

Translation from Romanian



**SSIFEROKER**

intermediem succesul

## ***2015 Report of the Board of Directors***







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## 1. Chairman's message

 2015 was a year of contrasts both from the economic point of view and in what concerns the level of performances on the stock market. The improvement of the macro-economic indicators in USA resulted in the initiation of the normalisation of interest rates by FED. In March 2015, the ECB started the quantitative easing program, thus contributing to a significant depreciation of the euro against the dollar.


 In what concerns the stock rollovers brokered on Bucharest Stock Exchange, 2015 was the worst year of the past 3 years, the average rollover decreased by almost one third compared to 2014. In the absence of important public offerings, BSE manages very hard to attract investors, although some programs have been initiated to increase investment culture among the population. The lack of liquidity in conjunction with a linear movement of stock exchange quotations caused a significant decrease of the rollovers brokered by the company in 2015.


 The company's operating suffered due to the significant decrease in the value of transactions brokered on the domestic stock market. The operational segment which grew in 2015 both in terms of revenue and in terms of profit was Market Making and Structured Products, but it could not offset the decreases of the brokerage segment.


 In 2015 SSIF Broker SA continued its strategic policy of horizontal integration and concentric diversification by adding new activities following approval by the Extraordinary General Meeting of Shareholders held on April 29: financial market management, activities of insurance agents and brokers, ancillary insurance and pension funding activities, and assessment of insurance risk and damage.

 Another important step taken by the company to achieve the status of Financial Group was to change its name into BRK FINANCIAL

GROUP, as per resolution of the Extraordinary General Meeting of Shareholders held on December 16, 2015, and update its logo accordingly.

 From the point of view of the management of own financial assets portfolio, in 2015 the investment strategy focused again on the restructuring of the stock portfolio, by liquidating the holdings with low growth potential and by reducing the exposure on illiquid companies and redirecting the resulting liquid assets to the purchase of shares classified as belonging to Tier I of the stock exchange and, at the same time, to companies in the development of which SSIF Broker was actively involved. The company also supported margin loans, by placing additional amounts of approx. 8 million lei.

 In 2015, following the final judgment passed in the Deva case (File no. 6087/97/2009\*), SSIF Broker SA paid the prejudiced customers the total amount of 0.95 million lei; however, this amount had been fully provisions, thus it did not affect the result of the financial year.

 In the recent years, SSIF Broker SA management has enforced a cautious policy and an adequate risk management; as a result, a direction towards formation and retreatment of provisions was maintained, which had an impact on the financial result at the end of the year. In this context, SSIF Broker ended 2015 with a loss of approximately 2.78 million lei, which is mainly caused by value adjustments (approx. 1.5 million lei) related to the depreciation of the financial assets portfolio.

Chairman of the Board of Directors

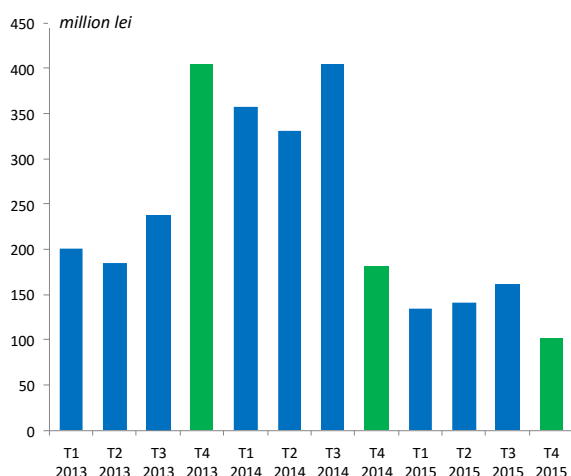
Mihai Buliga

## 2. Key indicators

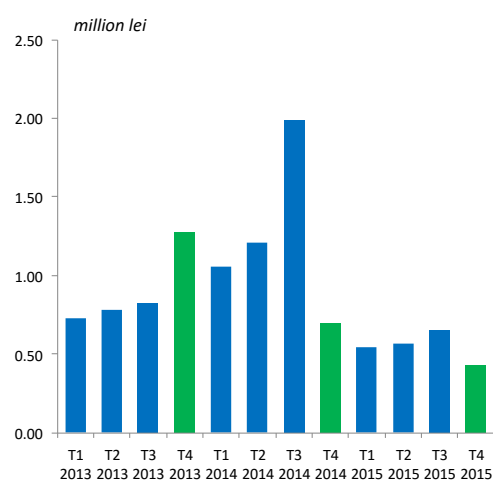
Indicators	31 December 2015	31 December 2014	Evolution
<b>Profit and loss account and other elements of the global result</b>			
Income from continuing operations (lei)	11,108,454	21,782,651	-49.0%
Operational result (lei)	(2,738,164)	(1,352,631)	n/a
Result of the period (lei)	(2,738,164)	(1,352,631)	n/a
Total global result of the period (lei)	1,909,336	(2,788,953)	n/a
<b>Individual balance</b>			
Ownership equity (lei)	61,857,739	59,953,346	3.2%
Total ownership equity and debts (lei)	87,271,334	86,312,268	1.1%
<b>Performance indicators</b>			
Not profit per share (lei/share)	(0.0081)	(0.0040)	n/a
Accounting net asset (lei/share)	0.1831	0.1770	3.5%
Net profit margin	n/a	n/a	
<b>Result per segments (lei)</b>			
Result of brokerage activity	319,060	2,032,150	-84.3%
Result of own portfolio management	816,493	442,296	84.6%
General administrative costs	3,557,548	3,797,925	-6.3%
Result before provisions	-2,738,164	-1,352,631	102.4%
<b>Price of BRK share (lei/share)</b>			
	31 December 2015	31 December 2014	Evolution
Opening price (closing price of the previous year)	0.1078	0.1400	-23.0%
Maximum (intraday price)	0.1090	0.1490	-26.8%
Minimum (intraday price)	0.0610	0.1001	-39.1%
Closing price (on December 31)	0.0780	0.1078	-27.6%



