quarter by the listing of MedLife S.A., which contributed substantially to the traded volumes and values.



2017 is likely to be full for both brokers and active investors. BSE has informed the public that it will take all the necessary steps to for the market to be upgraded to emerging market status in 2017 (one of BSE's goals for 2017), and the liquidity threshold is almost reached. Another expected event is the actual merger of BSE with Sibex, which could increase liquidity and create significant synergies on the Romanian market. As for listings, the listing of RCS & RDS is announced for May and the new government's decision on Hidroelectrica's listing is expected. AAGES Targu-Mures is among the other companies to be listed. All these events scheduled for 2017 create investment opportunities and may generate a rise in liquidity on BSE and, implicitly, in the revenue of Romanian brokerage firms, including BRK Financial Group.

## 7. Main activity

SSIF Broker SA's main activity is structured in two business directions, namely **brokerage services and management of own financial assets portfolio**. The brokerage services activity is organised in 3 segments: *intermediation services, market-making operations, and operations with structured products*.




### 7.1 Brokerage services

#### 7.1.1 Intermediation services

*Financial intermediation* refers to all transaction brokerage services offered to individual investors and companies, as well as specialised services offered to institutional customers.

The intermediation services consist of:

##### A. Transaction brokerage services for individual investors and companies:

-  Intermediation of transactions for the sale and purchase of securities traded on the Bucharest Stock Exchange (BSE) and Sibex. For these services, customers may choose to be assisted by a broker in the trades, or they may choose to trade online on their own. In this category, BRK offers customers the possibility to trade on margin (based on a credit line granted by the company to the customer), liquid shares listed on the Bucharest Stock Exchange.
-  Intermediation of transactions on international markets; the company's customers have access to over 100 foreign markets in Europe, North America and Asia. The range of financial instruments is very diverse (shares, bonds, structured products, ETFs, CFDs, futures, etc.), and the costs involved in trading on international markets through BRK Financial Group are some of the most attractive on the market.
-  Intermediation of transactions with corporate, municipal and state bonds on BSE and OTC, namely brokerage of transactions with structured products on BSE's dedicated segment.

Over the past 5 years, BRK Financial Group has been each year among the highest-ranking investment firms of BSE, the transactions carried out by customers and the ones carried out on its own behalf generated a market share of 3-5% of the overall annual trading value on the share segment.





In 2016, BRK Financial Group was ranked 11<sup>th</sup> in the ranking of brokers on BSE, the value of the transactions brokered on the main/share and fund unit segment amounted to over 321 million lei, less than the aggregate 493 million Ron in 2015. The market share reached 1.74% after the total value traded in 2016.

The company has ceased offering its customers trading services for derivatives traded on the Sibex market since 2015.



Trading on international markets is one of the company's activities with significant increase in the number of customers, which is why BRK Financial Group is investing in training the staff dedicated to this segment.

#### B. Specialised services for institutional customers:

-  Intermediation of public offerings for purchase or takeover of companies listed on BSE or Rasdaq
-  Funding on the capital market through the issuance of public shares and bonds
-  Listing of companies and investment funds on the capital market through initial public offerings or based on prospects of admission to trading
-  Advice for funding through issuance of shares and bonds or promotion on the market capital.

The BRK's department for institutional customers, located in the Bucharest office until 2015, was transferred to the headquarters in Cluj-Napoca when the Bucharest office became an agency in order to make operations more efficient.

#### 7.1.2. Market-making operations and supply of liquidity

As of 2010, the company conducts *market-maker* activities (display and maintaining of firm buy/sell prices) on various financial instruments.

The benefit of this type of operations is the *spread* (difference) between the buy and sell quoted prices.

*Market-making* operations are continuous and specific to foreign brokerage firms; therefore, it is reasonable to say that these operations are part of the BRK Financial Group's activity.

In 2016, the company acted as a market-maker for BTF fund units and as liquidity provider for all issued certificates.

#### 7.1.3. Issuance of structured products

In May 2012, the first structured products were issued under the form of Turbo certificates, having the American index *Dow Jones Industrial Average* as underlying asset; later, another series of turbo certificates was issued, this time with *Eurostoxx 50* as underlying asset. The structured products issued by BRK Financial Group are the first on the Bucharest Stock Exchange, exclusively developed in Romania. BRK Financial Group is a liquidity provider for these products, namely the Company will provide liquid assets by displaying firm quotations on the market for the issued certificates.

In 2016, BRK Financial Group issued 23 Turbo certificates having *Dow Jones Industrial Average* as underlying asset, and 4 certificates with gold as underlying asset.

In 2014, BRK Financial Group brought a new innovative product to the Bucharest Stock Exchange: capital-protected certificates. In 2016, five such products matured, having Adidas, Allianz, McDonald's, Nestle and Royal Dutch Shell shares as underlying asset.

In 2016, the total value traded by the company in the structured product market reached 79.7 million Ron, less than the 109.2 million Ron traded in 2015. On this market segment, BRK maintained its second place in 2016, as in the previous year.


#### 7.2. Management of own financial asset portfolio


In addition to the brokerage activity, **the management of its own portfolio of financial assets** is another important activity of BRK Financial Group and it contributes significantly to the company's revenue. On the other hand, it is also a major risk




factor given that BRK Financial Group must reassess all the positions in its own portfolio at the end of each year, and the value adjustments of the securities affect the result of the financial year and may change the image of the company's financial performance.

According to the internal procedures approved by the Board of Directors, the shares held in the company's own portfolio are grouped into 3 main categories:

 **Strategic investments:** shares held in affiliated entities and equity interests. Equity interests mean the rights in the capital of other entities, whether or not represented by certificates, which, by creating a durable connection with those entities, are intended to contribute to the activities of the entity. Owning a part of the capital of another entity supposedly represents equity interest when in excess of 20%, and 10% if the significant influence includes BRK's involvement in the management of the company where it holds stakes. Share stakes can be both in closed-end companies and in companies listed on the stock exchange.

 **Portfolio investments:** shares in companies where BRK cannot/does not want to exert a significant influence in the management of the company. Share stakes are held for a period longer than 365 days, according to the intention to hold such securities on a long-term period. This category also includes investments in closed-end (unlisted) companies which do not meet the requirements to be classified as "Strategic Investments", irrespective of the size of the owned stake or the holding in the issuer's share capital.

 **Short-term financial investments:** financial instruments subject to the current buy-sell operations of the company. This category does not include shares of closed-end or unlisted companies.

## 8. Achievements in 2016

### 8.1. Dynamics and structure of total income and comprehensive result

Dynamics and structure of total income (Ron)	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>Total income</b>	<b>10,302,506</b>	<b>11,108,454</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Income from commissions</b>	<b>2,528,427</b>	<b>4,096,670</b>	<b>24.54%</b>	<b>36.88%</b>
Income from domestic spot market commissions	1,521,103	2,258,590	14.76%	20.33%
Income from foreign markets commissions	769,151	1,233,456	7.47%	11.10%
Income from derivatives commissions	-	28	0.00%	0.00%
Income from related activities	238,173	604,596	2.31%	5.44%
<b>Other op. income</b>	<b>59,925</b>	<b>49,833</b>	<b>0.58%</b>	<b>0.45%</b>
Rental income	32,576	49,833	0.32%	0.45%
Income from insurance brokerage	26,407	-	0.26%	0.00%
Income from FU distribution	942	-	0.01%	0.00%
Other operating income	-	-	0.00%	0.00%
<b>Financial income</b>	<b>7,488,541</b>	<b>4,321,277</b>	<b>72.69%</b>	<b>38.90%</b>
Income from dividends	145,203	307,943	1.41%	2.77%
Net financial gains other than dividends	7,343,338	4,013,334	71.28%	36.13%



<b>Other income</b>	<b>265,446</b>	<b>1,292,073</b>	<b>2.58%</b>	<b>11.63%</b>
Income from cancellation of provisions for risks and charges	35,008	1,075,301	0.00%	1.95%
Income from assessment of property investments	-	216,772	0.00%	1.95%
Income from adjustments for impairment of current assets	230,438	-	2.24%	0.00%
Other income	(39,833)	1,348,601	-0.39%	15.90%

At the end of 2016, the total income of BRK Financial Group declined by 7% compared to the previous year, mainly due to an average decrease by 39% in the commission income. This category also experienced a decrease in its share of the total income at the aggregate level of the year: from 36.88% in 2015 to 24.29% in 2016. The income generated by the management of the company's own portfolio of financial assets increased by 83%, and its share of the total income rose from 36.13% to 71%. This rise was due to the sale of significant share packages from the company's portfolio.

<b>Evolution of the comprehensive income (Ron)</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Income/loss from brokerage	704,072	319,060
Income/loss from own portfolio management	4,966,339	1,872,153
Non-distributed general-administrative costs	-4,604,071	-4,929,377
<b>Basic recurrent income/loss (1+2+3)</b>	<b>1,066,340</b>	<b>-2,738,164</b>
Other elements of the comprehensive income	-57,113	4,647,500
<b>Comprehensive income for the period</b>	<b>1,009,227</b>	<b>1,909,336</b>
<b>Income/loss per share for the period</b>	<b>0.0032</b>	<b>-0.0081</b>

The net income of the company improved, the company made profit for the first time after three consecutive years of loss. The 2016 profit is largely due to the management of its own financial asset portfolio. The sale of shares of companies in which BRK Financial Group held a significant number of shares generated revenue with a direct and substantial impact on the net income. Moreover, the income from brokerage improved due to spending cuts at a higher pace than the drop in the revenue resulting mainly from commissions.

## 8.2. Analysis by segments

### 8.2.1. Brokerage services

<b>Brokerage activity (Ron)</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>	<b>Evolution</b>
Total income from brokerage	3,367,526	4,460,890	-25%
Total expenses for brokerage	3,109,196	4,903,240	-37%
<b>Income/loss from brokerage</b>	<b>258,330</b>	<b>(442,350)</b>	<b>N/A</b>
Total income from MM & structured products	9,764,212	9,630,664	1%
Total expenses for MM & structured products	9,318,471	8,869,254	5%
<b>Income/loss from MM &amp; structured products</b>	<b>445,742</b>	<b>761,410</b>	<b>-41%</b>
<b>Income/loss from brokerage</b>	<b>704,072</b>	<b>319,060</b>	<b>121%</b>



The added value of the brokerage services provided by BRK Financial Group increased in 2016 compared to 2015, from 0.32 million Ron to 0.70 million Ron. The 121% increase in the income of this segment is due mainly to the net income of the brokerage activity.

### 8.2.1.1. Evolution of the income/loss from brokerage

The brokerage activity involves trading on the Bucharest Stock Exchange, Sibex (spot) and international markets, and the income is generated by the commissions charged by the company to the customers involved in transactions on these markets.

Brokerage activity (Ron)	31-Dec-16	31-Dec-15	Evolutio
Income from transaction commissions	2,528,426	4,096,669	-38%
Other income	839,100	364,221	130%
<b>Total brokerage income</b>	<b>3,367,526</b>	<b>4,460,890</b>	<b>0</b>
Expenses related to commissions	998,423	1,454,590	-31%
Other variable costs	704,334	1,099,430	-36%
<b>Total variable brokerage expenses</b>	<b>1,702,757</b>	<b>2,554,020</b>	<b>-33%</b>
<b>Gross margin of the segment</b>	<b>1,664,769</b>	<b>1,906,870</b>	<b>-13%</b>
Fixed expenses related to the segment	1,406,439	2,349,230	-40%
<b>INCOME/LOSS OF THE BROKERAGE SEGMENT</b>	<b>258,330</b>	<b>(442,360)</b>	<b>N/A</b>

In 2016, the total revenue generated by the financial brokerage services decreased by 25% to 3.37 million Ron, the commission income representing 75% of the total amount. Commissions decreased by 38% at aggregate level (domestic and international market), from about 4.1 million Ron in 2015 to just over 2.5 million Ron in 2016. The other income category, which includes part of the revenue generated by the margin trading on the Bucharest Stock Exchange, rose by 130%. In relative terms, the variable costs associated with financial brokerage services decreased by 33% and the fixed costs by 40%. Reducing total spending at a higher rate than the decrease in revenues generated a positive and growing result compared to the previous year. The income for this segment reached about 0.26 million Ron in 2016, compared to the loss of 0.44 million Ron in 2015.

### Evolution and structure of the income from commissions

Income from commissions (Ron)	31-Dec-16	31-Dec-15	Evolution
Income from BSE commissions	1,499,313	2,189,702	-32%
Income from foreign market commissions	769,151	1,233,456	-38%
Income from Sibex commissions	21,789	68,915	-68%
Income from other commissions	238,173	604,596	-61%
<b>Total income from commissions</b>	<b>2,528,426</b>	<b>4,096,669</b>	<b>-38%</b>



In comparable terms, the total income from commissions decreased by 38% in 2016, the most significant decline was in the income from Sibex commissions (-68%). In general, the transactions conducted on SIBEX were in decline in recent years, which is why brokerage commissions decreased considerably.

The revenue generated by the trading on BSE dropped by 32%, from about 2.2 million Ron to about 1.5 million Ron. The decrease was also caused by the decrease in the number of customers who traded online directly via the trading platform. The strategy of the company involved developing a highly efficient platform for online customers that would help increase the number of customers who did not require the assistance of a broker.

Lower commissions from transactions on international markets were the result of the company's wish to be in the market with the most competitive commissions offered to customers in this segment.

### 8.2.1.2. Evolution of income/loss in the market making and structured products segment

<b>Market Making and Structured Products (Ron)</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>	<b>Evolution</b>
Income from transactions	9,557,766	9,521,814	0%
Other income	206,446	496,637	-58%
<b>Total income from MM &amp; structured products</b>	<b>9,764,212</b>	<b>10,018,451</b>	<b>-3%</b>
Losses from transactions	8,443,780	8,131,460	4%
Other variable costs	381,520	410,320	-7%
<b>Total expenses related to MM &amp; structured prod.</b>	<b>8,825,300</b>	<b>8,541,780</b>	<b>3%</b>
<b>Gross margin of the segment</b>	<b>938,912</b>	<b>1,476,671</b>	<b>-36%</b>
Fixed expenses related to the segment	493,171	715,261	-31%
<b>INCOME/LOSS OF MM &amp; STRUCTURED PROD. SEGMENT</b>	<b>445,742</b>	<b>761,410</b>	<b>-41%</b>

The total revenue from market-making and structured products suffered an aggregate decline of 3% in 2016 compared to 2015. The revenue from transactions remained constant, around a little over 9.5 million Ron, and kept its high percentage of over 95% of the total revenue. The net income of the market-making and structured products segment had a negative evolution (-41%), decreasing from 0.76 million Ron in 2015 to about 0.45 million Ron in 2016, due to the decrease in the profitability margins of the products caused by the competition on the market.

Throughout the year, the company issued 23 new Turbo structured products (18 in 2015). Out of total tradable Turbo products, 13 reached their barrier and 8 matured. Five of the capital-protected products issued by BRK Financial Group matured in 2016, i.e. the capital-protected products having the shares of the following issuers as underlying asset: Adidas, McDonald's, Nestle, Allianz and Royal Dutch Shell.

### 8.2.1.3. Dynamics and structure of customers

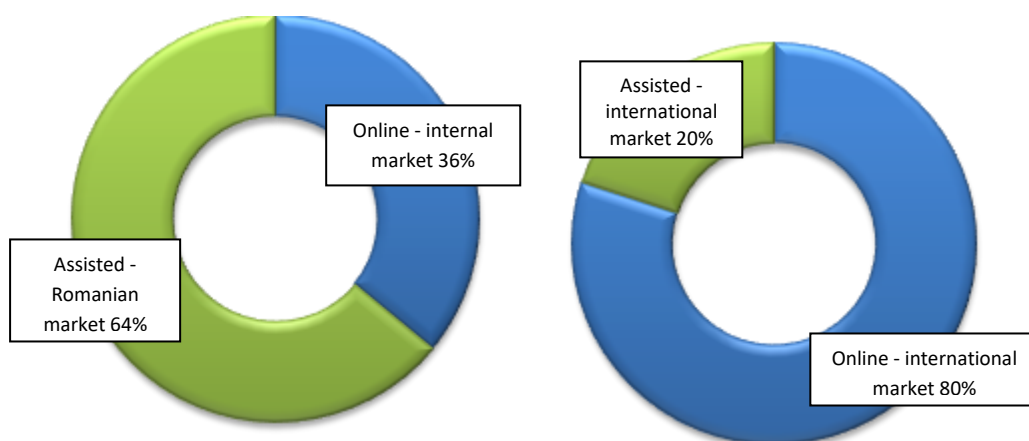
The capital brokerage services are offered by BRK Financial Group at national and international level, both to natural and legal persons classified as retail customers, and to institutional customers.





On the Romanian capital market, 2617 customers were active in 2016, less than in 2015 when their number amounted to 3321. About 97% of the total number of customers active on the Bucharest Stock Exchange and Sibex are natural persons. Approximately 36% of the active customers opted for an online trading account, the remaining 64% being accounts that benefit from the assistance of a broker. In terms of turnover achieved by BRK Financial Group's retail customers, it amounted to 320.15 million Ron in 2016, of which 7% were generated by the 3% corporate customers.

**Structure of customers in 2016 according to the account type**



As regards internationally active customers, the number of accounts in this segment decreased by 1, from 115 at the end of 2015 to 114 at the end of 2016. This net decrease by one account is the result of the opening of 33 new accounts and the closing of 34 accounts throughout the year. The decrease in the net final number of accounts was caused by the closing of accounts opened exclusively for the purpose of one sale. Of the total number of active customers active on international markets, about 80% traded online without asking for broker assistance. Most retail (non-professional) customers active on international markets were natural persons, but companies showed a growing interest and openness for such a financial activity. The transactions made through BRK on international markets increased considerably in 2016 compared to 2015, from about 823 million Ron to over 3.5 billion Ron.

As regards institutional customers, the activity declined considerably in 2016, as a result of the decision to restructure the department for this service. Consequently, the number of institutional customers continued to decline. Under these circumstances, the institutional customers who continued their collaboration with BRK Financial Group generated transactions of about 18.5 million Ron on the Romanian market and over 13.5 million Ron on international markets.

## 8.2.2. Management of the company's own financial asset portfolio

### 8.2.2.1. Evolution of income/loss from the management of the company's own financial asset portfolio

Management of the company's own financial asset portfolio (Ron)	31-Dec-16	31-Dec-15	Evolution
Income from transactions	7,246,695	5,040,000	44%
Income from equity interests	145,203	307,943	-53%
Other income	0	908,100	
<b>Total income</b>	<b>7,391,898</b>	<b>6,256,043</b>	<b>18%</b>





Loss from transactions	2,223,202	4,329,770	-49%
Other variable costs	202,357	54,120	274%
<b>Total variable costs</b>	<b>2,425,559</b>	<b>4,383,890</b>	<b>-45%</b>
<b>Gross income/loss from own portfolio management</b>	<b>4,966,339</b>	<b>1,872,153</b>	<b>165%</b>

In 2016, the gross income (without allocation of fixed costs) from the management of the company's own asset portfolio increased significantly by 165% compared to 2015 due to the liquidation of significant interests held by BRK in the capital of third companies (Napochim S.A., Boromir Buzau, Napochim Imobiliare and Moara Cibin). The resulting revenue contributed to the 44% increase in transaction revenue. The losses from transactions dropped significantly by 49% in 2016 compared to 2015, while market spending increased by 274% as a result, but not only, of the aforementioned transactions.

### 8.2.2.2 Strategic objectives of own portfolio management in 2016

The investment strategy adopted in 2016 aimed, to a large extent, to continue the restructuring of the financial asset portfolio started in 2015:

- restructure the company's share portfolio by selling non-performing shares and using the resulting amounts to finance the other brokerage activities (market-making, issuance of new structured products and margin loans), and support and promote the projects developed by SAI Broker SA, in which BRK Financial Group holds 99.98%, in order to offer customers fund management services,
- adjust quantitatively and qualitatively the portfolio by reducing exposure to illiquid companies and by increasing exposure to companies of the first liquidity tier.

### 8.2.2.3. Analysis of the structure of the financial asset portfolio and the degree of achievement of strategic objectives

In line with the objectives mentioned in the investment strategy approved by the Board of Directors, in 2016 the management's efforts were directed towards further restructuring the company's own portfolio of financial assets, aimed at the following: quantitative and qualitative adjustment of the portfolio and diversification of the portfolio on several financial asset classes; sale of equity interests, either due to the small size or to the lack of growth perspectives; and the use of the resulting amounts to support, under the form of working capital, brokerage activities that bring high added value.

Evolution and structure of the financial instrument portfolio on the Romanian market	Number of Issuers		Market value	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Listed companies (Sibex & BSE)	29	23	13,960,924	17,412,429
Unlisted companies	14	20	13,421,759	14,722,244
Equity interests in OPC/AOPC	10	8	9,052,398	9,575,405
Other securities	5	7	342,408	365,051
<b>Total portfolio</b>	<b>58</b>	<b>58</b>	<b>36,777,489</b>	<b>42,075,129</b>



The asset portfolio of BRK Financial Group includes both companies listed on the Bucharest Stock Exchange or Sibex, and unlisted companies. In addition, the portfolio includes both strategic investments in the management of which BRK is actively involved and long-term placements in which BRK does not exercise control and influence, and short-term investments that are classified in the speculative portfolio.