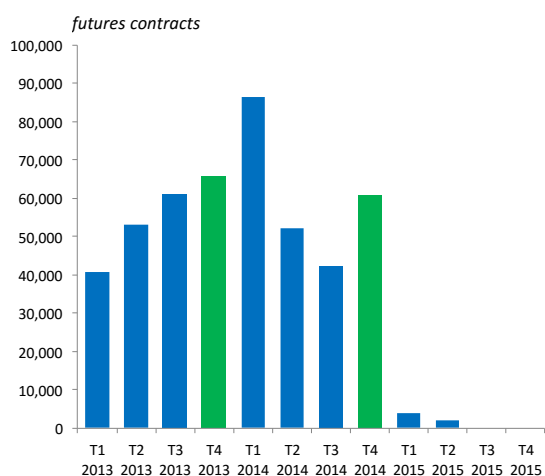
Overall value of transactions brokered on BSE (shares)



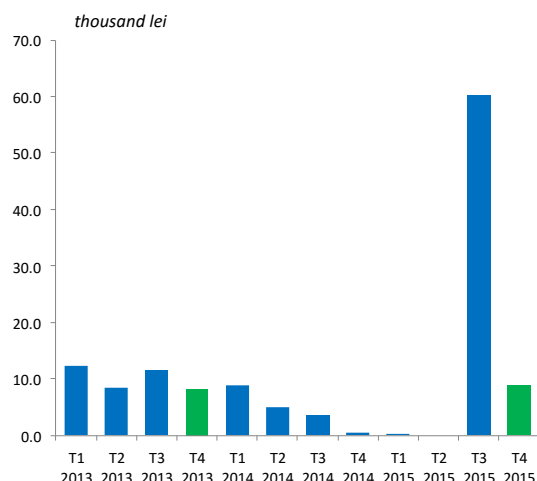
Commissions from brokered transactions on BSE



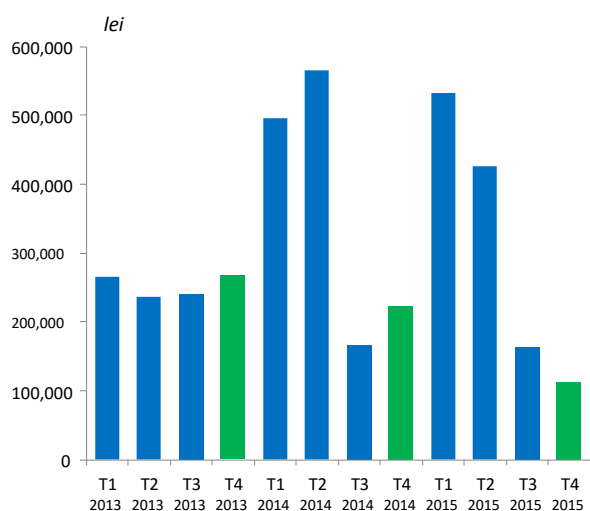
Brokered contracts on Sibex derivatives market (futures)



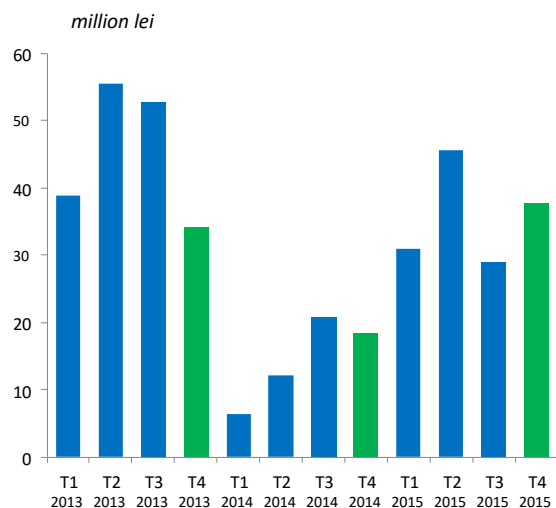
Commissions from brokered transactions on Sibex (futures + spot)



Commissions from brokered transactions on foreign markets



Value of transactions with structured products on BSE





### 3. Company profile

Legal name	SOCIETATE DE SERVICII DE INVESTITII FINANCIARE BROKER SA
	Cluj-Napoca
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	119 Motilor Street, Cluj-Napoca
Symbol	BRK
ISIN	ROBRKOACNORO

SSIF Broker SA was established as a joint-stock company on the 26<sup>th</sup> of October 1994 under the initial name of SIVM Broker SA. SSIF Broker SA is founding member of Bucharest Stock Exchange, shareholder at Sibiu Stock Exchange (Sibex), Sibex Depository, the Romanian Clearing House in Sibiu, Romanian Commodities Stock Exchange, the Bucharest Clearing House and Investor Compensation Fund.

The Company's headquarters are in Cluj-Napoca, while its presence throughout Romania is ensured, as at December 31, 2015, through its 5 agencies located in: Bucharest, Timisoara, Iasi, Brasov and Suceava.

In March 2016, the company's management decided to close down the agency in Brasov.

SSIF Broker shares were admitted to trading on the main market operated by the Bucharest Stock Exchange on February 5, 2005, under the symbol BRK. Its main field of activity is security and commodity contracts brokerage, SSIF Broker SA being one of the largest independent brokerage companies in Romania, operating under the supervision of no other financial institution.

In addition to the brokerage activity, the management of its own financial assets portfolio significantly contributes to SSIF Broker SA's revenues, its investments being made both in Romania and in international markets. SSIF Broker is a significant shareholder in several companies, getting involved in their development. One of them is NAPOCHIM S.A. which, following the resolutions of shareholders, was divided; the division was completed in the first half of this year. Following the symmetrical division, the NAPOCHIM IMOBILIARE company was established, where SSIF Broker has a stake of over 18%. NAPOCHIM IMOBILIARE has been listed on the Bucharest Stock Exchange's ATS since August 2015 and its activity consists of real estate development. NAPOCHIM IMOBILIARE owns a large piece of land in the center of Cluj, with easy access to the main access roads to the city and has potential for real estate development that will generate SSIF Broker an opportunity to efficiently capitalize its shares.

BRK shares are listed on the Bucharest Stock Exchange, Premium tier, and are included in the BET-XT, BET-Plus and BET-XT-TR index basket.

## 4. Corporate governance

Application of corporate governance at the company level

The corporate governance of SSIF BRK Financial Group (SSIF Broker SA) 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 harmonize the interests of all categories of participants in the activity carried out by the company - shareholders, administrators, directors, heads of various structures of the company, employees, clients and business partners, central and local authorities, etc.