On 31 December 2016, BRK's portfolio of shares listed on BSE and Sibex amounted to about 13.96 million Ron, down by 19.82% compare to the end of 2015. This trend is explained by the fact that, throughout the year, the company sold a considerable number of the listed shares from its portfolio, and the liquidities resulting from the sale were used only partially to buy new ones. As a result, a considerable part of these liquidities was used to support the working capital for other activities carried out in the brokerage service segment.

Throughout the year, substantial holdings in the form of strategic or long-term investments were sold from the portfolio of listed shares, in accordance with the Board of Directors' strategy. The stake held by the company in Moara Cibin (MOIB) was cancelled through a court settlement in 2016. Another substantial stake sold in 2016 was the one held in Boromir Buzau. The company sold its stake on 2 September 2016, for over 5 million Ron. The shares held in the two companies resulted from the division of Napochim SA Cluj-Napoca were also sold following the decisions and/or approvals of the board of directors. The shares held at Napochim SA were sold at the end of the first quarter of the year, for about 0.42 million Ron. The Napochim Imobiliare shares were sold in December 2016 for almost 3.5 million Ron.

As regards the portfolio of assets quoted on BSE or Sibex, held in the short term, it remains mainly exposed in the financial and banking sector and to the energy sector, somewhat specific to the Romanian capital market. The largest short-term acquisitions (> 100,000 Ron) in the energy sector were made for the following securities: OMV Petrom S.A. (SNP 1.44 million Ron cumulated/year), Romgaz S.A. (SNG 0.84 million Ron cumulated/year), Transgaz S.A. (TGN 0.2 million Ron cumulated/year) and Nuclearelectrica (SNN 0.12 million Ron). The aggregate sales of SNG and SNP exceeded the purchases made during that year. The exposure in the banking sector was due to the following acquisitions (> 100,000 Ron): BRD (BRD 3.13 million Ron), Transilvania Bank (TLV 1.05 million Ron), Fondul Proprietatea (0.51 million Ron), Erste Group Bank AG (EBS 0.35 million Ron), SIF Oltenia (SIF5 0.22 million Ron), and Deutsche Bank AG (DBK 0.10 million Ron). Only the DBK and EBS sales exceeded the purchases during 2016.

The sale of shares in 2016 also caused significant changes in the structure of the investments in the portfolio tradable by activity sectors. As compared to 2015, the exposure in the financial and banking sector grew considerably, from 16.1% to 28%, due to the net purchases made in 2016. The exposure in the consumer goods sector declined significantly (from 27.4% in 2015 to 7% in 2016) due to the sale of the shares previously held in Boromir Buzau S.A. and Moara Cibin.

#### Sectoral exposure of the listed share portfolio as at 31 December 2016



The decrease in the number of closed-end companies in which BRK Financial Group holds shares was caused by the removal from the records, during the year, of the shares held in the bankrupt companies resulting from the division of Rombat S.A. The same category was affected in terms of value by the revaluation of the shares held in Minesa - BRK requested the revaluation of those shares by an external evaluator, and the resulting difference affected the final value of the unlisted companies. At the end of 2016, the value of unlisted companies was just over 13.42 million Ron, down by 8.83% compared to the end of the previous year.



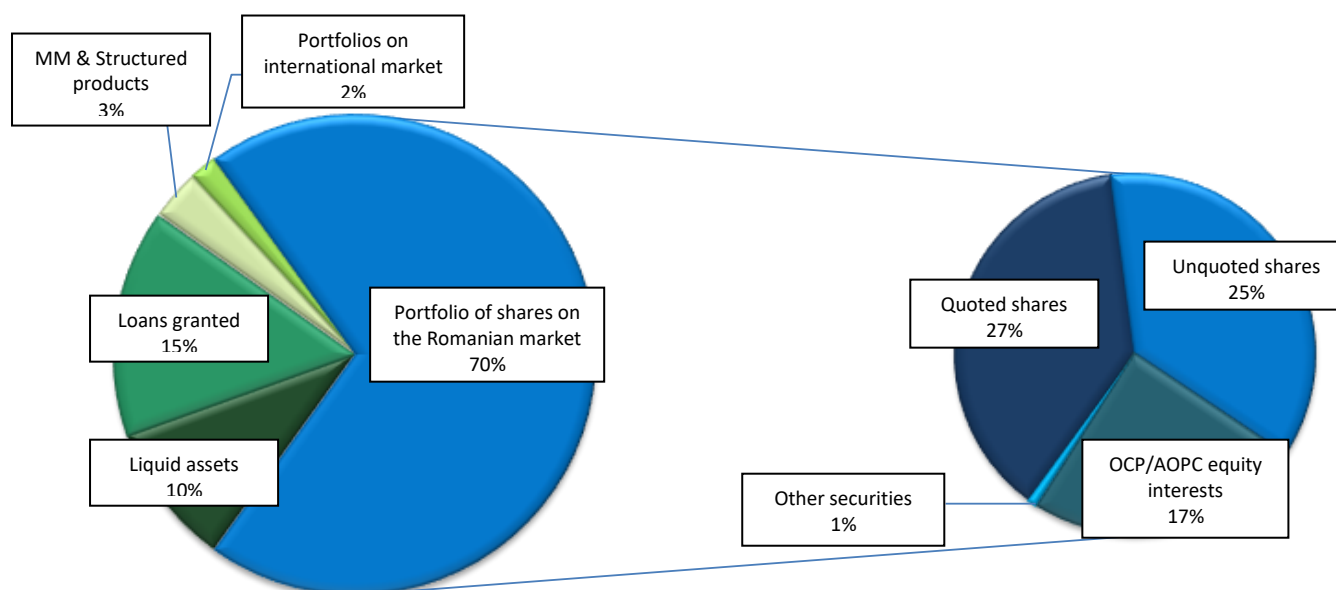
As regards the company's portfolio of fund units, on 31 December 2016 it was lower by 5.5% compared to 31 December 2015, and the number of funds included in the portfolio increased by 2.

In addition to financial investments in listed companies, closed-end companies, fund units or other securities, the company's portfolio of financial assets also included cash, loans granted, financial assets related to market making and structured products, and the portfolio tradable on international markets. At the end of 2016, BRK Financial Group's total portfolio of financial assets amounted to 52.64 million Ron, down by 7.8% compared to 2015. The assessment of the share portfolio was made by marking to market<sup>1</sup> all the positions of the tradable share portfolio<sup>2</sup>, i.e. at the fair value determined according to the international valuation standards for all holdings classified as long-term investments, also referred to as the non-tradable portfolio.

Evolution of the financial asset portfolio	Structure		Absolute values	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Liquid assets	10%	2%	5,037,084	1,205,148
Loans granted, of which:	15%	18%	8,072,400	10,314,060
<i>Loans to customers</i>	15%	16%	7,925,611	8,886,512
<i>Loans to third companies</i>	0%	3%	146,789	1,427,547
Market-making & structured products	3%	5%	1,762,291	2,417,514
Portfolios of financial assets on international market	2%	2%	986,373	1,081,137
Portfolio of shares on the Romanian market	70%	75%	36,777,489	42,075,129
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>52,635,637</b>	<b>57,092,988</b>

The loans granted by BRK Financial Group, totalling 8.07 million Ron, included both loans to customers for margin trading on BSE and loans to third companies. The loans to customers for margin trading amounted to nearly 8 million Ron at the end of 2016, down by 11% compared to the balance on 31 December 2015. This decrease was due to the net repayments by the customers. The decrease was more drastic in the case of the loans granted to third companies; in 2016, BRK Financial Group collected over 90% of the final balances as at 31 December 2015, as agreed with the debtor companies (of which we mention Napochim S.A. and Ax Perpetuum Cluj-Napoca).

Structure of the total financial asset portfolio as at 31 December 2016



<sup>1</sup> at the closing price

<sup>2</sup> The Category of short-term investments – Securities available for trading



As regards the changes in the structure of the company's total portfolio of financial assets, the percentage of liquid assets rose, while the percentage of granted loans and the portfolio of quoted and unquoted shares on the Romanian market declined. The reasons for this decline were the change in the intended purpose of the funds in the case of the liquidity going out of the equity portfolio on the domestic market, as mentioned before, and the reimbursement of a considerable share of the loans granted to third companies.

## 9. Operational infrastructure

### 9.1. Territorial network of subunits

At the end of 2016, SSIF BRK Financial Group SA's territorial network of subunits included 4 agencies: Bucharest, Iasi, Suceava and Timisoara, an agency less than at the end of 2015. The management chose to close down the Brasov agency in April 2016 to optimise costs. Along with these agencies, 19 collaborators (appointed agents) of BRK Financial Group ensured the presence of the company and the services provided at national level.

The headquarters of BRK Financial Group is in Cluj-Napoca, 119 Motilor Street.

### 9.2. Company personnel

In 2016, the company had an average number of 42 employees compared to 55 in 2015. At the end of 2016, the company's actual number of employees reached 44, down from 54 in 2015. The changes in the number of employees and their structure were due to the company's decisions to optimise the operational costs and, as a result, not to renew the contracts of the employees who performed poorly. The number of employees in the category of financial investment services agents dropped from 30 in 2015 to 24 in 2016. The number of employees from the administrative staff category dropped to 17 in 2016 from 18 in 2015. On 31.12.2016, the company had agency agreements with 19 appointed agents (20 in 2015).

The company's development strategy involves the development and expansion of its activity and, implicitly, a future increase in the number of employees, both in administrative and support roles, and in directly productive segments (e.g. expanding the sales force).

The company constantly encourages and supports the professional development and specialisation of its personnel in their specific competence area, by providing them with training programmes.

### 9.3. Research and development

The research and development activities of the company target the improvement of the computer software and the development of new investment products, such as structured products. BRK Financial Group wants to complete the implementation of a new computer software, so as to be able to offer its customers a wide range of financial products in the same interface, to support margin trading on BSE, and to launch the discretionary portfolio management service.

The investments made in the previous years, especially in software solutions, will enable the monitoring of the company's operational activity at all levels, so that management decisions may be adopted with maximum accuracy and as soon as possible. Investments also aim at optimising the flow of information at the intra- and inter-departmental level.






## 10. Objectives for 2017

The Company aims at a reorientation of the strategic business lines, through its directors and executive management, in line with the interests of shareholders and customers, as follows:


- Reorganise, restructure and streamline BRK Financial Group's activity, based on cost control, financial performance monitoring and organisation by profit centres, improvement of the internal regulatory framework through optimisation of working procedures;
- Implement the MIFID II and MAD II directives within the required time limit;
- Increase the professional quality of the personnel by investing in training and motivating the highly-efficient employees;
- Offer customised financial services to customers through investment advice and private-broker solutions;
- The company's liquidity will be used for operations with structured products, margin lending and investments in newly listed shares and bonds;
- Adapt the activities to the modern requirements of interfacing with customers by using the existing real estate assets owned by the company.

## 11. Important events after the end of the financial year

-  18 January 2017 - The Company signed a loan agreement with S.C. ROMLOGIC TECHNOLOGY S.A., a company in which BRK Financial Group has equity interests. The amount of the loan is 450,000 Ron, with a monthly interest rate calculated at the NBR reference rate plus a margin of 5% per annum. The maturity of the loan is 30 December 2017.
-  07 February 2017 - BRK sold a package of 16,657,252 SC Cemacon SA shares (BSE symbol: CEON), representing 14.6129% of the total number of issued shares. The sale price was 0.3101 Ron/share and generated a total transaction value of 5,165,413.85 Ron. Following this sale, BRK no longer owns shares in SC Cemacon SA.
-  15 February 2017 - The Company published its preliminary individual financial statements under IFRS for the 2016 financial year.
-  08 March 2017 - The Financial Supervisory Authority authorised the following persons as members of the company's board of directors: Baranga Laurentiu-Paul, Gherghelas Dan-Nicolae, Madem Aurelian, Mancas Catalin and Moldovan Darie.
-  16 March 2017 - In the meeting of the Board of Directors, Mr. Moldovan Darie was appointed as Chairman of the Board of Directors, and Mr. Baranga Laurentiu-Paul as Vice-Chairman. In addition, the special committees of the Board of Directors were set up.



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 20 March 2017 - The Company made public the convening notice of the Ordinary General Meeting of Shareholders for 26 April 2017.



## 12. Financial-accounting statement

### 12.1. Financial position

As at 31 December

<i>In lei</i>	2016	2015
<b>Assets</b>		
Intangible assets	2,947,844	2,295,910
Tangible assets	4,343,040	4,584,491
Investment property	1,435,525	1,148,773
Long-term financial investments	29,053,597	39,175,295
Other long-term financial investments	482,468	1,762,652
<b>Total fixed assets</b>	<b>38,262,475</b>	<b>48,967,122</b>
Short-term financial investments	10,193,251	4,351,364
Other short-term financial investments	7,925,611	8,846,512
Trade and other receivables	15,565,227	8,104,386
Bank account for customers	27,096,728	13,769,608
Cash and cash equivalents	5,037,084	1,205,149
<b>Total current assets</b>	<b>65,817,900</b>	<b>36,277,019</b>
Assets classified as available for sale	557,067	801,390
<b>Total assets</b>	<b>104,637,442</b>	<b>86,045,531</b>
<b>Equity</b>		
Share capital	54,039,987	54,039,987
Share capital adjustment	4,071,591	4,071,591
Own shares	-24,047	0
Share premium	5,355	5,355
Reserves	10,562,604	11,131,145
Income/loss carried forward	-5,391,072	-7,390,339
<b>Total equity attributable to the Company's shareholders</b>	<b>62,826,576</b>	<b>61,857,739</b>
<b>Non-controlling interests</b>	-	-
<b>Total equity</b>	<b>62,826,576</b>	<b>61,857,739</b>
<b>Liabilities</b>		
Obligations under finance leases	23,601	48,424
Provisions	-	-
<b>Total long-term liabilities</b>	<b>23,601</b>	<b>48,424</b>
Current portion of obligations under finance leases	23,433	47,492
Amounts owed to customers (customers' cash)	32,573,663	17,332,865
Trade and other payables	8,798,690	6,403,222
Provisions	391,480	355,790
<b>Total current liabilities</b>	<b>41,787,266</b>	<b>24,139,369</b>
<b>Total liabilities</b>	<b>41,810,867</b>	<b>24,187,793</b>
<b>Total equity and liabilities</b>	<b>104,637,442</b>	<b>86,045,531</b>



## 12.2. Financial performances

As at 31 December

<i>In lei</i>	2016	2015
<b>Continuing operations</b>		
Income from commissions and related activities	2,528,427	4,096,670
Net financial income, other than dividends	6,627,938	3,449,944
Financial income from dividends	145,203	307,943
Financial income from interest	710,440	563,390
Income from lease	32,576	49,833
Income from assessment of assets available for sale		
Income from assessment of investment property	-	216,772
Other income	27,483	1,348,601
Income for cancellation of provisions for risks and charges	-	1,075,301
Income from adjustment for impairment of current assets	230,438	-
<b>Total income from continuing operations</b>	<b>10,302,506</b>	<b>11,108,454</b>
Stock changes		
Raw materials, materials	-151,883	-200,361
Electricity and water	-	-
Expenses related to personnel and collaborators	-4,220,019	-4,971,683
Taxes and duties	-	-
Expenses related to external services	-3,307,721	-3,985,604
Value adjustment of intangible and tangible assets, exclusive of goodwill	-946,524	-970,232
Expenses related to provisions for risks and charges	-265,925	-
Net financial loss	-201,154	-2,272,845
Reclassification of net losses acknowledged under the comprehensive income account to the results account related to assigned financial assets available for sale		
Other expenses	-142,940	-1,445,893
<b>Sales-related costs</b>	<b>-9,236,165</b>	<b>-13,846,618</b>
Expenses related to provisions for risks and charges		
<b>Operating result</b>	<b>1,066,340</b>	<b>-2,738,164</b>
<b>Profit before tax</b>	<b>1,066,340</b>	<b>-2,738,164</b>
Corporate tax	0	0
<b>Profit from continuing operations</b>	<b>1,066,340</b>	<b>-2,738,164</b>
<b>Discontinued operation</b>		
Profit (loss) from discontinued operation (net of tax)	0	0
<b>Profit for the year</b>	<b>1,066,340</b>	<b>-2,738,164</b>





Comprehensive income (continued)  
For the financial year ended 31 December

In lei

**Other comprehensive income**

Net change in fair value of available-for-sale financial assets transferred into the profit or loss account

-4,275,482                      -862,045

**Positions that may be reclassified to profit and loss**

Net change in fair value of available-for-sale financial assets

4,218,368                      4,454,187

Free shares received and classified as available for sale

Changes in value of available-for-sale assets

-

**Positions that may not be reclassified to profit and loss**

Changes in value of used assets

-                      1,055,358

Changes in value of investment property

-

Setting up/cancellation of reserves from profit in order to give free shares to employees

-

Tax on other comprehensive income

**Total other comprehensive income for the year**

**-57,114                      4,647,500**

**Total profit and loss account and other comprehensive income for the year**

**1,009,227                      1,909,336**

Profit and loss account and other comprehensive income (continued)  
Reported on 30.09.2016

**31-Dec-16                      31-Dec-15**

**Profit attributable to:**

Shareholders of the Company

1,066,340                      -2,738,164

Non-controlling interests

**Profit for the year**

**1,066,340                      -2,738,164**

**Total comprehensive income attributable to:**

Shareholders of the Company

1,009,227                      1,909,336

Non-controlling interests

**Total comprehensive income for the year**

**1,009,227                      1,909,336**

**Result per share**

Basic result per share (lei)

0.0032                      -0.0081

Diluted result per share (lei)

0.0032                      -0.0081

Continuing operations

Basic result per share (lei)

0.0032                      -0.0081

Diluted result per share (lei)

0.0032                      -0.0081



### 12.3. Cash flow statement (Indirect method)

As at 31 December	2015	2016
<i>In Lei</i>		
Operating activities:		
Gross (Loss)/Profit	(2,738,164)	1,066,340
Adjustments for reconciliation of net result with the net cash used for operational activities:		
Adjustment of value of tangible and intangible assets	761,876	946,524
Income from redemption of own shares	-	-
Adjustment of value of financial assets	426,307	44,247
Adjustment of value of short-term investments	638,877	180,161
Corporate tax	-	-
Provisions for current assets	(12,250)	(230,438)
Provisions for risks and charges	(1,075,301)	265,925
Interest-related expenses	58,965	5,825
Interest income	(563,390)	(710,440)
Income from dividends	-	(145,203)
Income from turbo certificates	-	-
Profit/(loss) from sale of tangible assets	22,276	(3,177)
Income from exchange rate differences, related to IB, IG and FXCM	(625,221)	(22,359)
<b>Operational cash increase/(decrease) before changes of the working capital</b>	<b>(3,106,025)</b>	<b>1,397,404</b>
Changes of the working capital:		
(Increase)/Decrease in other receivables balances	4,353,618	(8,254,664)
(Increase)/Decrease in trade and other payables balances	419,195	17,636,266
(Increase)/Decrease in available-for-sale asset balances	(51,775)	244,323
<b>Net cash flow generated by operational activities</b>	<b>1,615,013</b>	<b>11,023,329</b>
<b>Cash flow from operation:</b>		
Paid corporate tax	-	-
Proceeds from interest	563,390	710,440
Paid interests	(58,965)	(5,825)
<b>Net cash flow generated by operational activities</b>	<b>2,119,438</b>	<b>11,727,943</b>
<b>Cash flow generated by investments:</b>		
(Increase)/Decrease in financial investment balances	10,193,529	(5,541,886)
Cash payment for purchase of tangible assets	(1,746,842)	(161,276)
Cash payment for purchase of intangible assets	26,013	(915,801)



Cash payment/collection for purchase of financial assets	(3,359,315)	8,887,407
Cash collections from sale of land and buildings, installations and equipment, intangible assets and other long-term assets	-	-
Collected dividends	-	145,203
Payment of dividends	-	-
Collections related to share capital increase	-	-
Payments related to share capital decrease	(1,387)	-
Loans granted/reimbursed	(8,867,165)	920,901
Proceeds on loans granted	1,205,653	1,295,959
Income from sale of turbo certificates	2,948,861	842,235
Effect of exchange rate fluctuations on loans and liabilities	-	-
<b>Net cash flow generated by investments</b>	<b>399,347</b>	<b>5,472,742</b>
<b>Cash flow from funding:</b>		
Payment for purchase of leases	(161,734)	(41,633)
<b>Net cash flow generated by funding</b>	<b>(161,734)</b>	<b>(41,633)</b>
<b>Cash flow – total</b>	<b>2,357,051</b>	<b>17,159,053</b>
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the year	12,617,707	14,974,758
Increase/(decrease) of cash and cash equivalents	2,357,051	17,159,053
Effect of exchange rate fluctuations on the opening balance of cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	14,974,758	32,133,811
Of which unavailable (seized)	4,980,780	4,980,780



I, the undersigned Vicaș Emilia-Alexandra, interpreter and translator certified for the following foreign languages: English, French, Italian, as per Authorisation no. 8072 dated 09 March 2009, issued by the Romanian Ministry of Justice, hereby certify the accuracy of the translation from Romanian into English, that the text presented to me was translated in full, without omissions, and that the translation does not distort its contents and meaning.