### Company shareholders

In accordance with the corporate governance principles, SSIF BRK Financial Group (SSIF Broker SA) respects the rights of its shareholders and shows constant concern about improving its relationship with them, first of all intending to provide a fair treatment and to create effective communication with shareholders.

To the above-mentioned effect, the company's articles of incorporation regulate the shareholders' rights over their shares, the participation in the General Meeting of Shareholders, which is the representative governing body of SSIF Broker SA, and company's administration.

The relationship with shareholders is ensured through the company's executive management and Board of Directors. The website provides full information about the company's lawsuits, the products and services offered by the company, the company's organization, General Meetings and financial statements. 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 are provided in English.

### The Board of Directors of SSIF BROKER SA

In 2015, the management of SSIF Broker SA was provided by the Board of Directors consisting of five board members elected by the General Meeting of Shareholders.

Following elections held in the Ordinary General Meeting of Shareholders on April 29, 2015, a new board member was elected, namely Mrs. Ramona Calian, to fill in the vacancy opened by the resignation of Mr. Rudolf Vizental. Therefore, on December 31, 2015, the Board of Directors was made up of the following members: Buliga Mihai – Chairman of the Board, Mr. Stratan Tiberiu – Vice Chairman of the Board, Mr. Ionescu Anton, Mrs. Calian Ramona, and Mr. Dia Corneliu – members of the Board.

Throughout the year 2015, SSIF Broker SA's Board of Directors assembled 23 times, either by participation at company's headquarters or by remote communication means, and its activity complied with the legal and statutory provisions. The Board debated important projects and issues relevant for the company's activity, making several decisions concerning various aspects of 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 (leaders, CCI representatives, internal auditor, CFO). To avoid any potential conflicts 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 authorization 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 SSIF Broker SA.

#### **The Committees of the Board of Directors of SSIF Broker SA**

Four Committees operate within the Board of Directors: the Nomination Committee, the Audit Committee, the Risk Committee, and the Remuneration Committee. The committees under the Board of Directors operate in accordance with their own rules of procedure; 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 capitalize on their experience acquired in various fields of activity.

The role of the Risk Committee, consisting of three directors – Buliga Mihai, Stratan Tiberiu and Calian Ramona – is mainly to monitor the risks that might have an impact on the company, and to analyze 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, through a full report of activity, on the status of the company in terms of liquidity indices and other risk indices that are calculated based on FSA regulations.

The Audit Committee consists of three Board members, namely Stratan Tiberiu, Dia Corneliu and Calian Ramona, and 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 – consisting of three members – Ionescu Anton, Stratan Tiberiu and Buliga Mihai – has the duty to assess the company's remuneration policies and to submit them to the Board of Directors for amendment and updating.

The Nomination Committee, consisting of three members - Ionescu Anton, Dia Corneliu and Buliga Mihai - has the task to evaluate the persons proposed for management positions and key positions in the company, as well as the propositions of persons that could 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, analyzing the professional skills of the persons proposed and the information contained in the résumés of the persons concerned. The Nomination Committee also analyzes the recommendations submitted by the persons interested in filling a management position within the company.

#### **Independent auditor**

According to legal provisions, the financial statements and SSIF Broker SA operations are audited by an independent financial auditor who meets the criteria set out by both FSA and the Chamber of Financial Auditors of Romania. During SSIF Broker SA's Ordinary General Meeting of Shareholders held in April 2016, SC BDO Auditors&Accountants SRL was appointed as external auditor for the financial year 2015.

As a result of non-registration of this company in the register of auditors authorized by the Financial Supervisory Authority by 31.10.2015, the Board of Directors resolved to convene the Ordinary





General Meeting of Shareholders to choose a certified auditor. The Ordinary General Meeting of Shareholders was held on 24.02.2016 and resolved to choose BDO AUDIT SRL of Bucharest as financial auditors of the company for 2015 and 2016.

### **Internal Control**

In accordance with the legal provisions in force, the company set up a Division for Internal Control consisting of three members licensed by FSA (CNVM). Until 31.07.2015, the company had three representatives of the Internal Control Division, two of them worked at the company's headquarters in Cluj-Napoca, 119 Motilor Street, and one member at SSIF Broker SA's branch in Bucharest.

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 identified problems, and proposes to the company management remedying measures; the decision on the implementation of the proposed measures is taken by the Board members and/or the Executive Management, and it is notified to the concerned persons by the members of company's executive management.

Furthermore, the Internal Control Division is to efficiently send to capital market institutions all the reports required by the applicable legislation, including current reports on significant events involving the company.

In 2015, the Internal Control Division submitted to the Board of Directors and the executive management a total of 20 inspection reports, which showed the results of the investigations carried out during the year and which resulted in the improvement of the company's current activity and the updating of its working procedures.

### **Internal audit**

The internal audit is conducted by the company G2 Consulting and it is fully independent, in accordance with corporate governance recommendations. Internal audit reports are

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

### **Risk Management**

A person has been selected in SSIF Broker SA, in accordance with the applicable legal provisions, to monitor the risks at company level, carrying out specific tasks. The monitoring of specific risks in SSIF BROKER SA's activity is conducted in accordance with the Procedure on Assessment Methods and Risk Management, approved by company's Board of Directors. The person appointed to manage risk in the company regularly attends courses organized by specialized institutions in order to deepen his/her knowledge and improve the necessary practical experience. Regular risk simulations are organized in the company to detect the occurrence of potential situations that might have an impact on the company. Monthly reports on equity and company compliance with risk management regulations are sent to the Board of Directors.

### **Transparency and financial reporting**

In order to ensure transparency in activity and in the financial statements, SSIF BRK Financial Group (SSIF Broker SA) makes available to any interested person, through the notifications sent to BSE and through its own website, annual, biannual and quarterly reports under the applicable legislation, as well as current reports on all significant events with impact on the company's business and image. The company also published its articles of incorporation and the Board members' résumés on its website.

### **Avoiding conflicts of interests**

In order to avoid conflicts of interest, the company applies clear procedures that regulate the way of executing the clients' orders and the priorities in



order execution, procedures that include reporting of all transactions carried out by the concerned persons to the regulatory and supervisory body, namely FSA.

The company also reports to Bucharest Stock Exchange all the transactions made by initiated persons with SSIF Broker SA, in order to inform the public about such transactions.