CERTIFIED INTERPRETER AND TRANSLATOR



## **Compliance with the new BSE Code of Corporate Governance**

Prior to the entry into force of Regulation no. 2/2016 on the application of the corporate governance principles, S.S.I.F. BRK FINANCIAL GROUP S.A. implemented the corporate governance system that ensured a fair, efficient and prudent management based on the going concern principle and adopted several going concern procedures which were communicated to FSA.

Following the launch of the new BSE Code of Corporate Governance (the Code) in September 2015, effective as of 4 January 2016 for all companies whose shares are admitted to trading on the regulated market, SSIF BRK Financial Group has assessed the Company's compliance with the new Code; the company's compliance at the present date is presented in the Annex.

We also inform the shareholders that, in order to implement the requirements of the Code in the company, the Board of Directors (BOD) approved the setting up of special committees in the meeting of 16.03.2017.

Members of the Audit Committee: Paul Baranga – BoD Vice-Chairman, Catalin Mancas – BoD member of, Darie Moldovan - BoD Chairman.

Members of the Remuneration Committee: Dan Gherghelas - BoD member, Aurelian Madem - BoD member, Darie Moldovan - BoD Chairman

Members of the Risk Committee: Paul Baranga - BoD Vice-Chairman, Catalin Mancas - BoD member, Darie Moldovan - BoD Chairman

Members of the Nomination Committee - Dan Gherghelas - BoD member, Aurelian Madem - BoD member, Catalin Mancas - BoD member

1. SSIF BRK FINANCIAL GROUP S.A.'s management staff and key personnel have attended continuous training courses organised by an authorised trainer, i.e. AS Financial Markets SRL.

2. The following procedures for compliance with the FSA Regulation no. 2/2016 have been updated:

- the procedure for the assessment and approval of SSIF BRK FINANCIAL GROUP S.A.'s management staff and key personnel;
- the risk assessment and management procedure;
- the know-your-customer procedure to prevent and combat money laundering and terrorist financing;
- in August 2014, the Board of Directors approved the performance management procedure.

3. The company ensures the identification and resolution of conflicts of interest through its departments and by separating the executive positions from the control and management positions. 'The register of situations that might lead to conflicts of interests' is filled in and updated in accordance with Article 99 of Regulation no. 32/2006, republished, corroborated with Article 36 of Regulation no. 2/2016.

4. Internal control has been carried out in accordance with Article 76 of Regulation no. 32/2006 in its updated form. At present, the company has both investment brokers and appointed agents who are authorised to carry out activities in accordance with the said Regulation. The internal control activity has

been carried out in accordance with Article 68(1), Article 76, Article 78 and Article 79 of CNVM Regulation no. 32/2006 on financial investment services.

5. As regards risk assessment and management, the company has personnel who is certified as risk manager and works to meet all the criteria that ensure the company's compliance with the corporate governance principles.

As regards the outsourcing/delegation of certain operational activities or positions in accordance with Article 18 of the said Regulation, we mention that S.S.I.F. BRK FINANCIAL GROUP S.A. has not outsourced any activity that is part of its authorised line of business.

The implementation of the Code's provisions with which the company is not currently compliant or is partially compliant will be gradual and the investors will be informed of the developments via regular reports sent to BSE.

Deputy Chief Executive Officer  
Monica Ivan

### STATEMENT ON IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

No.	Rules for implementation of corporate governance principles	Compliance		If NO – Explanations
		YES	NO	
1.	The regulated entity specified in its Articles of Association the basic responsibilities of the Board of Directors regarding the implementation and compliance with the corporate governance principles.		<b>X</b>	The Board's responsibilities in terms of implementation and compliance with the corporate governance principles are not explicitly specified. They can be deduced from the chapter on the Board of Directors' duties. The Articles of Association will be updated in the next extraordinary general meeting of shareholders to explicitly include reference to the responsibilities of the Board with regard to the corporate governance principles.
2.	The internal policies and/or the internal regulations define the corporate governance structures, the positions, the competencies and responsibilities of the Board and the executive/senior management.		<b>X</b>	The Articles of Association define the management structures of the company and their duties. The annual

				report on the organisational structure and accounting policies describes all the positions in the company that are included in the company's organisation chart.
3.	The annual report of the regulated entity is accompanied by an explanatory note describing the relevant events related to the implementation of the corporate governance principles during the financial year.	X		
4.	The regulated entity has developed a strategy of communication with stakeholders to ensure adequate information.		X	The company has developed no communication strategy. It sends BSE annually the financial communication schedule, the convening notices for the general meetings and their resolutions in order to disseminate this information to the public and the company's shareholders. The company also provides regular reports as required by the BSE Code and in accordance with the corporate governance principles applicable to companies listed on the BSE regulated market. Moreover, the company publishes all the reports sent to BSE on its own website. The company's website constantly provides up-to-date information on the company under the "Shareholder" and "Why BRK Financial Group" sections, thus ensuring continuous and transparent communication with all stakeholders.
5.	The structure of the Board ensures, where appropriate, a balance between the executive and non-executive members so that no person or restricted group of persons may influence the decision-making process.	X		

6.	The Board meets at least once a month to monitor the activity of the regulated entity.	X		
7.	The Board or the executive management/senior management, as appropriate, regularly reviews the policies on financial reporting, internal control and the risk management system implemented by the regulated entity.	X		
8.	In its work, the Board has the support of advisory committees which make recommendations on various matters subject to decision making.	X		The are 4 advisory committees within the Board, which are also specified in the company's articles of association.
9.	The Advisory Committees submit to the Board materials/reports on the matters requested by the Board.	X		
10.	The internal procedures/policies/regulations of the regulated entity include provisions on the selection of candidates for executive/senior management positions, the appointment of new persons or the extention of the term in office for the persons currently holding such positions.	X		
11.	The regulated entity ensures that the executive management/senior management members receive training in order for them to effectively perform thei duties.	X		
12.	Key positions are designed to be appropriate to the organisational structure of the regulated entity and in accordance with the applicable regulations.	X		
13.	The Board regularly reviews the effectiveness of the entity's internal control system and its updating in order to ensure rigorous management of the risks to which the regulated entity is exposed.	X		
14.	The Audit Committee makes recommendations to the Board on the selection, appointment and replacement of the financial auditor, and on the terms and conditions of his/her remuneration.	X		
15.	The Board reviews at least once a year and ensures that the remuneration policies are consistent and have effective risk management.	X		
16.	The remuneration policy of the regulated entity is included in its internal regulations aimed at the implementation of and compliance with the corporate governance principles.	X		The remuneration policy is developed and approved by the Board for the trading department in order to ensure an efficient management that does not



				allow the emergence of conflicts of interest. The remuneration policy for the personnel is applied based on the decision of the executive management. The remuneration of the executive management is established and approved by the Board, and the annual bonus is granted based on the company's performance. The remuneration of the Board members is established by the General Meeting of Shareholders, and it is made public by publication of the full text of the General Meetings' resolutions.
17.	The Board has adopted a procedure to identify and properly address conflicts of interest.	X		The procedure for the identification and resolution of conflicts of interest predates the publication of Regulation no. 2/2016.
18.	The executive management/senior management, as appropriate, informs the Board about conflicts of interest as they occur and does not participate in the conflict-related decision-making process if these structures or persons are involved in the conflict.	X		
19.	The Board reviews at least once a year the effectiveness of the regulated entity's risk management system.	X		
20.	The regulated entity has developed procedures to identify, assess and manage the significant risks to which it is or may be exposed.	X		
21.	The regulated entity has clear action plans to ensure its operation as a going concern and for emergency situations.	X		

Translation from Romanian

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Bucharest  
Romania

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of: SSIF BRK FINANCIAL GROUP S.A.**

### *Qualified opinion*

We have audited the accompanying financial statements of **SSIF BRK FINANCIAL GROUP S.A.** ("the Company"), which include the financial position as at 31 December 2016, the comprehensive income, the changes in equity and the cash flow for the year then ended 31 December 2016, and a summary of the significant accounting policies and other explanatory notes.

In our opinion, except for the "Basis for qualified opinion" section, the financial statements present fairly, in all material respects, SSIF BRK FINANCIAL GROUP SA's financial position as at 31 December 2016, its financial performance and cash flows for the year then ended, in accordance with the Financial Supervisory Authority's Rule no. 39/2015 approving the Accounting Regulations in compliance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Field of Financial Instruments and Investments.

### *Basis for qualified opinion*

The method used to estimate the fair value of the shares held in FACOS SA does not have the necessary accuracy, given the significance of the stake, the status of Facos (Company branch) and the information available. As a result, the fair value of the shares and the profit/loss of the year may be materially distorted.

We have conducted our audit in accordance with the auditing standards adopted by the Chamber of Romanian Financial Auditors, which are based on the International Standards on Auditing. Our responsibilities under these standards are described in detail in the 'Auditor's Responsibilities in an audit of financial statements' section of our report. We are independent from the Company, in accordance with the ethical requirements relevant for the audit of financial statements in Romania and we have fulfilled all other responsibilities according to those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Key audit issues*

Key audit issues are those issues which, based on our professional judgment, have been of the highest importance for the audit of financial statements of the current period. These issues have been addressed in the audit of financial statements as a whole and in the formation of our opinion on them, therefore we do not provide a separate opinion on these issues. In addition to the issue

described in the ‘Basis for qualified opinion’ section, we have determined that the issues described below are key audit issues that must be included in our report.

<p><b><i>1. Measurement of financial assets and recognition of income</i></b></p> <p>The significant percentage of the Company’s income stands for the financial income/gain resulting from the assessment or disposal of financial assets.</p> <p>The Company holds diversified financial assets in terms of complexity, type, liquidity or purpose for which they were acquired.</p> <p>As mentioned in Explanatory Note no. 2 to the Financial Statements, page 11, the Company uses various methods to measure the fair value of assets in its financial statements, at all hierarchical levels.</p> <p>The Company engaged the services of independent valuers to measure only the equity interest held in one company, the other measurements were made by its own experts.</p> <p>The measurement of these instruments (particularly those measured on Level 3) often involves complex professional judgment, the use of assumptions and estimates. Therefore, there is a risk that these measurements may be distorted.</p>	<p><b><i>Tests performed:</i></b></p> <p>Our audit procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>• Review of the adequacy and accuracy of the methods used with respect to the type of financial instrument, the available information and its percentage in the portfolio value.</li> <li>• Review of the evaluation report drawn up by the expert valuator and its qualifications and competencies.</li> <li>• External confirmations regarding the holdings and the value of fund units;</li> <li>• Verification of recognition in the Comprehensive Income of value adjustments or gain/loss resulting from disposal.</li> </ul>
<p><b><i>2. Separation of the company’s own assets from the customers’ assets</i></b></p> <p>The Company carries out financial brokerage and trading activities that require the separation of the financial instruments and funds belonging to investors from those of the Company, as well as the safe keeping of the customers’ assets.</p>	<p><b><i>Tests performed:</i></b></p> <p>Our audit procedures included, inter alia:</p> <ul style="list-style-type: none"> <li>• identification, review and testing of relevant internal control procedures;</li> <li>• effective testing of a representative sample of transactions;</li> <li>• external confirmations for the sample of customers.</li> </ul>
<p><b><i>3. Provisions for litigation and contingent liabilities</i></b></p> <p>The Company is involved in numerous lawsuits, presented in Explanatory Note no. 16 to the financial statements, pages 53-55, for which an outflow of resources is likely to occur.</p> <p>There is also a series of lawsuits or risks for which an outflow of resources is less likely to</p>	<p><b><i>Tests performed:</i></b></p> <p>Our audit procedures for the testing of provisions and contingent liabilities consisted in:</p> <ul style="list-style-type: none"> <li>• review of provisions from previous financial years to ensure that they are still justified;</li> <li>• obtaining letters from all the lawyers that work with the Company;</li> <li>• verification of the reasonableness of the</li> </ul>

<p>occur or more difficult to estimate, and which are presented in Explanatory Note 17, page 55, under the Contingent Liabilities category.</p> <p>The estimation of risk probability and the accurate assessment of potential outflows of resources are often difficult and depend on factors that are beyond the Company's control. There is, therefore, a risk that these estimates may be erroneous.</p>	<p>estimates, assumptions and sources of information used by the Company's management;</p> <ul style="list-style-type: none"> <li>• verification of certain assumptions underlying the recognition of provisions or contingent liabilities, by including a specialist in the audit team.</li> </ul>
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### ***Other information – Directors' Report***

The Directors are responsible for preparing and presenting the Directors' Report in accordance with Articles 8 to 13 of the Financial Supervisory Authority's Rule no. 39/2015 approving the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Field of Financial Instruments and Investments, free of material misstatement, and for the internal control that the Management deems necessary to enable the preparation of the directors' report which must be free of material misstatement, whether due to fraud or error.

The Directors' Report is presented on pages 1 to 34 and is not part of the individual financial statements.

Our opinion on the individual financial statements does not cover the Directors' Report.

As regards our audit of the individual financial statements, we have read the Directors' Report attached to the individual financial statements and presented on pages 1 to 34, and we report that:

- a) we have found no information in the Directors' Report that is inconsistent, in all material respects, with the information presented in the accompanying individual financial statements;
- b) the abovementioned Directors' Report includes, in all material respects, the information required by Articles 8 to 13 of the Financial Supervisory Authority's Rule no. 39/2015 approving the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Field of Financial Instruments and Investments;
- c) to the best of our knowledge and understanding acquired during the audit conducted on the individual financial statements for the financial year ended 31 December 2016 with regard to the Company and its environment, we have found no information included in the Directors' Report that is materially erroneous.

### ***Responsibilities of the management and those in charge of governance for financial statements***

The Management of the Company is responsible for the preparation and fair presentation of these financial statements in the accordance with the Financial Supervisory Authority's Rule no. 39/2015 approving the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Field of Financial Instruments and Investments, and for the internal control that the Management deems necessary to enable the preparation of a set of financial statements that are free of material misstatement, whether due to fraud or error.

As regards the preparation of the financial statements, the management is responsible for assessing the company's capacity as going concern, by presenting, if applicable, the issues related to going concern and using going concern accounting, unless the management either intends to liquidate the Company or discontinue its operations, or has no other realistic alternative.

The persons in charge with governance are responsible for overseeing the financial reporting process of the Company.

***Responsibilities of the auditor in an audit of financial statements***

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to draw up an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the auditing standards adopted by the Chamber of Romanian Financial Auditors, which are based on the International Standards on Auditing, will always detect a material misstatement, if any. Misstatements may be caused either by fraud or by error and are considered material if it is reasonably foreseeable that they, individually or collectively, will influence the economic decisions of users made based on these financial statements.

As part of an audit conducted in accordance with the auditing standards adopted by the Chamber of Romanian Financial Auditors, which are based on the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism during the audit. Moreover:

- We identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, we develop and carry out audit procedures in response to those risks, and we obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than the risk of not detecting material misstatement due to error, since fraud may imply secret agreements, forgery, deliberate omissions, false statements, and avoidance of internal control;
- We consider internal audit to be relevant for the audit, in order to develop audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- We formulate a conclusion on the suitability of the management's use of going concern accounting and we determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could generate significant doubts about the Company's ability to continue operating. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the disclosures in the financial statements or, if they are inappropriate, we change our opinion. Our findings are based on the audit evidence obtained before the date of the auditor's report. However, future events or conditions may cause the Company not to continue operating based on the going concern principle;
- We evaluate the presentation, structure and overall content of the financial statements, including the disclosure of information, and the extent to which the financial statements reflect the underlying transactions and events in a fair manner.

We inform the persons in charge with governance, inter alia, of the planned area and the scheduled duration of the audit, and the main findings of the audit, including any deficiencies in the internal control that we find during the audit;

We also provide the persons in charge with governance with a statement that we have complied with the relevant ethical requirements concerning independence, and that we have informed them of any relationships and other issues that could reasonably be supposed to affect our independence, and, where appropriate, the related protection measures.

As regards the issues to be communicated to those in charge of governance, we determine which are the most important issues for the audit on the financial statements of the current period and are therefore key audit issues. We describe these issues in the auditor's report, unless the laws or regulations prohibit public disclosure of an issue or where, in extremely rare circumstances, we believe that an issue should not be disclosed in our report for it is reasonably expected that the benefits of the public interest will be overcome by the negative consequences of such disclosure.

On behalf of,

**BDO AUDIT SRL**

Registered with the Chamber of Financial Auditors of Romania  
under no. 18/02.08.2001

Name of signatory: Dan Apostol

Registered with the Chamber of Financial Auditors of Romania  
under no. 1671/25.06.2006

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Cluj-Napoca, Romania  
28/03/2017

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***IFRS Individual Annual Financial  
Statements  
as at 31 December 2016***

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## Statement of financial position

## As at 31 December

<i>In Ron</i>	Note	31-Dec-16	31-Dec-15
<b>Assets</b>			
Intangible assets	1	2,947,844	2,295,910
Tangible assets	2	4,343,040	4,584,491
Investment property	3	1,435,525	1,148,773
Long-term financial investments	4	29,053,597	39,175,295
Other long-term financial investments	5/6	482,468	1,762,652
<b>Total fixed assets</b>		<b>38,262,475</b>	<b>48,967,122</b>
Short-term financial investments	4	10,193,251	4,351,364
Other short-term financial investments	5/6	7,925,611	8,846,512
Trade and other receivables	8/9	15,565,227	8,104,386
Bank account for customers	10	27,096,728	13,769,608
Cash and cash equivalents	10	5,037,084	1,205,149
<b>Total current assets</b>		<b>65,817,900</b>	<b>36,277,019</b>
Assets classified as held for sale	7	557,067	801,390
<b>Total assets</b>		<b>104,637,442</b>	<b>86,045,531</b>
<b>Equity</b>			
Share capital	11	54,039,987	54,039,987
Share capital adjustment	11	4,071,591	4,071,591
Own shares	11	-24,047	0
Share premium	11	5,355	5,355
Reserves	12	10,562,604	11,131,145
Profit/loss carried forward	13	-5,391,072	-7,390,339
<b>Total equity attributable to the Company's shareholders</b>		<b>62,826,576</b>	<b>61,857,739</b>
<b>Non-controlling interests</b>		-	-
<b>Total equity</b>		<b>62,826,576</b>	<b>61,857,739</b>
<b>Liabilities</b>			
Obligations under finance leases	15	23,601	48,424
Provisions	16	-	-
<b>Total long-term liabilities</b>		<b>23,601</b>	<b>48,424</b>
Current portion of obligations under finance lease	15	23,433	47,492
Amounts owed to customers (customers' funds)		32,573,663	17,332,865
Trade and other payables	14	8,798,690	6,403,222
Provisions	16	391,480	355,790
<b>Total current liabilities</b>		<b>41,787,266</b>	<b>24,139,369</b>
<b>Total liabilities</b>		<b>41,810,867</b>	<b>24,187,793</b>
<b>Total equity and liabilities</b>		<b>104,637,442</b>	<b>86,045,531</b>

<i>In Ron</i>		<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b>Continuing operations</b>			
Income from commissions and related activities	18	2,528,427	4,096,670
Net financial income, other than dividends	22	6,627,938	3,449,944
Financial income from dividends	22	145,203	307,943
Financial income from interest	22	710,440	563,390
Rental income	18	32,576	49,833
Income from assessment of investment property	18	-	216,772
Other income	19	27,483	1,348,601
Income for cancellation of provisions for risks and charges		-	1,075,301
Income from adjustment for impairment of current assets		230,438	-
<b>Total income from continuing operations</b>		<b>10,302,506</b>	<b>11,108,454</b>
Raw materials, materials		-151,883	-200,361
Electricity and water	21	-4,220,019	-4,971,683
Expenses related to external services		-3,307,721	-3,985,604
Value adjustment of intangible and tangible assets, exclusive of goodwill		-946,524	-970,232
Expenses related to provisions for risks and charges		-265,925	-
Net financial loss	22	-201,154	-2,272,845
Other expenses	20	-142,940	-1,445,893
<b>Sales-related costs</b>		<b>-9,236,165</b>	<b>-13,846,618</b>
<b>Operating profit/loss</b>		<b>1,066,340</b>	<b>-2,738,164</b>
<b>Profit before tax</b>		<b>1,066,340</b>	<b>-2,738,164</b>
Expenses related to corporate tax	23	0	0
<b>Profit for the year</b>		<b>1,066,340</b>	<b>-2,738,164</b>
<b>Other elements of the comprehensive income</b>			
Net change in fair value of available-for-sale financial assets transferred into the profit or loss account		-4,275,482	-862,045
<b>Positions that may be reclassified to profit and loss</b>			
Net change in fair value of available-for-sale financial assets		4,218,368	4,454,187
<b>Positions that may not be reclassified to profit and loss</b>			
Changes in value of used assets		-	1,055,358
Changes in value of investment property			-
Setting up/cancellation of reserves from profit in order to give free shares to employees			-

Tax on other elements of the comprehensive income

Cancellation of reserves

**Total other elements of the comprehensive income for the year**

13

**-57,114****4,647,500****Total profit and loss account and other elements of the comprehensive income for the year****1,009,227****1,909,336****31-Dec-16****31-Dec-15****Profit attributable to:**

Shareholders of the Company

1,066,340

-2,738,164

**Profit of the year****1,066,340****-2,738,164****Total comprehensive income attributable to:**

Shareholders of the Company

1,009,227

1,909,336

**Total comprehensive income for the year****1,009,227****1,909,336****Earnings per share**

Basic earnings per share (Ron)

24

0.0032

-0.0081

Diluted earnings per share (Ron)

24

0.0032

-0.0081

Continuing operations

Basic earnings per share (Ron)

24

0.0032

-0.0081

Diluted earnings per share (Ron)

24

0.0032

-0.0081

The notes on pages 12 to 69 are an integral part of these financial statements.