### **Social responsibility of SSIF BROKER SA**

As an expression of SSIF Broker SA's social responsibility, the company, through its Board of Directors and executive management, promotes cooperation between the company and higher education institutions of Cluj-Napoca, offering students of such institutions free-of-charge annual

traineeships and documentation in the field of capital market in Romania.

### **Financial calendar**

15.02.2016 – presentation of preliminary results

26/27.04.2016 – General Meeting of Shareholders

27.04.2016 – publication of annual results approved by the General Meeting of Shareholders

12.05.2016 – financial results for Q1

12.08.2016 – financial results for Q2

15.11.2016 – financial results for Q3

## **5. BRK Share**

SSIF Broker shares are dematerialized, ordinary, indivisible, freely negotiable since their admission to trading on *Bucharest Stock Exchange (BSE)*. In 2015, based on the resolutions of the Extraordinary General Meeting of Shareholders, the company decreased its share capital by decreasing the nominal value of a share from 0.25 lei to 0.16 lei and by canceling the shares held in its own name.

SSIF Broker shares were admitted to trading on the main stock market administered by *Bucharest Stock Exchange* on February 5, 2005 under the symbol BRK. The BRK shares are listed on *Premium* Tier of Bucharest Stock Exchange and are included in the BETPlus, BET-XT, BET-XT-TR and BET-BK index basket.

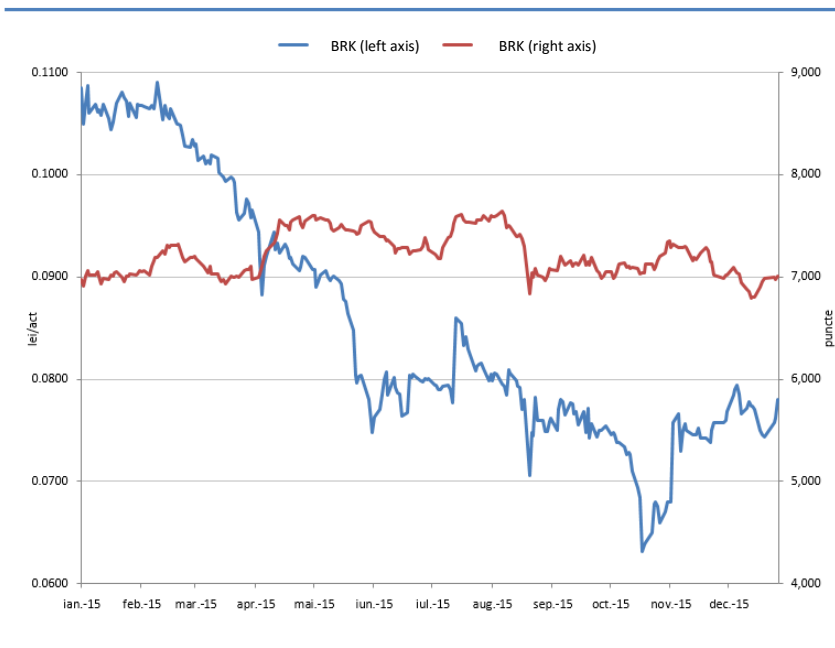
The company is governed by the capital market legislation, namely Law No. 297/2004 concerning capital market and secondary regulations issued by the *Financial Supervisory Authority (FSA)* and BSE.

The records of the shares are kept by an independent registrar, *Central Depository*, authorized by the *Financial Supervisory Authority*.

During 2015, **average price** of a BRK share was **0.0851 lei**, in decline by 31.4% compared to the average level recorded in 2014 (0.1240 lei). The closing price of a BRK share as at December 30, 2015, last trading day of 2015, was 0.0780 lei/share. On the same day, the market capitalization was 26,344,494 lei.



Evolution of the price of BRK share compared to Bet index in 2015



## Dividends

The Company did not have any profit in the 2013-2015 period, therefore no amounts were allocated for payment of dividends.

## Redemption of own shares

There were no operations of own share redemption in 2015.

# 6. Context of the stock market

## 6.1 Retrospective on world stock market developments

2015 was a year of “great rebalancing”, characterized by decreased market valuations, flattening of the yield curve, over-performance of European shares in contrast to emerging markets and “small-caps” shares which under-performed, and the strengthening of the American dollar. 2015 was a difficult year for active investors in the capital markets, the episodes of increases in quotations were followed by periods of very extensive corrections, the collapse of quotations of raw materials (oil, copper, etc.), the fears regarding Greece’s entry in default and the economic problems in China caused numerous reasons for concern among investors during 2015.

The implementation of unconventional measures for quantitative monetary stimulation by the ECB (purchases of government bonds and bonds issued by Member States amounting to 65 billion euros/month) as of January 2015 resulted in a high depreciation of the European currency on the Forex market, but was also the main growth engine for stock exchanges in the **first quarter** of 2015, mainly for European markets. The stock exchanges in Asia had a strong upward trend supported by the favorable international context and the decisions of the Central Bank of China to reduce the monetary policy interest. In contrast, the indices of US stock exchanges experienced a relative stagnation, mainly due to the



strengthening of the US dollar against the major currencies.

In the **second quarter**, the expectations regarding the normalization of EDF's monetary policy (gradual increase of interest rates) and the increasing concerns about Greece's entry into default in late June caused a wave of corrections in the capital markets. After the impressive rally in the first 3 months, the European indexes suffered the largest corrections in the second quarter, while the Asian stock exchanges continued to rise, despite the fact that the fast pace of growth in the past months began to look like a speculative bubble. Overseas, US indexes ended June slightly down, after retesting the local maximum values reached earlier this year.

The **third quarter** was dominated by a sense of risk aversion. The agreement between Greece and its international creditors for a new aid package caused only a temporary stabilization of the markets. The uncertainties regarding the status of the Chinese economy, the authorities' decision to devalue the yuan, and steep fall of the stock market caused major turbulences caused on international markets in August and emerging markets under-performed compared to developed ones. Other risk factors were the uncertainties about the timing and pace of future interest rate increases in the US despite the fact that the EDF maintained its benchmark interest rate at the meeting in September.