Chairman of the Board of Directors

Darie Moldovan, PhD

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Chief Accountant,

Luca Monica

Illegible signature

Chief Executive Office

Pop Adrian

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## Statement of changes in equity for 2016

<i>In Ron</i>	Share capital	Capital adjustments	Own shares	Share premiums	Revaluation differences	Legal and statutory reserves	Reserves from bonus shares	Fair value reserves	Other reserves	Losses from own shares	Profit or loss carried forward	Profit or loss carried forward in reconciliation with IFRS	Profit or loss carried forward after capital revaluation as per IAS 29 – inflation	Total equity	Non-controlling interests	Total equity	Other elements of the comprehensive income
Balance as at 1 January 2016	54,039,987	4,071,591	0	5,355	2,370,920	4,587,875	234,902	750,847	3,186,601	0	-3,223,472	2,713,367	-6,880,234	61,857,738		61,857,738	
<b>Total comprehensive income for the year</b>																	
Profit or loss									0		1,066,340			1,066,340		1,066,340	
<b>Other elements of the comprehensive income</b>																	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss								-4,275,482						-4,275,482	-	-4,275,482	-4,275,482
Net change in fair value of available-for-sale financial assets								4,218,368						4,218,368	-	4,218,368	4,218,368
Changes in value of available-for-sale assets														0		0	
Changes in value of used assets														0		0	
Changes in value of investment property														0		0	
Other changes in equity											-16,340			-16,340		-16,340	
Deferred income tax related to immovable assets														0	-	0	
<b>Movement in the comprehensive profit or loss account</b>																	
Capital decrease														0	0	0	
Transfer of revaluation differences for sold assets to reserves					-73,586						73,586			0	0	0	0
Transfer to profit/loss carried forward									437,841		437,841						
<b>Total other elements of the comprehensive income</b>	0	0	0	0	-73,586	0	0	-57,114	-437,841	0	1,561,427	0	0	-73,453	0	-73,453	-57,113
<b>Total comprehensive income for the year</b>	0	0	0	0	-73,586	0	0	-57,114	-437,841	0	1,561,427	0	0	992,887	0	992,887	
<b>Operations with own shares</b>																	
Share redemption			-24,047											-24,047	-	-24,047	
Total operations with own shares			-24,047	0	0	0	0	0	0	0	0	0	0	-24,047	0	-24,047	
Balance as at 31 December 2016	54,039,987	4,071,591	-24,047	5,355	2,297,334	4,587,875	234,902	693,733	2,748,760	0	-1,662,044	2,713,367	-6,880,234	62,826,578		62,826,578	

## Statement of changes in equity for 2015

<i>In Ron</i>	Share capital	Capital adjustments	Own shares	Share premiums	Revaluation differences	Legal and statutory reserves	Reserves from bonus shares	Fair value reserves	Other reserves	Losses from own shares	Profit or loss carried forward	Profit or loss carried forward in reconciliation with IFRS	Profit or loss carried forward after capital revaluation as per IAS 29 – inflation	Total equity	Non-controlling interests	Total equity	Other elements of the comprehensive income
Balance as at 1 January 2015	84,670,467	4,071,591	-225,678	5,355	1,315,562	4,587,875	234,902	-2,841,295	3,277,452	-649	-38,450,296	10,188,295	-6,880,234	59,953,346	0	59,953,346	
<b>Total comprehensive income for the year</b>																	
Profit or loss											-2,738,164			-2,738,164		-2,738,164	
<b>Other elements of the comprehensive income</b>																	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss								-862,045						-862,045	-	-862,045	-862,045
Net change in fair value of available-for-sale financial assets								4,454,187						4,454,187	-	4,454,187	4,454,187
Changes in value of available-for-sale assets														0		0	
Changes in value of used assets					1,055,358									1,055,358		1,055,358	1,055,358
Changes in value of investment property														0		0	
Other changes in equity									-97,511		92,567			-4,944		-4,944	
<b>Movement in the comprehensive profit or loss account</b>																	
Capital decrease	-30,630,480		225,678						6,660	649	37,872,421	-7,474,928		0	0	0	
<b>Total other elements of the comprehensive income</b>	-30,630,480	0	225,678	0	1,055,358	0	0	3,592,142	-90,851	649	35,226,824	-7,474,928	0	4,642,556	0	4,642,556	4,647,500
<b>Total comprehensive income for the year</b>	<b>-30,630,480</b>	<b>0</b>	<b>225,678</b>	<b>0</b>	<b>1,055,358</b>	<b>0</b>	<b>0</b>	<b>3,592,142</b>	<b>-90,851</b>	<b>649</b>	<b>35,226,824</b>	<b>-7,474,928</b>	<b>0</b>	<b>1,904,392</b>	<b>0</b>	<b>1,904,392</b>	
<b>Operations with own shares</b>																	
Share buy-back														0	-	0	
Total operations with own shares			0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Balance as at 31 December 2015	54,039,987	4,071,591	0	5,355	2,370,920	4,587,875	234,902	750,847	3,186,601	0	-3,223,472	2,713,367	-6,880,234	61,857,738		61,857,738	

**Statement of cash flows**

	<b>31 December 2015</b>	<b>31 December 2016</b>
	<b>RON</b>	<b>RON</b>
Operating activities:		
Gross (Loss)/Profit	(2,738,164)	1,066,340
Adjustments for reconciliation of net result with the net cash used for operational activities:		
Adjustment of value of tangible and intangible assets	761,876	946,524
Income from redemption of own shares	-	-
Adjustment of value of financial assets	426,307	44,247
Adjustment of value of short-term investments	638,877	180,161
Corporate tax	-	-
Provisions for current assets	(12,250)	(230,438)
Provisions for risks and charges	(1,075,301)	265,925
Interest-related expenses	58,965	5,825
Interest income	(563,390)	(710,440)
Income from dividends	-	(145,203)
Income from turbo certificates	-	-
Profit/(loss) from sale of tangible assets	22,276	(3,177)
Income from exchange rate differences, related to IB, IG and FXCM	(625,221)	(22,359)
<b>Operational cash increase/(decrease) before changes in the working capital</b>	<b>(3,106,025)</b>	<b>1,397,404</b>
Changes in the working capital:		
(Increase)/Decrease in other receivables balances	4,353,618	(8,254,664)
Increase/(Decrease) in trade and other payables balances	419,195	17,636,266
Increase/(Decrease) in available-for-sale asset balances	(51,775)	244,323
<b>Net cash flow generated by operational activities</b>	<b>1,615,013</b>	<b>11,023,329</b>
<b>Cash flow from operation:</b>		
Paid corporate tax	-	-
Proceeds from interest	563,390	710,440
Paid interests		

	(58,965)	(5,825)
<b>Net cash flow generated by operational activities</b>	<b>2,119,438</b>	<b>11,727,943</b>
<b>Cash flow generated by investments:</b>		
(Increase)/Decrease in financial investment balances	10,193,529	(5,541,886)
Cash payment for purchase of tangible assets	(1,746,842)	(161,276)
Cash payment for purchase of intangible assets	26,013	(915,801)
Cash payment/collection for purchase of financial assets	(3,359,315)	8,887,407
Cash collections from sale of land and buildings, installations and equipment, intangible assets and other long-term assets	-	-
Collected dividends	-	145,203
Payment of dividends	-	-
Collections related to share capital increase	-	-
Payments related to share capital decrease	(1,387)	-
Loans granted/repaid	(8,867,165)	920,901
Proceeds on loans granted	1,205,653	1,295,959
Income from sale of turbo certificates	2,948,861	842,235
Effect of exchange rate fluctuations on loans and liabilities	-	-
<b>Net cash flow generated by investments</b>	<b>399,347</b>	<b>5,472,742</b>
<b>Net cash flow generated by funding:</b>		
Payment for lease-purchases	(161,734)	(41,633)
<b>Net cash flow generated by funding</b>	<b>(161,734)</b>	<b>(41,633)</b>
<b>Cash flow – total</b>	<b>2,357,051</b>	<b>17,159,053</b>
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the year	12,617,707	14,974,758
Increase/(decrease) of cash and cash equivalents	2,357,051	17,159,053
Effect of exchange rate fluctuations on the opening balance of cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	14,974,758	32,133,811
Of which unavailable (seized)	4,980,780	4,980,780

Chairman of the Board of Directors  
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CEO  
Illegible signature

Chief Accountant,  
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## **1. Reporting entity**

SSIF BRK FINANCIAL GROUP SA is a financial investment firm headquartered in Romania. The address of the company's registered office is in Cluj-Napoca, 119 Motilor Street. The main activity of SSIF BRK FINANCIAL GROUP SA is security and commodity contracts brokerage.

The financial statements of SSIF BRK FINANCIAL GROUP SA represent the company's individual statements and are drawn up in accordance with FSA Instruction no. 2/2014, as amended and supplemented, on the application of the International Financial Reporting Standards by entities authorised, regulated and supervised by the Financial Supervisory Authority in the Field of Financial Instruments and Investments, and in accordance with Rule no. 39/2015 approving the Accounting Regulations in line with the International Financial Reporting Standards.

The individual annual financial statements for the financial year 2016 have been prepared in accordance with the IFRS, and the individual annual financial statements for the financial year 2015 were prepared under the IFRS restatement of accounts kept in accordance with the National Securities Commission Regulation no. 4/2011.

These financial statements were authorised for publication on 27 March 2016, by SSIF BRK FINANCIAL GROUP SA's Board of Directors, with no possibility of amending them after this date.

SSIF BRK FINANCIAL GROUP SA also issues for the financial year ended 31.12.2016 consolidated financial statements in accordance with the International Financial Reporting Standards.

## **2. Basis of preparation**

### **a) Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), based on the business continuity principle.

### **b) Basis of measurement**

The financial statements have been prepared based on the historical cost, save for the following material items in the statement of financial position:

- financial instruments at fair value through the profit or loss account are measured at fair value;
- available-for-sale financial assets listed on the Bucharest Stock Exchange (BSE), SIBEX Stock Exchange (SBX) or other international markets are measured at fair value;
- derivative financial instruments are measured at fair value;
- investment property is measured according to the revaluation-based model, in line with IAS 40;
- investment property consisting of buildings and related land is measured at revalued amount, in line with IAS 16;
- fixed assets not available for sale are measured at fair value, in line with IFRS 5.

On the basis of management forecasts, the Company will continue as a going concern for the foreseeable future.



### *Determination of fair values*

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

#### i. Investments in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to the closing quotation at the reporting date. The fair value of available-for-sale financial assets is determined by reference to market quotations as well.

Other forms of fair value that are not based on the last trading price are:

1. Weighted average trading price of the last 90 trading days: For shares listed on the Rasdaq section or whose ratio of the volume of shares traded in the past 52 weeks (1 year) and the free float value is less than 10%, the valuation price is considered to be the weighted average price of the last 90 trading days of the financial year;

2. Reference price of similar transactions: for shares listed on the Rasdaq section whose ratio of the volume of shares traded in the past 52 weeks (1 year) and the free float value is less than 5%, but only due to transactions planned by significant shareholders (DEALs), and SSIF BRK FINANCIAL GROUP SA holds a significant shareholder position (over 5%), the valuation price is considered to be the reference price at which the last significant transactions with those shares were made.

3. Bid price: If the majority shareholder made a takeover bid (either mandatory or voluntary) in the last 3 years, the valuation price is considered to be the bid price.

4. Fair value determined by applying the Discounted Dividend Model (DDM): If the company has a consistent history of dividend distribution and the dividend policy is predictable, the valuation price is considered to be the intrinsic value resulting from the DDM.

5. Fair value determined by applying the Discounted Cash Flow (DCF) method: If the company does not distribute dividends and the valuation is made from the point of view of a significant shareholder, the valuation price is considered to be the intrinsic value resulting from the DCF model.

6. Fair value determined using the asset-based method: If the company has valuable redundant assets and the operational activity is small scale, the valuation price is considered to be the intrinsic value resulting from the adjusted net asset method.

7. Fair value resulting from the application of the comparative method - similar transactions: If significant transactions (> 10% of capital) with shares of companies operating in the same field as the company under analysis were carried out on the local stock market in the last year, the valuation price is considered to be the intrinsic value determined using the comparative method (using reference valuation multiples such as P/E, P/B, P/S etc. at which the transactions in question were carried out, compared to the results published by companies in the previous financial year).

8. Fair value determined using the asset-based method: If the company has redundant assets and the operational activity is small scale, the valuation price is considered to be the intrinsic value resulting from the adjusted net asset method.

ii. Trade receivables and other receivables

The fair value of trade receivables and other receivables is estimated as the present value of future cash flows, updated with the market interest rate at the reporting date. This fair value is determined for disclosure purposes.

iii. Financial derivatives

The fair value of derivative products closed at the end of the period is calculated as the minimum of the number of sell and buy positions multiplied by the difference between the average selling price and the purchase price and further multiplied by the number of contracts of the package. The resulting value affects the profit and loss account.

The fair value of derivative products opened at the end of the period is calculated, if at the end of the period there are more sales contracts than purchase contracts, as follows: the number of open positions calculated as number of sell positions minus the number of buy positions, multiplied by the difference between the average selling price and the quotation price at the end of the period. The calculation is symmetrical if there are more purchase contracts than sales contracts at the end of the period. The resulting value corrects the initial value of the security given by the set margin.

iv. Non-derivative liabilities

The fair value, determined for disclosure purposes, is calculated based on the present value of future cash flows representing principal and interest, updated using the market interest rate at the reporting date.

**c) Functional and presentation currency**

These financial statements are presented in Ron (RON), which is the Company's functional currency. All financial information is presented in Ron (RON) and rounded to the nearest unit, except when otherwise indicated.

**d) Foreign currency**

Transactions in foreign currency are translated to the functional currency of the entity at the exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of the reporting date. Exchange rate differences are recognised directly in other elements of the comprehensive income.

**e) Use of estimates and professional judgments**

The preparation of the financial statements in accordance with IFRS requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note on *Financial instruments* – classification of financial instruments;
- Note on *Financial income and expenses* – loss resulting from the final depreciation of securities available for sale, which are reclassified from capitals to financial expenses;
- Note on *Tangible assets held for sale* – their treatment as available for sale.

### 3. Significant accounting policies

The significant accounting policies applied by the Company are presented below. The impact of the application of IFRSs on the financial position and results reported in the financial statements is presented in the note on *Reconciliation of asset accounts* and in the note on *Reconciliation of profit and loss accounts*.

The accounting policies presented below have been applied consistently to all periods presented in these financial statements.

#### f) Financial instruments

##### i. Non-derivative financial instruments

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

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The entity holds the following significant non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the investment and risk management strategy. Upon initial recognition, attributable transaction costs are recognised in the profit or loss account as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and the subsequent changes are recognised in profit or loss.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with initial maturities of three months or less.

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories. The entity has classified under this category all securities which are not included in short-term traded securities and for which it was possible to apply valuation methods to establish their fair value.

Subsequent to initial recognition, these securities are measured at fair value and changes therein, other than final impairment losses are recognised in other elements of the comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in other elements of the comprehensive income is reclassified to profit or loss.

Final impairment losses related to these securities are recognised in expenses for the financial year when the management considers that they occurred.

### *Joint provisions for Financial assets at fair value through profit or loss and Available-for-sale financial assets*

When the entity receives bonus shares which are listed (either as a result of the incorporation by the issuer of some reserves in the share capital, or as a result of granting dividends under the form of bonus shares), they cause no accounting records but change the default number of shares held and their weighted average cost. At their first revaluation (at the end of the month in which the bonus shares were received), account is taken of the new number of shares held, so that the value of the holding will be determined by multiplying the new number of shares with the market price of the last day of that month.

Unlisted shares are classified as available for sale and are recorded:

- either at the fair value – when it is possible to apply valuation methods;
- or at cost – when it is not possible to apply valuation methods;

The bonus shares received for these securities are registered in the capital accounts, under bonus share reserves, at the same value as the existing shares are recorded in their balance.

These securities, regardless of their classification, are discharged after each transaction at their average cost of acquisition weighted by the number of purchased shares.

## **ii. Derivative financial instruments**

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted immediately in the profit or loss account.

## **g) Impairment**

### **i. Financial assets (including receivables)**

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 an event that occurred after the initial recognition of the asset, and that loss event had a negative impact on the estimated future cash flows of that asset and the loss can be estimated reliably.

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

The entity considers evidence of impairment for receivables and investments held-to-maturity at both a specific asset and collective level. All individually significant receivables and investments held-to-maturity are assessed for impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and investments held-to-maturity that are not individually significant are collectively assessed for impairment by grouping together those with similar risk characteristics.

In assessing collective impairment, the entity uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than 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 original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. 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 financial assets are recognised by reclassifying to profit or loss the cumulative loss which was recognised in other elements of the comprehensive income and presented in the fair value reserve in equity. The cumulative loss that is reclassified from other elements of the 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.

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 after 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 entity's non-financial assets, other than investment property, inventories and 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. The recoverable amount for goodwill and indefinite-lived intangible assets or assets that are not yet available for use is estimated every year.

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

## **h) Property, plant and equipment**

### **i. Recognition and measurement**

Items of property, plant and equipment are measured at cost on the recognition date, and subsequently at remeasured value minus accumulated depreciation and accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item, and is recognised at net value as other income in the profit or loss account. When revalued assets are sold, the amounts included in the revaluation reserve are reclassified to profit or loss carried forward. The revaluation reserve is reduced in each financial year by the amount of the amortisation and transferred to profit or loss carried forward.

### **ii. Reclassification to investment property**

Investment property is defined below under the *Investment property* section (*point e*).

When the use of a piece of property changes from owner-occupied to investment property, the property is remeasured at fair value and reclassified as investment property.

### **iii. Subsequent costs**

The cost of replacing a component of a tangible asset is recognised in the carrying value of the item if the future economic benefits incorporated in such component are likely to be generated to the entity and its cost may be measured in a credible manner. The carrying value of the replaced component is derecognised. The expenses related to the ordinary maintenance of that tangible asset are recognised in the profit or loss account as incurred.

### **iv. Depreciation of property, plant and equipment**

Depreciation is calculated on the depreciable value, which is the cost of the asset, or other value that substitutes cost, less the residual value.

Depreciation is recognised in the profit or loss account using the straight line method over the estimated useful life of each component of a tangible asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

- buildings - 40 years
- machinery and equipment - 2 to 10 years; with a 5-year total average value
- means of transportation - 5 years
- fixtures and fittings - 3 to 10 years; with a 5-year total average value

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted accordingly.

## **i) Intangible assets**

### **i. Goodwill**

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost minus the cumulated impairment losses.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on goodwill, is recognised in profit or loss as incurred.

iii. Amortisation of intangible assets

Amortisation is calculated for the cost of the asset or any other value substituting the said cost, from which the residual value is deducted.

Amortisation is recognised in the profit or loss account using the straight-line method over the estimated useful life of intangible assets, other than goodwill, from the date when they become available for use; this method reflects best the estimated consumption of the economic benefits included in the asset.

The estimated useful lives for the current and comparative periods are the following: 3 years for all the intangible assets, except for goodwill.

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

**j) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured in the same way as the used assets, namely at fair value.

**k) Leased assets**

Lease agreements under which the entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

**l) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the financial charge and the reduction of the outstanding liability. The financial charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease: At the inception of an arrangement, the entity determines whether such an arrangement is or contains a lease.

**m) Tangible assets held for sale**

Tangible assets, or disposal groups comprising assets and liabilities, which are expected to be recovered primarily through sale rather than through continuing use are classified as assets held for sale.

Before reclassification to tangible assets held for sale, the assets, or the components of a disposal group, are remeasured in accordance with the entity's accounting policies. Thereafter generally the assets, or the disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the entity's accounting policies. Impairment losses on initial classification as held or sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

**n) Discontinued operations**

A discontinued operation is a component of the entity's activities which represents a major distinct business segment or a geographical area of operations, which was either shut down or classified as held for sale, or is a subsidiary acquired exclusively for resale. Classification as a discontinued operation occurs on discontinuance or when the operation meets the criteria to be classified as held for sale, whichever occurs earlier. When an operation is classified as a discontinued operation, the comparative information in the statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Tangible assets held for sale and discontinued operations are recognised in accounts in accordance with IFRS 5.

**m) Non-derivative financial liabilities**

Liabilities are recognised on the date when the entity becomes a party to the contractual terms of the instrument.

The entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The entity has the following non-derivative financial liabilities: trade payables, debts to customers regarding customers' cash, and other debts.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.



**n) Share capital***Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

*Repurchase of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a decrease in equity. Repurchased shares are classified as treasury shares and are presented as a decrease in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is reclassified to/from profit or loss carried forward.