The expectations regarding the implementation of new quantitative easing measures by the ECB and the favorable evolution of the US and EU macroeconomic indicators led to slight increases in the equity markets in the **fourth quarter**, despite a poor performance in December. Emerging markets continued to underperform compared to developed ones, mainly because of the concerns about China's economic growth and the appreciation of the US dollar. The divergence of monetary policies is noteworthy, given that the ECB reduced the interest on deposits to -

0.3% and announced new measures of monetary expansion, while the EDF increased the monetary policy rate by 0.25% for the first time since 2006.

Index	Country	(%) 15/14	(%) 14/13
Dow Jones	USA	-2.2%	7.5%
S&P 500	USA	-0.7%	11.4%
DAX-30	Germany	9.6%	2.7%
CAC-40	France	9.1%	-0.5%
FTSE-100	England	-4.7%	-2.7%
NIKKEI-225	Japan	9.1%	7.1%
ATX	Austria	11.0%	-15.2%
Shanghai Comp.	China	9.4%	52.9%
WIG-20	Poland	-16.6%	-2.0%
PX	Czech Republic	1.0%	-4.3%
RTS	Russia	-4.3%	-45.2%
SOFIX	Bulgaria	-11.7%	6.2%
BUX	Hungary	43.8%	-10.4%

Overall, throughout 2015, the European and Asian stock exchanges generated the best output, supported by the strengthening of the US dollar which increased the attractiveness of assets denominated in other currencies. Regionally, the stock exchange in Hungary had a very good performance, the BUX index recorded one of the highest increases in 2015 (+43.8%). Despite the extreme volatility throughout the year, the China stock exchange composite index ended 2015 with an advance of over 9.4%, supported by the monetary easing measures taken by the Central Bank of China to boost economic growth.

2016 promises to be a challenging year for equity markets around the world while maintaining the divergence of monetary policies oriented towards new monetary boosting measures (ECB, BoJ, BoC) on the one hand, and on the other hand towards the tightening of credit conditions by the EDF. The accelerated revival of raw material prices in the second half of February may be a first signal of the relaunch of the global inflation and may be a growth catalyst for stock exchanges in 2016.

## 6.2 Retrospective on local stock market developments

The Romanian capital market performed below expectations in 2015. The benchmark index of the Bucharest Stock Exchange, BET, ended 2015 with a 1.1% decrease, mainly due to the negative evolutions of shares in the energy and utilities sector; it was the first year after 2011 when the BET index ended with a negative value.

In contrast to the exciting developments of the European stock exchanges, the **first quarter** of 2015 was rather dull, all indexes on the BSE recorded a quasi-stagnation. The monetary easing measures implemented by the National Bank of Romania by successively decreasing the benchmark interest rate and the prospects for reducing the tax burden through the new Tax Code had a limited impact on the local stock market in the first 3 months of 2015.

The macroeconomic data that exceeded the expectations, the fastest growth in Europe (+4.1% in Q1 2015), the decreasing financing costs, the decrease in inflation to historic lows, the expectations of growth of income in the context of reduced VAT led to an improved climate on the domestic stock market in the **second quarter**. Despite the turbulence in international markets, the Bucharest Stock Exchange indexes, except for BET-FI, increased in the second quarter; the BET index increased by 3.1%. Amid declining inflation, the National Bank of Romania continued the monetary easing cycle and lowered the benchmark interest rates to a new low of 1.75%.

Index	Q1	Q2	Q3	Q4	'15/'14
BET	-0.1%	3.1%	-4.3%	0.3%	-1.1%
BET-FI	0.0%	-2.1%	3.0%	-0.9%	-0.0%
BET-XT	0.4%	3.1%	-3.3%	0.2%	0.3%
BET-NG	-2.1%	0.9%	-9.2%	-4.1%	-14.0%
ROTX	2.6%	4.8%	-3.7%	3.4%	7.1%

The increased aversion to risk and the major turbulence at the international level impacted negatively on the performance of the Bucharest Stock Exchange, the indexes on BSE decreased on average by 3% in the **third quarter**; the largest decline was recorded by the energy sector index BET-NG (-9.2%) in the context of the collapse of international oil quotations.

Similar to the dynamics of the foreign markets, the shares on the Bucharest Stock Exchange had mixed evolutions in the **fourth quarter**; the local investors exhibited a greater concern with regard to the internal events. Some of the internal factors that had a significant impact on the local stock market in late 2015 are: the resignation of the Prime Minister Victor Ponta; the former EU Commissioner, Dacian Ciolos, was appointed to form a new government of technocrats; the controversies surrounding the law on dation in payment with respect to mortgage loans, which was sent back to Parliament by the President Iohannis to be revised.

In 2015, in the absence of new offers for listing on the regulated stock market, the total value of transactions carried out through the BSE system declined by about 32% to 8.8 billion lei (about 13 billion lei in 2014), while the average daily value of transactions dropped to 35.1 million lei (-23%).

Despite the negative evolution of the shares of the large energy companies (OMV Petrom and Romgaz), the total market capitalization increased by 12.4% in 2015 to over 146 billion lei, due to the increases in the shares of the banking sector: EBS (51.2%), TLV (+47.7%) and BRD (+38.3%), which had a significant weight in the capitalization of Bucharest market .

## 7. Company's 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 organized in three 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 specialized services offered to institutional clients.

The intermediation services consist of:

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

- Intermediation of transactions for the sale and purchase of shares traded on the Bucharest Stock Exchange (BSE) and Sibex. For these services, clients may choose to be assisted by a broker in the trades, or they may choose to trade online on their own

- Intermediation of transactions on international markets; the company's clients have access to over 100 foreign markets and can trade different types of financial instruments (shares, CFDs, ETFs, bonds, futures, commodities, metals, etc.)

- Intermediation of transactions with corporate, municipal and state bonds on BSE and OTC, namely transaction brokerage with structured products on the BSE dedicated segment.