**o) Employee benefits****i. Short-term employee benefits**

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the entity has a present legal or implicit obligation to pay this amount for past services provided by employees, and the obligation can be estimated reliably.

**ii. Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, for the period that the employees become unconditionally entitled to the awards.

**p) Provisions**

A provision is recognised if, as a result of a past event, the entity has a present legal or implicit obligation that can be estimated reliably, and it is probable that an outflow of economic benefits 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 assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financial charge.

**q) Goods sold and services provided**

Revenue from the sale of goods in the current period is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer and possible return of goods can be estimated reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of sales agreements.

For brokerage activity, commission income is recognised on the transaction. Dividend income is recognised at the date when the right to collect it occurs.

**r) Rental income**

Rental income from investment property is recognised in the comprehensive income account on a straight-line basis over the term of the lease.

**s) Financial income and charges**

Financial income includes:

- interest income on bank deposits,
- dividend income,
- gains on the disposal of:
  - o available-for-sale financial assets, and
  - o financial assets recorded at fair value through profit or loss,
- changes in the fair value of assets recorded at fair value through profit or loss.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the entity's right to receive dividend is established, which in the case of quoted securities is normally the ex-dividend date.

Financial charges include:

- impairment losses recognised on financial assets at fair value through profit or loss;
- final losses on available-for-sale financial assets;
- foreign currency differences;
- losses on foreign currency differences;

Foreign currency gains and losses are reported on a net basis.

**t) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except when it relates to a business combination or items recognised directly in equity or in other elements of the comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be simultaneous.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences if it is probable to obtain future profits that will be used to cover the tax loss. Deferred tax assets are reviewed at each reporting date and reduced if it is no longer probable that the related

tax benefit will be obtained. Cases where deferred tax receivables were not recognised in assets are mentioned in Note on *deferred tax assets and liabilities*.

**u) Earnings per share**

The entity provides information on basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders to the weighted average number of ordinary shares outstanding during the period, adjusted for the value of own shares held. Diluted earnings per share are determined by dividing the profit or loss attributable to ordinary shareholders to the weighted average number of shares outstanding, adjusted for the value of own shares held, for the dilution effects of all potential ordinary shares, including share options granted to employees.

**v) Reporting by segment**

An operating segment is a component of the entity that engages in activities which could earn income and incur expenses, including income and expenditure relating to transactions with any of the other components of the entity.

The operating results of an operating segment are reviewed on a regular basis by the Company management in order to decide on the resources to be allocated to the segment and to analyse the segment performance, and for which distinct financial information is available.

***New standards and interpretations adopted since 1 January 2015***

As of 2015, the EU has adopted the following IFRS standards and amendments thereto:

- IFRS 11 'Joint Arrangements' supersedes IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities - Non-Monetary Contributions by Venturers'. IFRS 11 eliminates the option of accounting for jointly controlled entities (JCE) by applying proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard had no impact on the separate financial statements of the Company.
- IFRS 11 Joint Arrangements (Amendment): 'Accounting for acquisition of interests in joint operations' applies to annual periods beginning on or after 1 January 2016. The standard has not yet been adopted by the European Union. The Amendment refers to equity accounting for joint ventures in joint operations, clarifies the accounting for joint procurement in the entities of a joint venture which constitutes an economic activity, mentions the related accounting treatment. The company is currently evaluating the impact of this amendment on the financial position or performance.
- Amendments to IAS 1, applicable for financial years beginning on or after 1 January 2016. Early application is permitted. This amendment was adopted by the European Union in December 2015.
- Amendments to IAS 1 include the following five enhancements to the disclosure requirements stipulated in the standard. The definition of materiality has been modified to clarify its applicability on the financial statements as a whole and on each disclosure requirement within a standard. Amendments were also introduced in the order of notes in financial statements and clarify that entities have flexibility as to the disclosure of accounting

policies in the explanatory notes. The Company believes that these amendments will not have a significant effect on these financial statements.

- IAS 16 'Property, plant and equipment' was amended by introducing a ban on the use of income-based depreciation methods. This is motivated by the fact that the income generated by those assets is also influenced by factors other than consumption benefits of the asset. The application of the amendment is mandatory as of January 2016. The amendment was adopted by the EU in December 2015.
- IAS 27 'Separate Financial Statements' (revised), following the application of IFRS 10 and IFRS 12, contains provisions limited to accounting for subsidiaries, jointly controlled entities and associates, in individual financial statements. The amendment was adopted by the EU in December 2015 and its effective date is 1 January 2016.

### **Standards and interpretations not yet adopted**

A number of new standards, amendments to already existing standards and interpretations are not yet effective for the financial year ended 31 December 2015 and have not been applied in preparing these financial statements.

- IAS 28 'Investments in associates and joint ventures' (revised): following the new standards IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities', IAS 28 'Investments in associates' has been renamed IAS 28 'Investments in associates and joint ventures' and describes the application of the equity method to investments in joint ventures, in addition to investments in associates.
- IFRS 10 'Consolidated Financial Statements' supersedes the portion of IAS 27 'Separate Financial Statements' which addresses the accounting for consolidated financial statements. It also addresses aspects included in SIC-12 'Consolidation - Special Purpose Entities'. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgments to determine which entities are controlled and must be consolidated by a parent-entity, compared to IAS 27 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 (2011) 'Separate Financial Statements' introduce an exception to the consolidated financial statements of the investment entities, define the investment entity and contain specific disclosure requirements for investment entities (Investment companies), the criteria set out in IFRS 12 'Disclosure of relationships with other entities', applicable to annual periods beginning on or after 1 January 2014, includes all the information to be disclosed previously stipulated in IAS 27 on consolidated financial statements, and all other disclosures previously required by IAS 31 and IAS 28. The disclosures refer to the investments of an entity in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 also includes new information required to be disclosed to the users of financial statements.
- IASB uses the term 'investment entity' for entities whose activity consists in investments for the sole purpose to get yield from capital appreciation, investment income or both. Also, an investment entity should evaluate the performance of its investments on a fair value basis. The amendment regarding investment entities provides an exception to the consolidation requirements stipulated by IFRS 10 and requires investment entities to evaluate subsidiaries at fair value through profit or loss rather than consolidate them.

- IFRS 9 'Financial Instruments (2009)' - (effective for annual periods beginning on 1 January 2018). This standard has not been adopted by the European Union. The standard supersedes IAS 39 'Financial Instruments: Recognition and Measurement' on the classification and measurement of financial assets and liabilities eliminates categories of securities held to maturity, available for sale, and loans and receivables, stipulated in IAS 39. Financial assets will be classified upon initial recognition in: financial assets measured at amortised cost or financial assets measured at fair value. A financial asset is measured at amortised cost if the following two conditions are met: (i) – the asset is held within a business model whose objective is to hold assets to collect future contractual cash flows; and (ii) - the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains and losses on the remeasurement of financial assets at fair value are recognised in profit or loss, except for an investment in an equity instrument which is not held for trading. IFRS 9 contains an irrevocable option to present, upon initial recognition, all changes in fair value of investments in the statement of comprehensive income. The option is available at individual level (for each single share). No amount recognised in the statement of comprehensive income is reclassified to profit or loss at a later date.
- IFRS 15 'Revenue from contracts with customers' (effective for periods beginning on or after 1 January 2017) – has not been adopted by the EU. The standard was issued on 28 May 2014 and supersedes IAS 11, AIS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC - 31. The standard is applicable to contracts with customers other than insurance, financial instruments, lease. It prescribes a single model for analysis of contracts with customers and two approaches for revenue recognition - at one time or over the duration of the contract, depending on the timing of obligation fulfilment under the contract. The management of the Company and the management of the companies in which it holds more than 50% believe that these amendments will not have a significant effect on the separate financial statements. An amendment postponing the effective date of this standard until January 2018 was adopted in September 2015.

### ***New Standards, interpretations and amendments adopted since 1 January 2016***

No new standards or interpretations with significant impact on the Company's financial statements have been adopted since January 2016.

IFRS 14 *Regulatory deferral accounts* is the only new standard adopted as of 1 January 2016.

None of the amendments or annual improvements to the adopted standards have had a significant impact on the Company's financial statements.

### ***Standards issued but not yet in force and not adopted in advance***

The following new standards, interpretations and amendments, which are not yet in force and have not been adopted in advance in these financial statements, may have an impact on the Company's future financial statements. The list below presents the IFRSs (and amendments thereto) that have been issued but are not mandatory for the financial statements prepared on 31 December 2016:

- IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes the latest requirements for all the three phases of the financial instruments project - classification and measurement, impairment and hedge accounting, which were issued between 2009 and 2013.
- IFRS 15 *Revenue from Contracts with Customers*, as amended, replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC 31 *Revenue - Barter Transactions Involving Advertising Services*). IFRS 15

aims to clarify the principles of revenue recognition. This includes removing inconsistencies and weaknesses, and improving the comparability of revenue recognition practices across companies, industries, and capital markets. In this respect, IFRS 15 establishes a single revenue recognition framework. The underlying principle of this framework is that an entity must recognise revenue to describe the transfer of goods or services promised to customers in a quantity that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 16 *Leases* replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The major changes to IFRS 16 set out a single model that eliminates the distinction between operating lease and finance lease, and the results in the financial position that reflect the ‘right to use’ an asset and a corresponding liability for most leases.

The effects of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* are still under evaluation but are not expected to have a significant impact on the Company’s future financial statements.

No significant impact on the Company’s financial statements is expected following the amendments to or annual improvements of the standards that will be effective after 1 January 2017.

#### **4. Financial risk management**

The entity is exposed to the following risks arising from the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

The explanatory notes provide information on the entity’s exposure to each of the aforementioned risks, the entity’s objectives, policies and processes for assessing and managing risk and the procedures for managing capital.

##### **General framework for risk management**

The entity’s Board of Directors is responsible for establishing and monitoring the risk management framework at the entity level. This management framework is supervised and monitored by the Board of Directors of the entity.

The entity’s internal procedures stipulate the risk management policies which are defined to ensure identification and analysis of risks facing the company, setting limits and adequate control, risk monitoring and compliance with established limits.

Risk management procedures are regularly revised to reflect changes in market conditions and activities. Through the standards and procedures set for training and leadership a more orderly and constructive control environment is developed in which all employees understand their roles and obligations.

On a regular basis, the internal control department conducts missions to verify compliance with the internal procedures on risk management and the stipulated limits, and draws up reports to be submitted to the management during periodical reporting sessions.

## Credit risk

Credit risk is the risk of financial loss to the entity if customers or counterparties to financial instruments fail to meet their contractual obligations; this risk arises mainly from the entity's trade receivables and financial investments.

As regards the brokerage activity, at the balance sheet date there is no credit risk because, according to the internal procedures approved by the Board of Directors, customers may have debts towards SSIF BRK FINANCIAL GROUPS SA only in rare cases, based on analyses and approvals and only for short terms.

From the 2007-2008 period, there are claims against employees in the form of payment commitments on their part, resulting from debts created on behalf of customers. In 2016, most of these claims were cancelled following the closing of those cases. Value adjustments for the entire value were made for those positions.

Legal actions have been taken to recover amounts due, both against customers and against borrowers with payment commitments.

Currently, the entity has moved to a new stage, namely to bring the computer system to a higher standard, and it refers to at least the following key issues:

- a new trading platform - which was completed almost entirely at the end of the financial year that ended 31 December 2014, and further improved and customised in 2015 and 2016.
- risk management application;
- new back-office application that provides reports and new facilities;
- new facilities for customers related to trading activities, etc.

## *Exposure to credit risk*

Risk of loss due to default by the debtor. This non-fulfilment of obligations may have two causes:

- a) bankruptcy of the debtor/issuer - also called debtor bankruptcy risk (long-term credit risk). This risk concerns the long-term financial assets that are implicitly affected by the solvency dynamics of the issuer of those securities.
- b) bad faith of the debtor (of the counterparty with which the company carries out certain types of financial transactions), also called counterparty credit risk (short-term credit risk). The financial operations to which this type of risk refers are:
  - 1 derivatives traded on OTC and credit derivatives;
  - 2 repurchase agreements, reverse repurchase agreements, securities/commodity lending or borrowing transactions that are based on securities or commodities included in the trading portfolio;
  - 3 margin lending transactions in relation to securities or commodities; and
  - 4 long-term settlement transactions.

**Method of determination.** The capital requirement for credit risk and counterparty credit risk is determined in accordance with the provisions of Regulation (EU) No 575/2013 on capital adequacy for the standardised approach to those financial risks. The limits of these risks must be determined as follows:

- Credit risk - the risk of loss due to negative dynamics in the solvency of issuers whose securities are in the portfolio and/or the solvency of debtors (for private investments/intra-

group loans); it is calculated as the ratio of the assets which are exposed (after application of credit risk mitigation methods) to this financial risk and SSIF BRK's own funds – the limit = maximum 140%

- Counterparty (credit) risk – it is calculated as the ratio of the assets exposed to the counterparty credit risk and SSIF BRK Financial Group's own funds – the limit = maximum 15%

The exposures to credit risk is at an average level, i.e. 100.2% of the Company's own funds. BRK's assumed risk profile allows an exposure of up to 140% of the value of its own funds.

No capital requirement is calculated for credit risk, only weighted exposures are considered.

Exposure by exposure classes:

Exposure classes	Risk-weighted exposure amounts	Own funds requirements
<b>Credit risk and counterparty credit risk</b>		
Institutions	10,298,582.82	
Companies	778,311.52	
Retail	633,246.75	
Exposures in default	197,707.92	
Elements associated with an extremely high risk	18,307,711.50	
Collective investment undertakings (OPC)	5,714,346.48	
Other elements	21,649,051.35	
<b>Total</b>	<b>57,578,958.34</b>	

Debtors in the entity's financial instrument trading are amounts sent to national or international stock exchanges for the purpose of conducting transactions, real profit or other amounts available on the stock exchange for future transactions. These amounts are not related to the value of financial instruments but are practically funds available at third parties.

Debtors in financial instruments traded by customers are similar amounts, but related to customers. These amounts are recorded in the financial position as receivables, on the one hand, and debt to customers on the other hand.

### Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulties in fulfilling obligations associated with financial liabilities which are settled in cash or by transfer of another financial asset. SSIF BRK FINANCIAL GROUP SA has no outstanding loans.

As regards the brokerage activity, liquidity in relationships with customers is ensured by the fact that investment companies are required to maintain customers' available funds in separate accounts, without use them in any way.



In terms of overall liquidity, the current sources of available funds are the results of investment activities, commissions collected from customers, and the extraordinary sources consist of capital increases.

The liquidity risk takes two forms:

***Liquidity risk related to the portfolio of financial instruments*** - losses that can be incurred by SSIF BRK Financial Group due to the impossibility of finding a counterparty in financial transactions, thus being difficult for the company to close positions on financial instruments with unfavourable price variations.

***Risk related to liquidity coverage*** - losses that can be incurred by SSIF BRK Financial Group due to the impossibility of funding net outflows (current debts) over a 30-day period.

### **Method of determination:**

Liquidity risk related to the portfolio of financial instruments - The ratio of highly liquid assets in the total portfolio is calculated as the ratio of high-quality liquid assets and total assets - the limit = minimum 20%.

Liquidity coverage ratio (LCR) is calculated as the ratio of high-quality liquid assets (HQLA - liquidity reserves) and current debts (debts falling under the up to 30-day maturity category)

- LCR – the limit = minimum 1.5;

The risk related to the funding of long-term assets from non-permanent resources is calculated as the ratio of temporary resources (e.g. uncollected dividends, loans, issued bonds, etc.) and total assets value – the limit >= 80%.

As at 31.12.2016, SSIF BRK Financial Group had an 866% LCR due particularly to the funds in bank accounts (5,037,083.96 Ron).

The highly liquid assets included the following:

- accounts with banks;
- adjusted share value (20% of the average monthly volume of each security is taken into account, regardless of the holding's value);
- adjusted OPC value (10% of the fund's net asset value is taken into account, regardless of the holding's value).

Values included in the calculation of the SSIF BRK Financial Group's LCR at 31.12.2016:

Cash and deposits	<b>5,037,083.96</b>
Adjusted share value	<b>282,816.00</b>
Max. value included in LR related to securities	<b>888,897.17</b>
Adjusted OPC value + securities =	<b>1,204,309.50</b>
<b>Total liquid assets =</b>	<b>6,241,393.46</b>
<b>LCR =</b>	<b>866%</b>

**Market risk**

Market risk is the risk that the change in market prices, such as the price of equity instruments, foreign exchange rates and interest rates, may affect the entity's income or the value of financial instruments held. The purpose of market risk management is to manage and control exposure to market risk within acceptable parameters and, at the same time, to optimize ROI.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide range of causes associated with the entity's processes, personnel, technology and infrastructure and from external factors other than credit risk, market risk and liquidity risk, such as those deriving from laws, regulations and generally accepted standards regarding organisational behaviour. Operational risks arise from all operations of the entity.

The objective of the entity is to manage operational risk so as to achieve a balance between avoiding financial losses and endangering the reputation of the entity, on the one hand, and efficient cost structure and avoiding control procedures that restrict initiative and creativity, on the other hand.

Regarding operational risk in the brokerage activity, the risk is much lower also due to the requirements of the Financial Supervisory Authority (FSA) regarding organisation, required reporting, internal control activities conducted under the stringent requirements.

The primary responsibility for developing and implementing operational risk controls lies with the management of each organisational unit. This responsibility is supported by the development of general standards at the entity level for managing operational risk in the following areas:

- requirements for adequate segregation of duties, including independent authorisation of transactions;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulations and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks, and adequacy of controls and procedures to the identified risks;
- training and professional development;
- ethical and business standards.

The entity's compliance with standards is ensured by regular reviews carried out by the Internal Control Department. The outcomes of these reviews are discussed with senior management.

**Interest rate risk**

As at 31 December 2015 and 31 December 2014, SSIF BRK FINANCIAL GROUP SA has no outstanding interest-bearing debt-type financial instruments.

**Interest rates used to determine fair value**

In order to determine the fair value or to test the depreciation of financial instruments, no interest rates for cash flow discounting were used because there were no trade receivables or other financial instruments whose collection was significantly deferred over time.

In the case of receivables in litigation or doubtful debts, value adjustments for their entire value were made at the end of the reporting period.

## Foreign exchange risk

SSIF BRK Financial Group is a financial institution regulated and authorised by the Financial Supervisory Authority and is subject to the European regulations, i.e. the CRD - CRR legislative package with its corresponding Technical Standards.

The capital requirement for foreign exchange risk is determined in accordance with Regulation (EU) No 575/2013 on capital adequacy for the standardised approach to that financial risk.

The limits of the exposure to this risk are calculated as the ratio of the exposure value of the assets exposed to the currency risk and the value of SSIF BRK Financial Group's own funds – the limit = maximum 15%.

SSIF BRK Financial Group calculates the capital requirement for currency risk if the exposure to this risk exceeds 2% of its own funds.

As at 31.12.2016, the exposure to foreign exchange risk accounted for 5.14% of the company's total own funds, which is the equivalent of a medium risk for the company. According to BRK's risk profile, the maximum exposure to this risk may amount to up to 15% of the company's total own funds.

Exposure to foreign exchange risk consists of the following elements:

- derivative financial instruments (CFDs, futures, options, warrants);
- cash in the accounts opened with external brokers (Interactive Brokers, IG);
- bank deposits in foreign currency;
- lease contracts;
- guarantees at market institutions (Athex)

Methods used to determine exposure and capital requirement:

CURRENCY	INSTRUMENTS	GROSS POSITION		NET POSITION	
		SHORT	LONG	SHORT	LONG
EUR	CFD	34,517.17	34,427.30	89.87	0.00
	FUTURES	4565.7	22,828.50	4,565.70	18,262.80
	CASH IN BROKER'S ACCOUNT		788,355.85	0.00	788,355.85
	DEPOSITS		7,230.00	0.00	7,230.00
	WARRANTS		43,140.45	0.00	43,140.45
	LEASE	0.00	0.00	0.00	0.00
	ATHEX GUARANTEES		136,233.00	0.00	136,233.00
<b>Total EUR</b>		39,082.87	1,032,215.10		993,132.23
USD	CFD	28,504.11	112,239.40	0.00	83,735.29
	OPTIONS		15,018.56	0.00	15,018.56
	CASH IN BROKER'S ACCOUNT		1,768,909.00	0.00	1,768,909.00
	DEPOSITS		26,121.46	0.00	26,121.46
	FUTURES	0.00	0.00	0.00	0.00
<b>Total USD</b>		28,504.11	1,922,288.42		1,893,784.31

	OPTIONS + CFD		0.00	0.00	0.00
	WARRANTS		0.00	0.00	0.00
<b>CHF</b>	DEPOSITS		28,332.16	0.00	28,332.16
<b>Total CHF</b>			28,332.16		28,332.16
	CFD		23,515.00	0.00	23,515.00
<b>GBP</b>	DEPOSITS		185.31	0.00	185.31
<b>Total GBP</b>			23,700.31		23,700.31
<b>NOK</b>	CFD		0.00	0.00	0.00
<b>CAD</b>	DEPOSITS		13,126.20	0.00	13,126.20
<b>CZK</b>	DEPOSITS		1,765.43	0.00	1,765.43
<b>SEK</b>	CFD		0.00		0.00
<b>TOTAL</b>		<b>67,586.98</b>	<b>3,021,427.62</b>	<b>0.00</b>	<b>2,953,840.64</b>

## 5. Capital management

The policy of SSIF BRK FINANCIAL GROUP SA's Board of Directors is to maintain a strong capital base necessary to maintain the confidence of investors, creditors and the market, and to support the future development of the entity. The Board of Directors monitors the profitability of all agencies which carry out trading activity on a monthly basis, and the results of the analysis are discussed in the monthly meetings of the Board of Directors. After analysing the profitability of agencies in the past, some of the agencies that did not have the expected results were closed.