**B.** Specialized services for institutional clients:

- Intermediation of public offerings for purchase or takeover of companies listed on BSE or Rasdaq

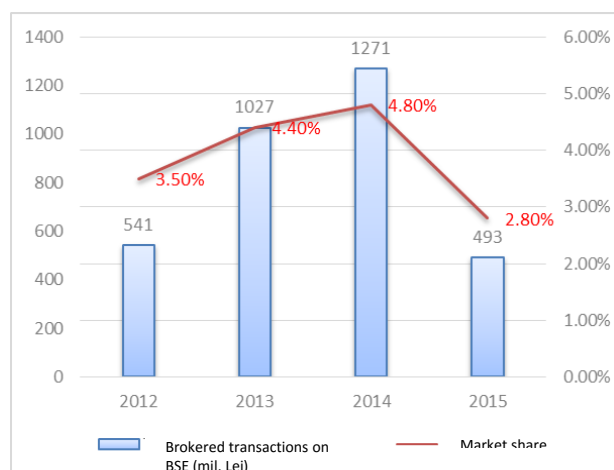
- Funding on the capital market through the issuance of public stocks and bonds

- Listing of companies and investment funds on the capital market through initial public offerings or based on prospects of admission to trading



Financial advice for strategies to invest in shares, funding through the issuance of shares and bonds or promotion on the market capital.

In each of the last 5 years, SSIF Broker SA has been a constant presence at the top of brokers' ranking on BSE, the transactions executed by the clients and the ones on its own behalf generated a market share of 3-5% of the overall annual trading value on the stock segment.



Source: [www.bvb.ro](http://www.bvb.ro)

In 2015, SSIF Broker SA was ranked 8<sup>th</sup> in the ranking of intermediaries on BSE, the value of the transactions brokered by SSIF Broker on the stock segment amounted to over 493 million lei compared to 1.27 billion lei in 2014. The market share of SSIF Broker on the segment of stock trading on BSE decreased in 2015 to 2.80% compared to 4.80% in 2014.

Since 2015, the company did not offer trading services for derivatives traded on Sibex.



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

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

The benefit of this kind of operations is the *spread* (distance) of the purchase and sale quotations. *Market-making* operations are continuous and are

### 7.1.3 Issuance of structured products

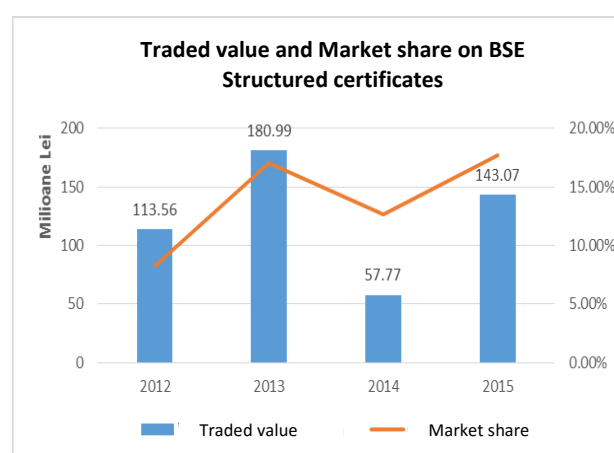
In May 2012, the first structured products were issued, under the form of Turbo certificates, having the American index *Dow Jones Industrial Average* as underlying asset; later on another series of turbo certificates was issued, this time with *Eurostoxx 50* as underlying asset. The structured products issued by SSIF Broker are the first on the Bucharest Stock Exchange, exclusively developed in Romania. SSIF Broker is a liquidity provider, meaning that the Company will provide liquid assets by displaying firm quotations on the market for the issued certificates. The net position of the sold structured products is assessed daily at the market value and it represents the net debt to the investors that purchased these products.

In 2015, SSIF Broker issued a total of 20 series of turbo certificates having *Dow Jones Ind. Avg.* as underlying asset and 4 with Gold as underlying asset. In 2015, the company also issued and listed 6 capital-protected certificates, 5 of which had

specific to foreign brokerage firms so that we have the right to consider that these operations relate to the operational network of SSIF Broker SA.

In 2015, the company acted as market-maker on the BTF symbol and as liquidity provider for all issued certificates.

individual shares as underlying asset, and one with a basket of European shares as underlying asset.



In 2015, the total value traded by the company on the structured product market increased to 143 million lei compared to 57.7 million lei in 2014, ranking the second in the top of brokers that trade these financial instruments.

## 7.2 Management of own financial assets portfolio

### 7.2.1 Description

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

factor taking into account that SSIF Broker is required to reassess, at the end of each year, all positions in its own portfolio, and the value adjustments of the securities affect the outcome 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, SSIF Broker SA's shares held in its own portfolio were 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 SSIF Broker SA's involvement the management of the company where it holds stakes. Share stakes can be both in closed companies and in companies listed on the stock exchange.

**Portfolio investments:** shares in companies where SSIF Broker SA cannot/does not want to exert a significant influence in the administration 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 or unlisted companies which do not meet the

conditions to be classified as "Strategic Investments", irrespective of the size of the owned stake or of the issuer's share capital.

**Short-term financial investments:** shares of companies subject to the current purchase-sale operations of SSIF Broker SA. This section does not include shares of closed or unlisted companies.

## 7.2.2 Strategic objectives in 2015

2015 investment strategy aimed at achieving the following objectives:

- restructuring of the shares portfolio by selling certain underperforming stakes and redirecting the resulted liquidity to finance the other activities from the brokerage segment (market-making, issuance of new structured products) and margin loans;

- qualitative and quantitative adjustment of the portfolio by reducing the exposure on illiquid companies and increasing exposure on highly liquid companies;

- supporting and promoting the projects developed by the administration company SAI Broker SA, where SSIF Broker SA holds 99.98%, in order to provide fund administration services for the clients.

## 8. Achievements in 2015

### 8.1 Dynamics and structure of total revenues

(values in lei)	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>Total revenues</b>	<b>8,467,780</b>	<b>16,892,483</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Income from commissions</b>	<b>3,657,253</b>	<b>7,009,491</b>	<b>43.19%</b>	<b>41.50%</b>
- income from BSE commissions	2,189,702	4,948,973	25.86%	11.00%
- income from Sibex commissions	68,915	31,525	0.81%	0.20%
- income from foreign markets commissions	1,233,456	1,450,921	14.57%	3.50%
- income from other commissions	165,180	578,072	1.95%	0.30%