The report on investment activity drawn up by the Analysis Department is also discussed in the monthly meetings of the Board of Directors. The overall results are thus monitored in order to maintain as high a return of capital.

SSIF BRK FINANCIAL GROUP SA is subject to prudential regulations regarding minimum capital requirements. The company's own funds are required to be at certain minimum levels to cover the risks:

- to cover the credit risk and the risk of decrease in accounts receivable, account is taken of the risk weighted exposures depending on their exposure class;
- to cover the position risk and the settlement/delivery risk, the required capital must be 16% of the exposure;
- to cover the operational risk, the required capital must be 15% of the last three years' average of the operating result.

	<b>Reported on 31 December 2016</b>	<b>Reported on 31 December 2015</b>
Total own funds	57,463,227	29,872,362
Total required capital	3,262,499	8,108,555
Exposure to risk	<u>98,360,198</u>	<u>101,356,935</u>

It should be noted that the capital adequacy requirements do not require own funds for liquidity risk; in the capital adequacy calculation form, line 1.6.4 which refers to illiquid assets (e.g. tangible assets) states: 'National option not exercised'. Any change in the calculation would lower the calculated level of indicators.

The company also reports to the Financial Supervisory Authority (FSA) large exposures which are defined as gross exposures that exceed 10% of own funds. In the case of institutions, large exposures may be up to 25% of own funds.

Qualified holdings, which stand for investments in companies for a percentage higher than 15% of the issued shares, are monitored. Such holdings may not exceed 60% of own funds.

## 6. Operating segments

The entity has two main segments which have different characteristics, so they require separate presentation: the brokerage segment and the trading segment. Strategic business units offer different products and services, are managed separately because they require different know-how and marketing strategies. The Executive Director of the entity reviews the activities related to the main segments at least on a monthly basis. The two segments also have common costs that cannot be delimited without a high degree of subjectivity.

a) The brokerage activity includes brokerage transactions for customers on the spot market.

The significant positions in the financial statements which are influenced by these operations are:

- Income from commissions collected from customers, expenses related to commissions paid to market institutions;

- Net receivables consisting of amounts receivable from the stock exchange for customers following transactions conducted by customers.

- Amounts owed to customers representing customers' funds deposited for trading purposes.

b) The trading activity includes buying and selling operations with investment securities and derivatives. The significant positions in the financial statements which are influenced by these operations are:

- investments made, which may include securities available for sale, financial instruments at fair value through profit or loss, the market value of derivatives;

- costs of and income from trading;

- adjustment of investments' value recognised either in the profit or loss account, in the case of financial instruments at fair value through profit or loss and derivative products, or in comprehensive income, in the case of securities available for sale;

Information regarding reportable segments:

## Information on reportable segments

<i>In Ron</i>	2016				2015				2016	2015
	Total, of which:	Brokerage	Trading	Un- allocated	Total, of which:	Brokerage	Trading	Un- allocated	Total reportable segments	
Income from commissions and related activities	2,501,078	2,501,078	0	0	4,096,670	4,096,670	0	0	<b>2,501,078</b>	<b>4,096,670</b>
Rental income	32,576	unallocated	unallocated	32,576	49,833	unallocated	unallocated	49,833	<b>32,576</b>	<b>49,833</b>
Financial income other than dividends	7,343,338	0	7,343,338	0	9,649,609	0	9,649,609	0	<b>7,343,338</b>	<b>9,649,609</b>
Financial income from dividends	145,203	0	145,203	0	307,943	0	307,943	0	<b>145,203</b>	<b>307,943</b>
Income from insurance brokerage	26,407	26,407	0	0					<b>26,407</b>	<b>0</b>
Income from distribution of FU	942	942		0					<b>942</b>	<b>0</b>
Other income	257,921	unallocated	unallocated	257,921	2,668,891	unallocated	unallocated	2,668,891	<b>257,921</b>	<b>2,668,891</b>
Financial expenses	-486,923	0	-486,923	0	-7,332,100	0	-7,332,100	0	<b>-486,923</b>	<b>-7,332,100</b>
Personnel-related expenses	-4,220,019	-1,094,626	-599,362	-1,778,300	-4,971,683	-3,133,790	-289,960	-1,547,933	<b>-4,220,019</b>	<b>-4,971,683</b>
Value adjustments of intangible and tangible assets, exclusive of goodwill	-946,524	unallocated	unallocated	-946,524	-998,449	-82,280	-84,784	-831,385	<b>-946,524</b>	<b>-998,449</b>
Expenses related to provisions for risks and charges	-265,925	unallocated	unallocated	-265,925	-35,008	unallocated	unallocated	-35,008	<b>-265,925</b>	<b>-35,008</b>
Expenses related to external services, taxes and fees, material expenses and utilities	-3,459,604	-1,383,842	-622,729	-1,453,034	-4,762,985	-2,554,010	-1,410,090	-798,885	<b>-3,459,604</b>	<b>-4,762,985</b>
Other expenses	-142,940	unallocated	unallocated	-142,940	-1,410,885	unallocated	unallocated	-1,410,885	<b>-142,940</b>	<b>-1,410,885</b>
<b>Total explained:</b>	<b>785,531</b>	<b>49,018</b>	<b>5,779,528</b>	<b>-4,296,225</b>	<b>-2,738,164</b>	<b>-1,673,410</b>	<b>840,618</b>	<b>-1,905,372</b>	<b>785,531</b>	<b>-2,738,164</b>
<b>Profit of reportable segment before tax</b>	<b>785,531</b>				<b>-2,738,164</b>					
Assets of reportable segment, of which:	<b>91,521,094</b>				<b>82,913,912</b>				<b>91,521,094</b>	<b>82,913,912</b>
- Tangible assets	4,343,040	unallocated	unallocated	unallocated	4,584,491	unallocated	unallocated	unallocated	<b>4,343,040</b>	<b>4,584,491</b>
- Financial instruments	45,758,668	0	45,758,668	0	78,329,421	28,738,204	49,591,217	0	<b>45,758,668</b>	<b>78,329,421</b>
Liabilities of reportable segment, of which:	41,419,386	16,567,754	11,597,428	13,254,204	25,057,806	18,558,668	4,361,875	2,137,263	<b>41,419,386</b>	<b>25,057,806</b>
- Customers' amounts	32,573,663	32,573,663	0	0	18,558,668	18,558,668	0	0	<b>32,573,663</b>	<b>18,558,668</b>

## 7. Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

### Reconciliation

<i>In Ron</i>	2016	2015
<b>Revenues</b>		
Total revenue for reportable segments	10,016,968	4,096,670
Revenue not allocated to segments	290,497	2,718,724
Elimination of discontinued operations	0	0
Consolidated revenue	<u>10,307,465</u>	<u>6,815,394</u>
<b>Profit or loss</b>		
Total profit or loss for reportable segments	785,531	-2,738,164
Elimination of discontinued operations	0	0
Consolidated profit before tax	<u>785,531</u>	<u>-2,738,164</u>
<b>Assets</b>		
Total assets for reportable segments	91,521,094	82,913,912
Assets for non-reportable segments	11,220,089	2,889,347
Total consolidated assets	<u>102,741,183</u>	<u>85,803,259</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	41,419,386	22,920,543
Provisions for risks and charges	391,480	481,890
Liabilities for non-reportable segments	0	2,137,263
Total consolidated liabilities	<u>41,810,866</u>	<u>25,539,696</u>

The brokerage segment has income from commissions for the following products:

	2016	2015
Income from commissions on the spot market	1,521,103	2,258,590
Income from commissions on the foreign market	769,151	1,233,456
Income from commissions on derivatives	-	28
Income from related activities	210,824	604,596
<b>Income from commissions and related activities</b>	<u>2,501,078</u>	<u>4,096,670</u>
Income from insurance brokerage	26,407	-
Income from distribution of FU	942	-
<b>Total income</b>	<u>2,528,427</u>	<u>4,096,670</u>

Transactions with customers are carried out both by brokers and online.

**Detailed positions in the financial statements****1. Intangible assets**

<i>In Ron</i>	<b>Licences and software</b>	<b>Advance payments</b>	<b>Total</b>
<b>Cost</b>			
Balance as at 1 January 2015	1,362,193	1,916,065	3,278,257
Acquisitions	1,993,550	443,964	2,437,514
Disposal	(4,504)	(1,930,698)	(1,935,202)
Balance as at 31 December 2015	3,351,239	429,331	3,780,569
Balance as at 1 January 2016	3,351,239	429,331	3,780,569
Acquisitions	1,034,576	250,065	1,284,641
Disposal	(25,827)		(25,827)
Reclassification to intangible assets		(395,873)	(395,873)
<b>Balance as at 31 December 2016</b>	<b>4,359,987</b>	<b>283,523</b>	<b>4,643,510</b>
<b>Amortisation and impairment losses</b>	<b>Licences and software</b>	<b>Advance payments</b>	<b>Total</b>
Balance as at 1 January 2015	556,003	-	556,003
Amortisation for the year	503,830	-	503,830
Impairment losses recognised in expenses	-	-	-
Disposal amortisation	(4,505)	-	(4,505)
Balance as at 31 December 2015	1,055,328	-	1,055,328
Balance as at 1 January 2016	1,055,328	-	1,055,328
Amortisation for the year	666,165	-	666,165
Impairment losses recognised in expenses	-	-	-
Disposal amortisation	(25,827)	-	(25,827)
<b>Balance as at 31 December 2016</b>	<b>1,695,666</b>	<b>-</b>	<b>1,695,666</b>
<b>Carrying amounts</b>	<b>Licences</b>	<b>Advance payments</b>	<b>Total</b>
Balance as at 1 January 2015	806,190	1,916,065	2,722,255
Balance as at 31 December 2015	2,295,911	429,331	2,725,242



Balance as at 1 January 2016	2,295,911	429,331	2,725,242
Balance as at 31 December 2016	2,664,322	283,523	2,947,844

The composition of the intangible assets balance consists of software and software licences. Advance payments and intangible assets in progress are advances paid to purchase software for trading and back-office. With the new Tradis trading platform, SSIF BRK FINANCIAL GROUP SA's customers will have access to over 100 foreign markets and will be able to trade multiple types of financial instruments (shares, CFDs, futures, commodities, metals).

On 04 May 2011, the Company entered into a contract with an IT service provider to purchase the Tradis trading platform. The purpose of the contract was the supply by the provider of the platform for trading on the local market and the platform for trading on foreign markets, this platform being of Multi-Market and Multi-Asset type. The platform was finalised in 2015 and has been the only platform used by the Company's customers and by the Company since 01 March 2015.

The useful lives used for the calculation of intangible assets are on average of 3 years, the amortisation method used is the straight line method.

Expenditure on amortisation of intangible assets for the year is included in the statement of comprehensive income under *Value adjustments of tangible and intangible assets*.

## 2. Property, plant and equipment

*In Ron*

	Land and buildings	Plant, equipment and means of transp.	Fixtures, fittings and other	Construction in progress	Total
<b>Balance as at 01.01.2015</b>	<b>3,900,966</b>	<b>1,379,007</b>	<b>236,282</b>	-	<b>5,516,255</b>
Acquisitions and modernisations	-	255,014	39,730	-	294,744
Reclassification to/from under construction	-	-	-	-	-
Inflow following enforcement of received guarantees	-	-	-	-	-
Revaluation of assets:	-	-	-	-	-
offset of accumulated depreciation on assets	-	-	-	-	-
increase in value	263,836	-	-	-	263,836
Reclassification to assets held for sale	-	-	-	-	-
Reclassification to investment property	-	-	-	-	-
Outflow:	-	-	-	-	-
- through sale	-	(5,999)	(2,109)	-	(8,108)
- disposal	-	-	-	-	-
<b>Balance as at 31.12.2015</b>	<b>4,164,802</b>	<b>1,628,022</b>	<b>273,903</b>	-	<b>6,066,727</b>
<b>Balance as at 01.01.2016</b>	<b>4,164,802</b>	<b>1,628,022</b>	<b>273,903</b>	-	<b>6,066,727</b>
Acquisitions and modernisations	3,600	-	37,582	-	41,182
Payments made in advance for tangible assets	-	-	-	-	-
Reclassification to/from under construction	-	-	-	-	-
Inflow following enforcement of received guarantees	-	-	-	-	-
Revaluation of assets:	-	-	-	-	-
offset of accumulated depreciation on assets	-	-	-	-	-
increase in value	-	-	-	-	-
Reclassification to assets held for sale	-	-	-	-	-

Reclassification to investment property					-
Outflow:					
- through sale					-
- disposal	-	(172,609)	(10,465)	-	(183,073)
<b>Balance as at 31.12.2016</b>	<b>4,168,402</b>	<b>1,455,413</b>	<b>301,021</b>	<b>-</b>	<b>5,924,836</b>

<i>In Ron</i>	<b>Land and buildings</b>	<b>Plant, equipment and means of transp.</b>	<b>Fixtures, fittings and other</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Depreciation and impairment losses</b>					
<b>Balance as at 01.01.2015</b>	<b>208,781</b>	<b>1,133,159</b>	<b>205,863</b>	<b>-</b>	<b>1,547,803</b>
Depreciation for the year	-	131,906	19,415	-	151,321
Impairment losses, of which:	-	-	-	-	-
- recognised in expenses	-	-	-	-	-
- deducted from other comprehensive income	-	-	-	-	-
Depreciation due to sale of fixed assets	-	(5,998)	(2,109)	-	(8,107)
Depreciation due to disposal of fixed assets	-	-	-	-	-
Offset of accumulated depreciation on assets due to revaluation	(208,781)	-	-	-	(208,781)
<b>Balance as at 31.12.2015</b>	<b>-</b>	<b>1,259,067</b>	<b>223,169</b>	<b>-</b>	<b>1,482,236</b>
<b>Balance as at 01.01.2016</b>	<b>-</b>	<b>1,259,067</b>	<b>223,169</b>	<b>-</b>	<b>1,482,236</b>
Depreciation for the year	134,574	129,029	16,756		280,358
Impairment losses, of which:					
- recognised in expenses					
- deducted from other comprehensive income					
Depreciation due to sale of fixed assets					
Depreciation due to disposal of fixed assets		(170,334)	(10,465)		(180,798)
Offset of accumulated depreciation on assets due to revaluation					
<b>Balance as at 31.12.2016</b>	<b>134,574</b>	<b>1,217,762</b>	<b>229,460</b>	<b>-</b>	<b>1,581,796</b>

<i>In Ron</i>	<b>Land and buildings</b>	<b>Plant, equipment and means of transp.</b>	<b>Fixtures, fittings and other</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Carrying amounts :</b>					
Balance as at 1 January 2015	3,692,185	245,848	30,419	-	3,968,452
Balance as at 31 December 2015	4,164,802	368,955	50,734	-	4,584,491
Balance as at 1 January 2016	4,164,802	368,955	50,734	-	4,584,491
Balance as at 31 December 2016	4,033,828	237,651	71,561	-	4,343,040

The buildings include the entity's registered office and offices of different branches opened for the brokerage activity.

In 2014, the building of the Botosani agency was reclassified to assets held for sale and, following the resolution of the Board of Directors, the agency was closed in 2015.

As at 31.12.2015, the Company owns the registered office in Cluj Napoca, 119 Motilor Street, where it carries out its activity, and apartments in Suceava and Iasi, where the agencies opened for the brokerage activity operate. As at 31.12.2015, the Company does not own land for its activity, and the land pertaining to the buildings used in its activity are included in the value of the buildings.

Depreciation expenses for the year are included in the comprehensive income account, under *Value adjustments of tangible and intangible assets*.

### **Pledged or mortgaged tangible assets**

In 2016, the distraint upon property placed by the National Anticorruption Directorate for the lawsuit in connection with acts of fraud committed in previous years at the Deva subsidiary was removed. The removal of the distraint was the result of payment of damages to the injured parties amounting to 4,976 thousand Ron in 2014. The pieces of property which were under distraint and are now free of encumbrances as of 31.12.2016:

- apartment in Deva, having a carrying amount of 257,897 Ron
- the company's registered office in Cluj Napoca, 119 Motilor street, having a carrying amount of 3,708,402 Ron
- land and building in Cluj Napoca, Einstein street, having a carrying amount of 312,192 Ron

### **Revaluation of fixed assets**

The fixed assets consisting of buildings were revalued on 31.12.2015. The valuation was conducted by an expert valuator, NEOCONSULT VALUATION, in accordance with the International Valuation Standards and the working methodology recommended by ANEVAR.

The amounts were estimated using the market comparison method. This approach uses sales prices or rents of property similar to those under valuation as a basis for estimating the fair value thereof.

The market approach is based on specific real estate market analysis and uses benchmarking processes; the value of the assets in question was estimated by comparing their attributes with those of similar property identified.

Revaluations revealed increases in the value of tangible assets for the company's activity, and these were reflected in reserves on 31.12.2015.

According to the same expert valuator, NEOCONSULT VALUATION, the evolution of fair values of fixed assets held for sale representing buildings and land was relatively constant, with no significant changes in the specific market. The valuator also specified that there were differences between the fair values estimated at 31.12.2016 and the carrying amounts, but their impact was minimal and did not justify a new evaluation report for that period.

### 3. Investment property

<i>In Ron</i>	2016	2015
Balance as at 1 January	1,148,773	534,864
Reclassification to tangible assets during the year	-	613,909
Inflow following enforcement of guarantees received	-	-
Acquisitions during the year (exchange of assets)	-	-
Ongoing investment in property	52,752	-
Advance payments (for investments)	234,000	-
Impairment losses (in expenses)	-	-
Disposal of investment property (exchange of assets)	-	-
Balance as at 31 December	<u>1,435,525</u>	<u>1,148,773</u>

Investment property includes the following categories of assets: a building in Cluj-Napoca (Einstein) and related land, a building in Deva, a building in Bucharest.

In 2015, the building in Arad was reclassified from investment property to assets available for sale and the building in Bucharest was reclassified from available-for-sale assets to investment property.

In 2016, there were no reclassifications to/from investment property. As of July 2016, significant repair works started on the building in Bucharest, which were still being carried out on 31.12.2016.

On 31 December 2016, the building of Cluj Napoca was leased.

Investment property consisting of buildings and land were revalued on 31 December 2015. The valuation was conducted by an expert valuator, NEOCONSULT VALUATION, in accordance with the International Valuation Standards and the working methodology recommended by ANEVAR.

The amounts were estimated using the market comparison method. This approach uses sales prices or rents of property similar to those under valuation as a basis for estimating the fair value thereof. The market approach is based on specific real estate market analysis and uses benchmarking

processes; the value of the assets in question was estimated by comparing their attributes with those of similar property identified.

According to the same expert valuator, NEOCONSULT VALUATION, the evolution of fair values of fixed assets held for sale representing buildings and land was relatively constant, with no significant changes in the specific market. The valuator also specified that there were differences between the fair values estimated at 31.12.2016 and the carrying amounts, but their impact was minimal and did not justify a new evaluation report for that period.

Rental income and maintenance costs of investment property:

	2016	2015
<b>Rental income</b>	32,576	49,833
<b>Related costs</b>	6,520	8,494

In 2016, a promise to sell was entered into for an apartment in the building on Einstein Street, Cluj Napoca, worth 68,367 EUR, of which an advance of 28,367 EUR was paid. The transaction is expected to be completed by 30 June 2017.

#### 4. Financial investments

<i>In Ron</i>		2016	2015
<b>Long-term investments</b>			
Financial assets available for sale - at cost	unlisted	<b>703,969</b>	<b>601,608</b>
Financial assets available for sale - at fair value, of which:			
		<b><u>7,996,070</u></b>	<b><u>17,375,501</u></b>
	listed	2,312,724	4,441,016
	unlisted	5,683,346	12,934,485
Available-for-sale financial assets in affiliated entities - at fair value, of which:			
		<b><u>20,375,166</u></b>	<b><u>21,198,186</u></b>
	listed	5,824,486	8,237,106
	unlisted	14,550,680	12,961,080
Total long-term investments:		<b><u>29,075,205</u></b>	<b><u>39,175,295</u></b>
<i>In Ron</i>			
<b>Short-term investments</b>		<b>2016</b>	<b>2015</b>
Financial assets designated at fair value through profit or loss – held for trading (all listed)	listed	9,601,352	2,917,993
Other financial instruments		591,899	1,433,371
		<b><u>10,193,251</u></b>	<b><u>4,351,364</u></b>
<b>Total investments</b>		<b><u>39,268,456</u></b>	<b><u>43,526,659</u></b>

Unlisted shares classified as available for sale are recorded at cost when it is not possible to apply valuation methods. This category includes shares held by the company in capital market institutions (Sibex Depository, Investor Compensation Fund, Romanian Clearing House, Bucharest Clearing House, Romanian Commodities Exchange of Bucharest) totalling 703.969 Ron (2015: 601.608 Ron).