<b>Other op. revenues</b>	<b>489,250</b>	<b>977,392</b>	<b>5.78%</b>	<b>5.70%</b>
- rental income	49,833	49,633	0.59%	0.30%
- other income from management services	431,502	648,092	5.10%	3.80%
- income from transferred assets		260,440	0.00%	1.50%
- other operating income	7,915	9,341	0.09%	0.10%
<b>Income from equity interests</b>	<b>307,943</b>	<b>733,870</b>	<b>3.64%</b>	<b>4.30%</b>
- Income from dividends	307,943	640,899	3.64%	3.80%
<b>Income from stock transactions</b>	<b>737,350</b>	<b>952,606</b>	<b>8.71%</b>	<b>5.60%</b>
<b>Income from derivative &amp; Forex transactions</b>	<b>2,075,123</b>	<b>3,660,313</b>	<b>24.51%</b>	<b>21.70%</b>
- Net income from futures market	5,873	694,554	0.07%	4.10%
- Net income from foreign market transactions	2,069,250	2,965,759	24.44%	17.50%
<b>Interest income:</b>	<b>563,390</b>	<b>873,064</b>	<b>6.65%</b>	<b>5.20%</b>
<b>Other financial revenues:</b>	<b>637,471</b>	<b>2,695,633</b>	<b>7.53%</b>	<b>15.90%</b>



## 8.2 Evolution of overall result

Name of the indicator	31-Dec-15	31-Dec-14
Result of brokerage activity	319,060	2,032,150
Result of own portfolio management	816,493	442,296
Non-distributed general-administrative costs	3,557,548	3,797,925
<b>Result before provisions (1+2-3)</b>	<b>-2,421,995</b>	<b>-1,323,479</b>
Value adjustments related to portfolio depreciation	1,575,426	405,773
Provisions for risks and charges (litigations)	451,590	1,056,610
Other non-recurring income	1,710,847	0
*IFRS restatements	0	1,433,231
<b>Result of the period (4-5-6)</b>	<b>-2,738,164</b>	<b>-1,352,631</b>

\* Restatements in accordance with IFRS, for comparability of results.

At the end of 2015, the overall result of SSIF Broker's activity indicates a loss of 2.74 million lei compared to a loss of 1.35 million lei in the previous year. This evolution was mainly determined by the outcome of the brokerage activity, due to the decrease of transactions brokered on BSE. At the same time, the value adjustments for the depreciation of financial assets portfolio contributed to a significant extent to the negative result. The general-administrative expenses not allocated on the 2 major business lines of SSIF Broker decreased compared to the previous year by approx. 240 thousand lei, but failed to offset the decline in the brokerage activity.

A positive influence on the result is due to other non-recurring income of 1.57 million lei, of which 1.26 million lei represents the recording as income of the amounts that remained undistributed resulting from the decrease of the share capital in 2010.

## 8.3 Analysis according to segments

### 8.3.1 Brokerage services

Name of the indicator	31-Dec-15	31-Dec-14
Total income from brokerage	4,460,890	8,449,396
Total expenses for brokerage	4,903,240	7,108,267
<b>Brokerage result</b>	<b>-442,350</b>	<b>1,341,129</b>
Total gross income from MM & structured products	9,739,514	6,870,785
Total gross expenses for MM & structured products	8,978,104	6,179,764
<b>Result from MM &amp; structured products</b>	<b>761,410</b>	<b>691,021</b>
<b>Result of brokerage activity</b>	<b>319,060</b>	<b>2,032,150</b>

The added value on the segment of brokerage services provided by SSIF Broker decreased from 2.03 million lei in 2014 to 0.32 million lei in 2015. The result of the brokerage activity was strongly affected by the decline in the brokerage activity on BSE.



## Evolution of the results on the segment of financial intermediation services

Name of the indicator (values in lei)	31-Dec-15	31-Dec-14
Income from transaction commissions	3,657,253	7,024,029
Other income	803,637	1,425,367
<b>Total intermediation income</b>	<b>4,460,890</b>	<b>8,449,396</b>
Expenses related to commissions	1,454,590	2,912,543
Other variable costs	1,099,430	3,037,459
<b>Total variable intermediation costs</b>	<b>2,554,020</b>	<b>5,950,002</b>
<b>Gross margin of the segment</b>	<b>1,906,870</b>	<b>2,499,394</b>
Fixed expenses related to the segment	2,349,230	1,158,265
<b>RESULT OF INTERMEDIATION SEGMENT</b>	<b>-442,360</b>	<b>1,341,129</b>

The total revenues generated by the financial intermediation services decreased by 47.2% in 2015 to 4.46 million lei, the gross income from commissions contributing by 82% of the total gross income. In relative terms, the variable expenses related to the financial intermediation services decreased by 63.8%. The result of the intermediation segment was negative, a decisive factor being the related fixed expenses.

## Evolution and structure of the income from commissions

Name of indicator	31-Dec-15	31-Dec-14	31-Dec-13
Income from BSE commissions	2,189,702	4,948,973	3,612,171
Income from foreign market commissions	1,233,456	1,450,921	1,010,664
Income from Sibex commissions	68,915	31,525	40,267
Income from other commissions	165,180	578,072	521,558
<b>Total net income from commissions</b>	<b>3,657,253</b>	<b>7,009,490</b>	<b>5,184,660</b>

In comparable terms, the total income from commissions decreased by 47.8% in 2015 to 3.66 million lei; there was a decline in all segments. The most significant decline is in the income from brokerage services on the domestic market. The decrease is due to a lack of public offerings, such as the one in 2014 following which Electrica was listed on BSE. The lower the number of transactions caused a significant decrease in the income from the fees charged by the company for orders.



## Evolution of the results on the segment of market making and structured products operations

Name of the indicator (values in lei)	31-Dec-15	31-Dec-14
Income from transactions	9,521,814	6,721,254
Other income	496,637	149,531
<b>Total income from MM &amp; structured products</b>	<b>10,018,451</b>	<b>6,870,785</b>
Losses from transactions	8,131,460	5,279,782
Other variable costs	410,320	352,757
<b>Total expenses related to MM &amp; structured prod.</b>	<b>8,541,780</b>	<b>5,632,539</b>
<b>Gross margin of the segment</b>	<b>1,476,671</b>	<b>1,238,246</b>
Fixed expenses related to the segment	715,261	547,225
<b>RESULT OF MM &amp; STRUCTURED PROD. SEGMENT</b>	<b>761,410</b>	<b>691,021</b>

In the context of an increase in the structured products segment on BSE, the total income the total income from the market-making (MM) and structured products operations had a significant growth (+46%) to 10 million lei. However, the margins contracted, so the gross growth rate of the segment was 19%. The result of the segment improved in 2015, increasing by 10% to 761 million lei.