As at 31 December 2016, there were open positions in the House account in international markets for hedging operations. The financial instruments traded in international markets are futures contracts, options contracts and contracts for difference (CFDs) and are used for speculative purposes and hedging for market maker operations.

### Impairment losses

#### Financial assets available for sale and recorded at cost

Available-for-sale financial assets recorded at cost are unlisted.

Both on 31.12.2015 and on 31.12.2016, the significant investments of this category consist mostly of securities held in several companies that have a good financial standing.

The fair value of available-for-sale financial assets recorded at cost could not be determined because these securities do not have an active market and no other relevant valuation methods can be applied since there is no flow of transactions for the shares in this category.

## 5. Other investments

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
<b>Other long-term investments</b>		
Guarantees	335,679	335,105
Other loans granted	15,000	1,299,649
Interest on loans granted	131,789	127,899
<b>Total long-term investments</b>	<b>482,468</b>	<b>1,762,653</b>
<b>Other short-term investments</b>		
Margin loans to customers	7,925,611	8,846,512
Interest on margin loans	0	0
<b>Total short-term investments</b>	<b>7,925,611</b>	<b>8,846,512</b>
<b>Total other investments</b>	<b>8,408,079</b>	<b>10,609,165</b>
Investments - hedging instruments		
<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Fair value	1,295,262	1,670,133

Net profit/loss from transactions with hedging instruments	(3,042,646)	1,053,519
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## 6. Investment in associates

SSIF BRK FINANCIAL GROUP SA holds non-controlling interests in several companies, interests determined either by the percentage of shares owned, or by the number of directors who carry out their activity in those companies, without however having control. IAS 39 was applied to these entities.

The associated companies (where the entity has a significant influence) are mentioned below. In those where the stake is less than 20%, the significant influence is due to the presence in the Board of Directors of that company.

Percentage and value in Ron of the shares held in associates:

Symbol	Company	Percentage held in 2016	Value of shares in 2016	Percentage held in 2015	Value of shares in 2015
-	Facos SA	89,69 %	9,236,304.60	89,69 %	9,236,304.60
-	SAI Broker SA	99,98 %	830,762.89	99,98 %	830,762.89
-	Confident SA	98,00 %	138,201.74	98,00 %	13,201.32
ANTE	Anteco Sa Ploiesti	19,93 %	99,522.62	19,93 %	461,719.71
NACH	Napochim SA Cluj	-	-	18,46 %	521,380.25
NCHI	Napochim Imobiliare	-	-	18,46%	1,564,140.75
CEON	Cemacon SA Zalau	14,61 %	4,747,316.82	14,61 %	5,663,465.68
PETY	Petal SA Husi	15,04%	259,225.20	15,04%	259,225.20
-	Minesa SA Cluj	38,10 %	3,396,763.30	38,10 %	4,431,821.63

SSIF BRK FINANCIAL GROUP SA has control over Facos (89.69%), SAI Broker SA (99.98%), Minesa SA (38.10%), Confident (98%).

In 2015 and 2016, there were no dividends receivable from associates.

In 2016, the transactions with affiliates were:

Nature of association		Activity	Volume and percentage of activity
			- net repurchase of fund units in FDI Fix Invest managed by SAI Broker, worth 2482 thousand Ron
			- net repurchase of fund units in FDI Transilvania (GlobInvest) managed by SAI Broker, worth 300 thousand Ron
			- net purchases of fund units in FII Smart Money managed by SAI Broker, worth 370 thousand Ron
			- collection of rental income in the amount of 13 thousand
			- payment of 400 thousand Ron for capital increase
SAI Broker	Ownership 99.98%	Investment management	- approval of subordinated loan in the amount of 676 thousand Ron
Facos SA Suceava	Ownership 89.69%	Manufacture of meat products	No transactions were made in 2016
			- Collection of 584 thousand from granted loans
			- Interest in the amount of 6.7 thousand Ron collected for loans
Napochim SA	Ownership 18.46%	Processing of plastics	- Sale of 5,279,800 shares for 424 thousand Ron
Anteco SA	Ownership 19.93%	Manufacture of furniture	No transactions with ANTE shares were made in 2016
Cemacon SA	Ownership 14.61%	Construction	No transactions with CEON shares were made in 2016
Petal SA	Ownership 15.04%		No transactions with PETY shares were made in 2016
Minesa SA	Ownership 38.10%		No transactions with Minesa shares were made in 2016
Napochim Imobiliare	Ownership 18.46%		- Loans assigned to Ax Perpetuum, worth 700 thousand Ron
			- Interest in the amount of 4.4 thousand Ron collected for loans
			- Sale of 15,839,400 shares for 3,485 thousand Ron
Confident SA	Ownership 98%		- No transactions were made
Romlogic Technology SA		SSIF BRK FINANCIAL GROUP SA is the sole investor in FII Smart Money which holds 88% of the shares of Romlogic Technology S.A	- approval of loan in the amount of 450 thousand Ron.



The transactions with affiliates were made at market value.

On 31.12.2016 and 31.12.2015, the balances of affiliates were:

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
SAI Broker	400,000	-
Facos Suceava SA	125,945	125,945
Napochim SA	194	585,518
Napochim Imobiliare SA	-	701,040
Confident SRL	15,307	15,044

## 7. Assets held for sale

### *In Ron*

Balance as at 01.01.2015	749,615
Reclassified from tangible assets	51,775
Disposals	-
Impairment losses, of which:	-
- recognised as expenses	
- deducted from other elements of the comprehensive income	
Gain on revaluation	-
Sold la 31.12.2015	<b>801,390</b>
Balance as at 01.01.2016	801,390
Reclassified from tangible assets	-
Disposals	(244,323)
Impairment losses, of which:	-
- recognised as expenses	
- deducted from other elements of the comprehensive income	
Gain on revaluation	-
Balance as at 31.12.2016	<b>557,067</b>

At the end of 2010 and 2011, upon discontinuance of the brokerage activity in some of the less profitable or non-profitable branches, part of the tangible assets was reclassified as available for sale.

The assets held for sale, consisting of buildings and land, were revalued on 31.12.2015. The valuation was conducted by an expert valuator, NEOCONSULT VALUATION, in accordance with the International Valuation Standards and the working methodology recommended by ANEVAR.

The amounts were estimated using the market comparison method. This approach uses sales prices or rents of property similar to those under valuation as a basis for estimating the fair value thereof. The market approach is based on specific real estate market analysis and uses benchmarking processes; the value of the assets in question was estimated by comparing their attributes with those of similar property identified.

According to the same expert valuator, NEOCONSULT VALUATION, the evolution of fair values of fixed assets held for sale representing buildings and land was relatively constant, with no significant changes in the specific market. The valuator also specified that there were differences between the fair values estimated at 31.12.2016 and the carrying amounts, but their impact was minimal and did not justify a new evaluation report for that period.

In 2014, the property in Botosani was classified as asset available for sale and it will be sold as a result of the Board of Directors' resolution to close down the Botosani agency. In 2015, the property in Arad and the land in Cluj-Napoca were transferred to available-for-sale assets.

In 2016, the property from Arad was sold and the profit resulting from that transaction was 3,177 Ron.

No other property of the Company was reclassified to assets available for sale.

There are 2 pieces of property still classified as available for sale - one in Alba Iulia and one in Botosani, plus the land in Cluj-Napoca, which meet the classification requirements set out by IFRS 5. The Company management estimates that they will be sold in the coming 12 months.

## 8. Trade and other receivables

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Trade receivables	413,197	643,858
Receivables from the State	-	6,736
Net receivables from debtors	-	11,540
Employees with payment commitments	-	-
Former employees and third party debtors	-	11,540
Other debtors	107,483	128,458
Debtors from the trading of the Company's financial instruments (Available funds in non-bank financial institutions)	2,801,618	2,417,514
Debtors from financial instruments traded by customers (Available funds in non-bank financial institutions)	12,242,929	4,896,275
<b>Total trade and other receivables</b>	<b>15,565,227</b>	<b>8,104,381</b>

The entity's exposure to credit and foreign currency risk, and the impairment losses on trade receivables are presented in the note on *Financial Instruments*.

## Margin loans

The company relaunched this product in 2012 (after the loans granted previously, in the first release of the product, were closed in 2011). The loans granted in 2013 were collected in 2014. The balance of the loan granted in 2014 was due in July 2015. Moreover, as of 2015 the Company focused even more on promoting this product.

New loans totalling 200,000 Ron were granted in 2016, and most of the customers extended their loans for another year.

Gross balances and depreciation of loans:

<i>In Ron</i>	2016		2015	
	Gross value	Depreciation	Gross value	Depreciation
Margin loans	7,925,611	-	8,846,512	-
	<b>7,925,611</b>	<b>-</b>	<b>8,846,512</b>	<b>-</b>

Gross balances and depreciation of debtors:

<i>Debtors</i> <i>In Ron</i>	2016		2015	
	Gross value	Depreciation	Gross value	Depreciation
Former employees and third party debtors	1,866,260	(1,866,260)	2,945,153	(2,933,613)
Net balance	<b>(0)</b>		<b>11,540</b>	

Value adjustments for depreciation of receivables from debtors (former employee and third party debtors) during the year:

<i>In Ron</i>	2016	2015
Balance as at 1 January	2,933,613	2,946,507
Additional provisions	-	12,073
Reversal of provisions	(1,067,353)	(24,967)
Balance as at 31 December	<b>1,866,260</b>	<b>2,933,613</b>

In 2015, value adjustments in the amount of 24,967 Ron related to the reclassification of debtor losses of 8,422 Ron to expenses, and debt recovery amounting to 16,545 Ron were reclassified to income.

In 2016, the amount of 1,067,353 Ron was reclassified to income following the removal from the company's records of debtors (former employees) in relation to whom the lawsuits ended and the debts cannot be recovered. Consequently, the related value adjustments were also cancelled. The value losses on receivables (debtors – former employees) amounted to 1,067,353 Ron in 2016.

## 9. Deferred tax assets and liabilities

### Unrecognised deferred tax assets

Deferred tax assets were not recognised for the following items:

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Current and previous tax losses	(42,826,359)	(45,161,955)
Temporary deductible differences for financial assets available for sale	0	0
Total	<b>(42,826,359)</b>	<b>(45,161,955)</b>
Tax rate	16%	16%
Unrecognised deferred tax assets	<b>(6,852,217)</b>	<b>(7,225,913)</b>

There are still unrecognised deferred tax assets on financial instruments for which value impairment was not deductible in 2010.

### Unrecognised deferred tax liabilities

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Revaluation differences	2,370,919	2,370,919
	<b>2,370,919</b>	<b>2,370,919</b>
Tax rate	16%	16%
Unrecognised deferred tax liabilities	<b>379,347</b>	<b>379,347</b>

Tax losses are recoverable within 7 years as of 2010. The deductible differences cannot be expected to cover the tax loss for now. Consequently, no deferred tax asset was recognised for tax loss.

### Recognised deferred tax assets and liabilities

No deferred tax assets and liabilities were recorded for the reasons mentioned above.

## 10. Cash and cash equivalents

<i>In Ron</i>	2016	2015
Customer cash account	27,096,728	13,769,608
Cash and cash equivalents	5,037,084	1,205,149
<b>Total cash in bank accounts</b>	<b>32,133,812</b>	<b>14,974,757</b>

The 'Cash and cash equivalents' item also includes short-term deposits.

The customers' balances in bank accounts are managed separately and may be used only based on the trading orders given by the customers.

The entity's exposure to interest rate risk and a sensitivity analysis on financial assets and liabilities are presented in the note on *Financial instruments*.

## 11. Capital and reserves

Share capital and number of issued ordinary shares:

<i>In Ron</i>	Share capital	No. of ordinary shares	Par value per share
As at 1 January 2015	84,670,467	338,681,867	0.25
<b>As at 31 December 2015</b>	<b>54,039,987</b>	<b>337,749,919</b>	<b>0.16</b>
As at 1 January 2016	54,039,987	337,749,919	0.16
<b>As at 31 December 2016</b>	<b>54,039,987</b>	<b>337,749,919</b>	<b>0.16</b>

The Extraordinary General Meeting of Shareholders of 29 April 2015 resolved to decrease the company's share capital in accordance with Articles 207 and 208 of Law 31/1990, updated, from 84,670,466.75 Ron to 54,039,987.04 Ron, in two stages:

1.1. Decrease the share capital by 232,987 Ron from 84,670,466.75 Ron to 84,437,479.75 Ron, by cancelling 931,948 shares available to the company, having a par value of 0.25 Ron.

1.2. Decrease the share capital by 30,397,492.71 Ron from 84,437,479.75 Ron to 54,039,987.04 Ron, by reducing the par value of shares from 0.25 Ron/share to 0.16 Ron/share, in order to: 1.2.1. cover the company's losses carried forward as at 31.12.2013 amounting to 28,098,915 Ron; 1.2.2. cover the amount of 2,298,577.71 Ron representing part of the loss for the 2014 financial year.

<i>In Ron</i>	2016	2015
Share capital:	54,039,987	54,039,987
Share capital adjustment	4,071,591	4,071,591
Own shares	-24,047	0
Premiums:	5,355	5,355

Number of own shares held by the company as at 31 December 2016: 319,967 actiuni.

There were no operations to change the share capital during the 2016 financial year.

## 12. Reserves and revaluation differences

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Tangible asset revaluation differences	2,370,919	2,370,919
Legal and statutory reserves	4,587,875	4,587,875
Reserves from bonus shares on available-for-sale securities at cost	234,902	234,902
Fair value reserves	693,733	750,847
Other reserves	3,186,601	3,186,601
- of which application of IAS 29 (adjustment to inflation)	2,748,760	2,748,760
Reserves for own shares	0	0
<b>Total reserves and revaluation differences</b>	<b>11,074,030</b>	<b>11,131,144</b>

## 13. Profit/loss carried forward

<i>In Ron</i>	<b>2016</b>	<b>2015</b>
Profit/loss carried forward after transition to IFRS	2,713,367	2,713,367
Profit/loss carried forward as per IAS 29	-6,880,234	-6,880,234
Profit/loss carried forward	-2,173,473	-3,223,472
<b>Total profit/loss carried forward</b>	<b>-6,340,339</b>	<b>-7,390,339</b>

### Revaluation differences

Revaluation differences increased in 2015 following the revaluation of fixed assets.

### Bonus share reserves

These reserves refer to bonus shares on securities at cost, unlisted.

### Legal reserves

Legal reserves are amounts deducted annually from the gross profit in proportion of 5% until they reach 20% of the share capital, recognised as deduction when calculating the income tax. This is a tax facility. The company reached the 20% required by law.

### Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale financial assets until investments are derecognised or impaired.

### Other reserves

'Other reserves' include adjustments to the historical cost of the share capital in accordance with IAS 29 'Financial reporting in hyperinflationary economies'.

### Dividends and other distributions to shareholders

No dividend was distributed to shareholders in 2016.

**Profit or loss carried forward on transition to IFRS**

Profit or loss carried forward on transition to IFRS originates in 2008.

**Profit or loss carried forward under IAS 29**

The financial statements and the figures for previous periods have been restated to reflect the changes in the general purchasing power of the functional currency and, consequently, are expressed in relation to the measuring unit current at the end of the reporting period. This capital item includes the influence of share capital restatement according to inflation for the 1994-2002 period.

Inflation index applied in the updated period:

Year	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Capital update index	1.00	1.15	1.41	1.90	2.77	4.04	6.42	16.36	22.71	30.04

The following values resulted from the application of these updates:

Account	Debit	Credit
Adjustments to share capital		4,071,591
Revaluation differences*		59,884
Other reserves**		2,748,760
Profit or loss carried forward after initial transition to IAS 29	6,880,234	
<b>Total</b>	<b>6,880,234</b>	<b>6,880,234</b>

\* Incorporation of revaluation reserves in 2011.

\*\* Incorporation of reserves in 2007 when SC Investco was absorbed.

**Profit or loss carried forward**

Profit or loss carried forward includes amounts reclassified from the profit and loss account under RAS, as affected by restatement under IFRS, explained in the chapter on *Reconciliation of IFRS restated accounts*.

**14. Trade and other payables**

Trade and other payables

<i>In Ron</i>	2016	2015
Trade payables	276,806	341,838
Personnel-related payables	218,373	199,580
Tax and social security	112,520	225,372
Payables in respect of equity contributions	-	-
Sundry creditors	8,190,991	5,636,432
Other debts	-	-
<b>Total trade and other payables</b>	<b>8,798,690</b>	<b>6,403,222</b>
Short term	8,798,690	6,403,222
Long term		-

The entity's exposure to foreign currency risk and liquidity risks associated with trade and other payables is presented in the note on *Financial Instruments*.

Sundry creditors are settlements with the Bucharest Stock Exchange in progress, within the time period after completion of transactions on behalf of the entity and/or customers. Sundry creditors also include various creditors from trading and refer to the amount payable for capital-protected products and Turbo certificates issued by the Company and listed on the Bucharest Stock Exchange.

As of 2016, for customers who have opened accounts with Interactive Brokers, only their funds held at the aforementioned broker are reflected in the company's accounts. The types of the accounts held by these customers are Margin, and RegTMargin, i.e. they can buy on margin so the cash value is negative. Negative positions for these customers are recorded under sundry creditors.

## 15. Loans and borrowings

Borrowings contracted by the Company:

<i>In Ron</i>	2016	2015
<b>Long-term liabilities</b>		
Finance lease liabilities	23,601	48,424
	<b>23,601</b>	<b>48,424</b>
<b>Short-term liabilities</b>		
Current portion of finance lease liabilities	23,433	47,492
	<b>23,433</b>	<b>47,492</b>

For more information on the entity's exposure to interest rate risk, foreign currency risk and liquidity risk, see the note on financial instruments.

### Terms and debt repayment schedule

Terms and conditions of outstanding borrowings:

<i>In Ron</i>	Currency	Nominal interest rate	Maturity year	2016	2015
Finance lease liabilities	EUR	10%-13%	2017,2020	47,034	95,916
				<b>47,034</b>	<b>95,916</b>



## 16. Provisions

*In Ron*

Balance as at 1 January 2015	1,396,084
Cancelled during the year	1,075,302
Made during the year	35,008
Balance as at 31 December 2015	<u>355,790</u>
Balance as at 1 January 2016	355,790
Cancelled during the year	265,243
Made during the year	300,933
Balance as at 31 December 2016	<u>391,480</u>

The variations in provisions for risks and charges and value adjustments are reductions resulting from reclassification of provisions for risks and charges and value adjustments to income following the settlements with injured and civil parties in Case no. 6087/97/2009\* and the winning of lawsuits in which the Company was defendant.

In Case no. 6087/97/2009\*, legal proceedings were brought against the Director of the former Deva Branch, and SSIF BRK FINANCIAL GROUP SA was summoned as a civil liable party. The appeal filed by SSIF BRK FINANCIAL GROUP SA was dismissed and the judgment passed was final. The approximate value of the damage caused to the customers of the Deva Branch resulting from summing up the amounts with which they instituted civil action in the criminal trial was around 2.5 million euros. In 2014, the aforementioned lawsuit ended and the Company paid injured parties a total of 4.976 thousand Ron, which was provisioned.

A total of 949.20 thousand Ron was paid in 2015.

At the end of 2016, a case detached from Case no. 6087/97/2009\* was reactivated and, after examining the criminal complaint filed under no. 2262/P/2015, the damages that the Company may be compelled to pay amounted to 300,933 Ron, for which a provision was made on 31.12.2016. The balance as at 31 December 2015 shows amounts that the Company believes it will pay in the future for the lawsuits in which it is involved.

At the end of the financial year ended 31 December 2016, SSIF BRK FINANCIAL GROUP SA is defendant in the following lawsuits:

1) Case no. 7076/221/2014 - Deva Court  
 Plaintiff: Cotolan Petru and Cotolan Maria,  
 Defendant: SSIF BRK Financial Group SA  
 Subject matter: material claims amounting to 59,500 Ron  
 Outcome: The Court grants the petition filed by the plaintiffs to institute legal proceedings

2). Case no. 2/2015 – Cluj-Napoca Court of Arbitration  
 Plaintiff: Oprea Andreiu  
 Defendant: SSIF BRK Financial Group  
 Subject matter: material claims amounting to 322,369 Ron  
 Hearing: 10.03.2017

According to the lawyer Ciprian Paun, the petition will be cancelled on the grounds that the statute of limitations for the material right to legal action runs out. He is of the opinion that no payments will be made in this case and there is no need to set up a provision.

3). Case no. 1034/90/2014/a13 – Valcea Court

Plaintiff: AMT SERVICII DE INSOLVENTA

Defendant: SC HARINVEST SA and SSIF BRK Financial Group SA

Subject matter: Action for annulment

Outcome: the case is adjourned

Hearing: 10.05.2017

4) Case no. 258/300/2016 – District 2 Court, Bucharest

Plaintiff: Huzum Tudor Constantin and Huzum Rodica

Defendant: SSIF BRK Financial Group SA

Subject matter: Action for declaration of absolute nullity, claims

Outcome: the case is adjourned

Hearing: 15.05.2017

## **17. Contingent assets and liabilities**

The Note on Provisions describes the circumstances which led to the creation of provisions for litigations for events that occurred in previous years. There is pending litigation for which the probability to result in cash outflow is low or the amount of the debt cannot be estimated, and litigation for which no provisions have been made.

As at 31.12.2016, the company has an amount of 4,980,779.71 Ron blocked in the customer account opened with BRD. This amount represents the rollovers calculated for customers who traded through the company and are facing criminal proceedings; the amount is blocked following distraint placed by authorities. The checks carried out by the company's internal auditor revealed that the amount that could be subject to distraint was 4,980,779.71 Ron, which was already blocked by the company in a dedicated account opened with the settlement bank. The company is currently taking the necessary actions to clarify the amounts in the customer account affected by the distraint.

In parallel with the litigation mentioned in the Note on Provisions and in the previous paragraph, there are criminal proceedings brought by SSIF BRK FINANCIAL GROUP SA against certain former employees, and litigation in which SSIF BRK FINANCIAL GROUP SA has active legal capacity with respect to amounts claimed by SSIF BRK FINANCIAL GROUP SA. Claimed amounts cannot be determined with precision in all cases. There are lawsuits where SSIF Broker had active legal capacity and were won, but the actual recovery possibilities are low.

**18. Operating income**

	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Income from commissions on the spot market	1,521,103	2,258,590	-	-	1,521,103	2,258,590
Income from commissions on the foreign market	769,151	1,233,456	-	-	769,151	1,233,456
Income from commissions on derivatives	-	28	-	-	-	28
Income from related activities	210,824	604,596	-	-	210,824	604,596
<b>Subtotal - income from commissions and related activities</b>	<b>2,501,078</b>	<b>4,096,670</b>	<b>-</b>	<b>-</b>	<b>2,501,078</b>	<b>4,096,670</b>
Income from leased assets	32,576	49,833	-	-	32,576	49,833
Income from insurance brokerage	26,407	-	-	-	26,407	-
Income from distribution of FU	942	-	-	-	942	-
Other operating income	-	-	-	-	-	-
<b>Total income</b>	<b>2,561,003</b>	<b>4,146,503</b>			<b>2,561,003</b>	<b>4,146,503</b>

The Company's income recognition policy is to record this income at gross value. Gross income also includes market costs, commissions charged by the Stock Exchange and FSA.

In order to diversify commission income, the company has constantly aimed to expand its range of products and the markets in which it trades. The amount of commissions collected on operations performed by the Company also included commissions on operations in foreign markets, as shown above.

Customers are generally assigned to a broker, with the possibility to perform operations both traditionally and online.

Income from commissions also includes transactions carried out for other non-bank financial institutions, called contracts with custodians, for which SSIF FINANCIAL GROUP SA charges transaction commissions, but the funds related to sales and purchases do not pass through the company's accounts, instead they are settled through the custodians' accounts.

At the beginning of 2016, the Company signed a brokerage assistance contract with SC Confident SRL (where the Company has shares), under which the Company provides insurance brokerage services (offer insurance advice to potential customers, issue insurance policies). The level of income from these services is shown above.

**19. Other income**

<i>In Ron</i>	2016	2015
Income from disposal of assets held for sale	3,177	-
Other operating income (recovered amounts, etc.)	13,081	81,555
Income from reversal of undistributed amounts following share capital decrease	-	1,267,046
<b>Total other income</b>	<b>16,258</b>	<b>1,348,601</b>
Discontinued operations	-	-
<b>Total</b>	<b>16,258</b>	<b>1,348,601</b>

Other operating income includes different revenues with extremely low repetitive character, reversal of uncollected dividends, inventory pluses, recovery of amounts, etc.

In 2015, the amounts related to the expiration of the statute of limitations for the right to claim payment of the amounts resulting from the Company's share capital decrease resolved by the Ordinary General Meeting of Shareholders held on 26.03.2010 and unclaimed for more than three years after their due date were reversed to income (as per resolution of the Ordinary General Meeting of Shareholders held on 29.04.2015).

**20. Other expenses**

<i>In Ron</i>	2016	2015
Expenses with lawyers and other commissions	(215,701)	(154,599)
Expenses with litigation and other debtors	(131,197)	(877,338)
Penalties, fines and other amounts paid to the state budget	(6,742)	(342,725)
Net loss on disposal of tangible assets	-	-
Other expenses (donations, sponsorships)	(5,000)	(36,223)
<b>Total other expenses</b>	<b>(358,640)</b>	<b>(1,410,885)</b>

In 2016, the expenses with litigations and fines were lower than in 2015. The company signed contracts with lawyers for various specific legal opinions, in addition to the contracts for legal assistance in court; the expenses with their fees were higher than those in 2015.

**21. Personnel-related expenses**

<i>In Ron</i>	2016	2015
Expenses with personnel and collaborators	(3,261,200)	(3,741,343)
Compulsory social security contributions	(693,545)	(847,678)
Employee profit sharing		-
Expenses with Board Members' remunerations	(265,274)	(382,662)
Board Member profit sharing	-	-
<b>Total expenses with salaries in the comprehensive profit/loss</b>	<b>(4,220,019)</b>	<b>(4,971,683)</b>
Amounts related to discontinued operations		
- related to salaries	0	0
- related to contributions	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Total expenses related to salaries and assimilated expenses</b>	<b>(4,220,019)</b>	<b>(4,971,683)</b>

The CEO's remuneration is established by resolution of the Company's Board of Directors, and other benefits are granted in accordance with the collective employment agreement at the company level.

The meeting of the Board of Directors held on 17.12.2015 resolved to make the following changes in the company's management:

- Mr. Adrian Pop was appointed Chief Executive Officer;
- Mrs. Oana Tudor was appointed Deputy Chief Executive Officer - subject to the suspensive condition of her authorisation by the Financial Supervisory Authority.

In August 2016, SSIF BRK FINANCIAL GROUP SA's Board of Directors and Mrs. Oana Tudor agreed to terminate the agency contract and the employment relations by mutual agreement. Mrs. Monica Adriana Ivan was appointed Deputy Chief Executive Officer in December 2016 – pending authorisation.

In 2016, the executives' remunerations totalled 1,005 thousand Ron.

The Ordinary General Meeting of Shareholders held on 19.12.2016 resolved to elect a new Board of Directors and appointed Baranga Laurentiu Paul, Moldovan Darie Vasile, Mancas Catalin, Gherghelas Dan Nicolae, Madem Aurelian as company directors.

In 2016, the compensations paid to Board members totalled 317 thousand Ron.

## 22. Financial income and charges

A Recognised in profit or loss in Ron	2016	2015
Net gain on transactions with financial assets at fair value through profit or loss	1,123,228	737,350
Net gain on transactions with derivatives - Futures	-	5,873
Net gain on transactions with derivatives - foreign markets	4,149,134	2,069,250
Net gain on transactions with Turbo certificates	-	-
Income from transactions with financial assets available for sale	2,070,475	-
Income from dividends:		
related to financial assets available for sale	145,203	-
related to financial assets at fair value through profit or loss	5,080	252,570
Income from bonus shares related to financial assets at fair value through profit or loss	140,123	55,373
	9,248	-
<b>Total income from transactions</b>	<b>7,497,289</b>	<b>3,120,416</b>
Total net changes in the fair value of financial assets at fair value through profit or loss, of which:	<u>2,453,146</u>	-
Net changes in the fair value of financial assets at fair value through profit or loss	2,453,146	-
Income from interests related to deposits	95,108	181,914
Income from interest on margin contracts and loan agreements	615,332	381,476
Net gain on debtor adjustments	-	12,250
Income from interest on operating lease contracts	-	-
Net gain on currency exchange rate differences	24,379	625,221
Other net financial income	2,798	-
<b>Total financial income</b>	<b>10,688,052</b>	<b>4,321,277</b>
Net loss on transactions with financial assets at fair value through profit or loss	-	-
Loss on transactions with derivatives - Futures	-	(69,846)
Loss on transactions with derivatives - foreign markets	(3,355,552)	-
Loss on transactions with financial assets available for sale	-	-
Net loss on transactions with Turbo certificates	-	(1,052,176)
<b>Total trading costs</b>	<b>(3,355,552)</b>	<b>(1,122,022)</b>
Expenses related to final value losses on securities available for sale	(44,247)	(444,174)
Total net changes in the fair value of financial assets at fair value through profit or loss, of which:	-	<u>(647,684)</u>
Net changes in the fair value of financial assets at fair value through profit or loss	-	(647,684)
Expenses related to interest on financial debts measured at amortised cost	(5,825)	(58,965)
Net loss on currency exchange rate differences	-	-
<b>Total financial charges</b>	<b>(3,405,624)</b>	<b>(2,272,845)</b>

- x Reclassification of net losses recognised in the comprehensive profit or loss account to profit or loss, related to disposed financial assets available for sale

<b>Net financial result recognised in profit or loss</b>		<b>2016</b>	<b>2015</b>
		<b>7,282,428</b>	<b>2,048,432</b>
The financial income and charges presented above include the following interest income and expenses for the financial assets (liabilities) which are not at fair value through profit or loss:			
Total interest income on financial assets		-	563,390
Total interest expenses on financial liabilities		-	(58,965)
<b>B</b>	<b>Recognised in other comprehensive income</b>	<b>2016</b>	<b>2015</b>
	<i>In Ron</i>		
		<b>(57,114)</b>	<b>3,592,142</b>
<b>B</b>	<b>Recognised in other comprehensive income</b>		<b>2015</b>
	in Ron		
x	Net change in the fair value of available-for-sale assets reclassified to profit or loss	(4,275,482)	(862,045)
	Net change in the fair value of available-for-sale assets:		
	on securities disposal during the period	-	1,724,090
	on securities held at the end of the period	4,218,368	2,730,097
	Bonus shares related to available-for-sale financial assets	-	-
	Tax on financial income and charges recognised directly in other comprehensive income		
<b>Financial income recognised in other comprehensive income, net of tax</b>		<b>(57,114)</b>	<b>3,592,142</b>

## 22. Financial income and charges (continued)

*Net income from the trading of financial assets at fair value through profit or loss* is the income resulting from the disposal of securities less the costs of those securities, for transactions where this difference is positive. If the difference is negative, it is presented in the line *Net expenses on the trading of financial assets at fair value through profit or loss*.

In 2016, the net gains from the trading of financial assets at fair value through profit or loss (especially securities tradable from the speculative portfolio) were higher compared to 2015.

*Net income from transactions financial assets available for sale* is the income resulting from the disposal of securities (classified as held for sale) less the costs of those securities, for transactions where this difference is positive. If the difference is negative, it is presented in the line *Net loss from transactions with financial assets available for sale*.

In 2016, SSIF BRK FINANCIAL GROUP SA sold a significant number of shares (classified as securities available for sale) from its portfolio, such as NACH (Napochim SA), NCHI (Napochim Imobiliare SA), SPCU (Boromir Prod SA).

The expenses related to final value loss on securities available for sale are estimated expenses representing final losses in the value of these securities, which have not been maintained in capital adjustment accounts, but were recorded/reclassified as expenses because the Company estimates that they will never be recovered.

In 2015, irreversible impairment charges were recorded and recognised directly in the profit and loss account, in the amount of 426,301 Ron, mostly for the company Cominco SA of Bucharest.

In 2014, due to the financial difficulties of the company Facos SA, irreversible impairment charges amounting to 1,547,578 Ron were recorded and recognised directly in the profit and loss account. SSIF BRK FINANCIAL GROUP SA has control over Facos since it owns 83.02% of the company.

The expenses related to final losses in the value of securities available for sale were recorded in securities classified as available for sale, since they are held for long term, and impairment was caused by lower estimated future revenues based on which the fair value was determined, and by the decreased trading price of listed securities.

The net gain on exchange rate differences of (24.379 Ron ) in 2016, and (625.221 Ron ) in 2015, are mostly associated with securities transactions. The Company has no customers whose settlement depends on the exchange rate, and almost all suppliers are domestic. Both in 2016 and in 2015, the impact of foreign currency balance revaluation and the exchange rate differences resulting from the payments to suppliers are very low.

In the table above, the positions representing reclassifications of amounts from 'Other comprehensive income' to profit or loss are marked on the left with 'x' as required by IAS 1; they should be presented separately only in 'Other comprehensive income', not in the Profit and loss account.



**23. Income tax expense**

## Reconciliation of actual tax rate

<i>In Ron</i>	2016	2015
Profit for the year	<b>1,066,340</b>	<b>(2,738,164)</b>
Total income tax expense	-	-
<b>Profit before tax (including for discontinued operations)</b>	<b>1,066,340</b>	<b>(2,738,164)</b>
Income tax rate	16%	16%
Tax calculated by applying the tax rate to the accounting profit	170,614	(438,106)
Influence of non-deductible expenses	1,820,730	394,758
Influence of non-taxable income	(3,317,727)	(160,838)
Influence of expenses resulting from restatement under IFRS not considered when calculating the tax	-	(404,739)
Influence of tax losses of the previous periods	<u>(7,204,419)</u>	<u>(6,595,494)</u>
Total tax expense calculated based on the tax rate	<u>(8,530,802)</u>	<u>(7,204,419)</u>
Tax expense not recorded for negative amounts	<b>8,530,802</b>	<b>7,204,419</b>
Final income tax expense	-	-
Final income tax rate	0%	0%

## 24. Earnings per share

### Basic earnings per share

The calculation of the basic earnings per share as at 31 December 2016 is based on the profit attributable to shareholders (all ordinary shareholders) and the average number of ordinary shares in circulation, i.e. 337,517,661 shares. On 31 December 2015, the average number of ordinary shares in circulation was 337,749,919 shares).

### Profit attributable to ordinary shareholders

<i>In Ron</i>	2016			2015		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit of the year	1,066,340	-	1,066,340	(2,738,164)	-	(2,738,164)
Attributable to the company's shareholders	<b>1,066,340</b>	<b>-</b>	<b>1,066,340</b>	<b>(2,738,164)</b>	<b>-</b>	<b>(2,738,164)</b>

The profit shown is after calculation of the tax.

<i>In Ron</i>	31-Dec-16	31-Dec-15
<b>Profit attributable to:</b>		
Company Shareholders	1,066,340	-2,738,164
<b>Profit of the year</b>	<b>1,066,340</b>	<b>-2,738,164</b>
<b>Total comprehensive profit/loss attributable to:</b>		
Company Shareholders	1,009,227	1,909,336
<b>Total comprehensive profit/loss for the year</b>	<b>1,009,227</b>	<b>1,909,336</b>
<b>Earnings per share</b>		
Basic earnings per share (Ron)	0.0032	-0.0081
Diluted earnings per share (Ron)	0.0032	-0.0081
Continuing operations		
Basic earnings per share (Ron)	0.0032	-0.0081
Diluted earnings per share (Ron)	0.0032	-0.0081

### Weighted average number of ordinary shares

931,948 shares with a par value of 0.25 Ron were cancelled in 2015.

<i>Number of shares</i>	2016	2015	2014
<i>Number of shares</i>	337.749.919	337.749.919	338.681.867

## Fair value hierarchy

The table below analyses the financial instruments recorded at fair value based on the valuation method. The different levels are defined as follows:

- **Level 1:** quoted (unadjusted) prices in active markets. As regards securities at fair value through profit or loss, the price is the one at the end of the period, of the last trading day. As regards available-for-sale securities, the applied valuation methods are based on market variable depending on how active the instrument is, as indicated in the Company's accounting policies.
- **Level 2 :** Input data other than the quoted prices included in Level 1. This level includes listed securities to which valuation methods containing observable values for assets or liabilities were applied. If an asset or a liability has a specific contractual term, the input data specific cu Level 2 must contain observable values throughout the entire period of that asset or liability. Examples: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar products in markets which are not active; observable values other than quoted prices, such as: interest rate, volatility, other corroborated input data from the market.
- **Level 3:** Input data other than the quoted prices included in Level 1 and Level 2. This level includes unlisted securities to which valuation methods containing observable values for assets or liabilities were applied, either directly (e.g. prices) or indirectly (e.g. derived from prices). The fair value for these securities is determined either using the DDM model (Dividend Discounted Model), the DCF (Discounted Cash Flow) method, or the asset-based method, as indicated in the Company's accounting policies.

<i>In Ron</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2016</b>				
Financial assets available for sale	11,194,582.39	714,481.23	16,462,172.69	28,371,236.31
Financial assets at fair value through profit or loss	9,426,341.16	55,876.12	116,325.95	9,598,543.23
Derivatives, such as financial assets	-	-	-	-
Other financial instruments	-	-	-	-
	<u>20,620,923.55</u>	<u>770,357.35</u>	<u>16,578,498.64</u>	<u>37,969,779.54</u>
<b>31 December 2015</b>				
Financial assets available for sale	12,678,122.00	25,895,565.00		38,573,687.00
Financial assets at fair value through profit or loss	2,917,993.00			2,917,993.00
Derivatives, such as financial assets	-			-
Other financial instruments	-			-
	<u>15,596,115.00</u>	<u>25,895,565.00</u>		<u>41,491,680.00</u>

## 25. Affiliates

### Benefits of key management personnel

Transactions with affiliates, under the form of key management personnel, are limited to benefits granted to the Board members and senior executives, which were presented in the note on Personnel-Related Expenses.

### Investments in associates

Note 18 *Investment in associates* of these financial statements present all associated entities and the transactions carried out during the period.

## 26. Events subsequent to the date of the balance sheet

The events occurred after the date of the balance sheet were taken into account when evaluating the conditions existing as at 31.12.2016 with regard to receivables and significant estimates, including the creation of provisions for litigation.

- 16 January 2017 – The Company signed with Itagra SA a convention to terminate the financial investment services contract whose purpose was the issuance and sale of Itagra SA bonds. During the performance of the contract, the parties faced difficulties in finding a viable formula to secure by mortgage the bonds to be issued by Itagra SA and listed in the alternative trading system managed by the Bursa de Valori Bucuresti SA; in other words, the parties did not find a solution in accordance with the current Romanian law on mortgage that would be acceptable for Itagra SA as issuer, SSIF BRK FINANCIAL GROUP SA as broker, and subscribers.
- 18 January 2017 – The Company signed a loan agreement with S.C. ROMLOGIC TECHNOLOGY S.A., a company in which BRK Financial Group has equity interests. The amount of the loan is 450,000 Ron, with a monthly interest rate calculated at the NBR reference rate plus a margin of 5% per annum. The maturity of the loan is 30 December 2017.
- 07 February 2017 – BRK sold a package of 16,657,252 SC Cemacon SA shares (BSE symbol: CEON), representing 14.6129% of the total number of issued shares. The sale price was 0.3101 Ron/share and generated a total transaction value of 5,165,413.85 Ron. Following this sale, BRK no longer owns shares in the CEON issuer.
- 09 March 2017 – The Financial Supervisory Authority authorised the following persons as members of the company's board of directors: Baranga Laurentiu-Paul, Gherghelas Dan-Nicolae, Madem Aurelian, Mancas Catalin and Moldovan Darie.

- 16 March 2017 – In the meeting of the Board of Directors, Mr. Moldovan Darie was appointed as Chairman of the Board of Directors, and Mr. Baranga Laurentiu-Paul as Vice-Chairman. In addition, the special committees of the Board of Directors were set up.
- 20 March 2017 – The Company made public the convening notice of the Ordinary General Meeting of Shareholders for 26 April 2017.
- 23 March 2017 – Considering the finding note issued by the FSA control team, registered with the company under no. 1267/20.03.2017, the Statutes of FSA, the FSA decision no. 84/25.01.2017, the FSA Regulation no. 11/2016, and to protect the customers' interests regarding the funds in custody, SSIF BRK FINANCIAL GROUP SA's Board of Directors resolves to transfer the necessary amounts into the customer account in order for all funds of creditor customers to be available at all times, upon their request, for withdrawal or trading, free of any encumbrances, by 31.03.2017.

Chairman of the Board of Directors,  
Darie Moldovan, PhD  
Illegible signature

Chief Accountant,  
Luca Monica  
Illegible signature

Chief Executive Officer,  
Pop Adrian  
Illegible signature

I, the undersigned Vicaș Emilia-Alexandra, interpreter and translator certified for the following foreign languages: English, French, Italian, as per Authorisation no. 8072 dated 09 March 2009, issued by the Romanian Ministry of Justice, hereby certify the accuracy of the translation from Romanian into English, that the text presented to me was translated in full, without omissions, and that the translation does not distort its contents and meaning.

CERTIFIED INTERPRETER AND TRANSLATOR

VICAȘ EMILIA ALEXANDRA  
Traducător autorizat  
Engleză-Franceză-Italiană  
Aut. M.J. 8072/2009

Translation from Romanian

## **STATEMENT OF RESPONSIBILITY**

We, the undersigned

Darie Moldovan, Chairman

Adrian Pop, CEO

Monica Luca, Chief Accountant

do hereby declare on our own responsibility that, to the best of our knowledge, the individual financial statements as at 31.12.2016, prepared in accordance with the International Financial Reporting Standards, provide a fair and accurate image of the assets, liabilities, financial position, profit and loss account of SSIF BRK Financial Group SA, and the report of the Board of Directors, prepared in accordance with ASF regulations, contains a correct analysis of the development and performance of the Company and a description of the main risks and uncertainties specific to the company's activity.

Chairman of the Board of Directors

Darie Moldovan

CEO

Adrian Pop

Chief Accountant

Monica Luca