### 8.3.2 Management of own financial assets portfolio

#### Evolution of the results from the management of own financial assets portfolio

Name of the indicator	31-Dec-15	31-Dec-14
Income from transactions	5,040,000	10,311,377
Income from equity interests	307,943	733,870
Other income	908,100	695,124
<b>Total income</b>	<b>6,256,043</b>	<b>11,740,371</b>
Loss from transactions	4,329,770	10,529,256
Other variable costs	54,120	444,354
<b>Total variable costs</b>	<b>4,383,890</b>	<b>10,973,610</b>
IFRS* restatements		1,433,231
<b>Gross margin from own portfolio management</b>	<b>1,872,153</b>	<b>2,199,992</b>
Expenses related to operation	1,055,660	324,465
<b>Result of own portfolio management</b>	<b>816,493</b>	<b>1,875,527</b>

In order to obtain a comparable statement, the 2014 amounts were restated in accordance with IFRS standards.



The management result declined by 56% compared to the 2014 restated result, due to the increase of fixed costs of administration from 324 thousand lei to 1.05 million lei

### 8.3.3 Analysis of the evolution and structure of own financial assets portfolio

In line with the investment strategy approved by the Board of Directors, in 2015 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 too small size or to the lack of growth perspectives; and the use of the obtained amounts to support, under the form of working capital, brokerage activities that bring high added value.

The portfolio of listed shares underwent an extensive restructuring process, the number of share holdings in listed company from SSIF Broker's portfolio decreased to nearly half compared to the end of 2014. Following the resolution of the Extraordinary General Meeting of Shareholders to withdraw from trading after closure of the Rasdaq market, 2 financial stakes in listed companies were transferred to the category of closed companies.

Evolution and structure of the portfolio of shares and assimilated instruments	Number of Issuers	
	31.12.2015	31.12.2014
Companies listed on BSE & Sibex (including listed AOPC)	23	40
Closed companies	20	17
Equity interests in OPC/AOPC	8	6
Other securities	7	6
<b>Total portfolio</b>	<b>58</b>	<b>69</b>

Evolution of the portfolio of shares and assimilated instruments	31.12.2015	31.12.2014
Companies listed on BSE & Sibex	17,412,429	27,772,404
Unlisted companies	14,722,244	7,966,332
Equity interest of OPC	9,575,405	6,278,243
Other securities	365,051	679,710
<b>Total portfolio</b>	<b>42,075,129</b>	<b>42,696,689</b>

The SSIF Broker portfolio of shares quoted on BSE and Sibex was assessed at approx. 17.41 million lei as at December 31, 2015, in decline by approx. 37% compared to the value at the end of 2014. This evolution is explained by the fact that in 2015, net sales<sup>1</sup> of approximately 10.5 million lei were made from the portfolio of

<sup>1</sup> sales-purchases

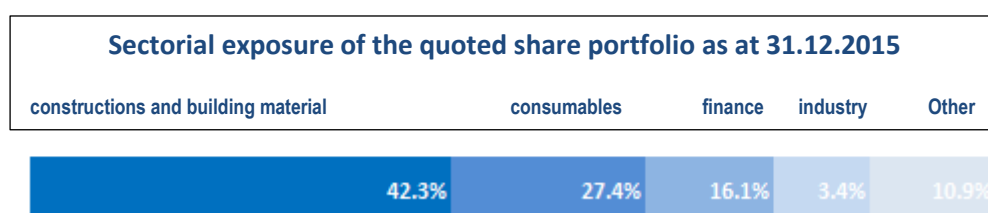


quoted shares. Part of the amounts resulting from the stock sale were used to purchase fund units for 4 investment funds, three of them being administered by *SAI Broker SA*, an entity controlled by SSIF Broker in a percentage of 99.98%, and to support the working capital of other brokerage services activities. It should be noted that, on March 31, 2015, the fund units of FII BET-FI Index Invest started to be traded on the BSE regulated market under the BTF symbol; SSIF Broker's investment in this fund is shown under "BSE&Sibex listed companies".

Among the main sale transactions made during 2015, we mention the sale of the whole 9% equity interest held in *SC Remat Maramures SA (Sibex: REMM)*, transaction carried out in the last month of the year. Other significant sale transactions (>100,000 lei) carried out in 2015 involved minority equity interests held in companies such as: *OMV Petrom (SNP)*, *SIF Moldova (SIF2)*, *SIF Transilvania (SIF3)*, *SIF Muntenia (SIF4)*, *Nuclearelectrica (SNN)*, *Bucharest Stock Exchange (BVB)*, *International Sinaia (INTE)*, *ArcelorMittal Tubular Products Roman (PTRO)* and *Prospectiuni Bucuresti (PRSN)*.

The number of purchases made in 2015 was significantly lower and involved relatively low values; the list of purchases included shares of the following companies: *BRD-GSG (BRD)*, *Electrica (EL)*, *Romgaz (SNG)* and *Compa Sibiu (CMP)*. In 2015, the portfolio of fund units was completed with two new positions by participating in the launch of two new investment funds by *SAI Broker SA*, an entity controlled by SSIF Broker in a percentage of 99.98%.

The share sale operations carried out in 2015 caused significant changes in the structure of investments from the tradable portfolio by business sector. Following the sale of SIF (2, 3 & 4) holdings from the portfolio, the exposure to the financial-banking sector fell to 16.1% of the total share portfolio compared to 41.7% in 2014. Moreover, the positive evolutions of Cemacon (CEON) shares and the listing of Napochim Imobiliare SA (NCHI) – a company which resulted from the division of the company Napochim SA of Cluj-Napoca – on the AeRO segment led to an increase in the rate of the construction and building materials sector to 42.3% compared to 17% in the previous year.



Following the revaluation of the equity contributions held in unlisted companies (positive adjustment of shares held in Minesa by 1.54 million lei, negative adjustment of the holding in SAI Broker SA by 162 thousand lei), the contribution of 3.2 million lei to the capital increase of Facos SA of Suceava, the net purchase of Minesa shares of 414 thousand lei, and the delisting of the issuers Vastex and Unio, worth 223 thousand lei, the value of holdings in unlisted companies increased by 85% to 14.7 million lei.

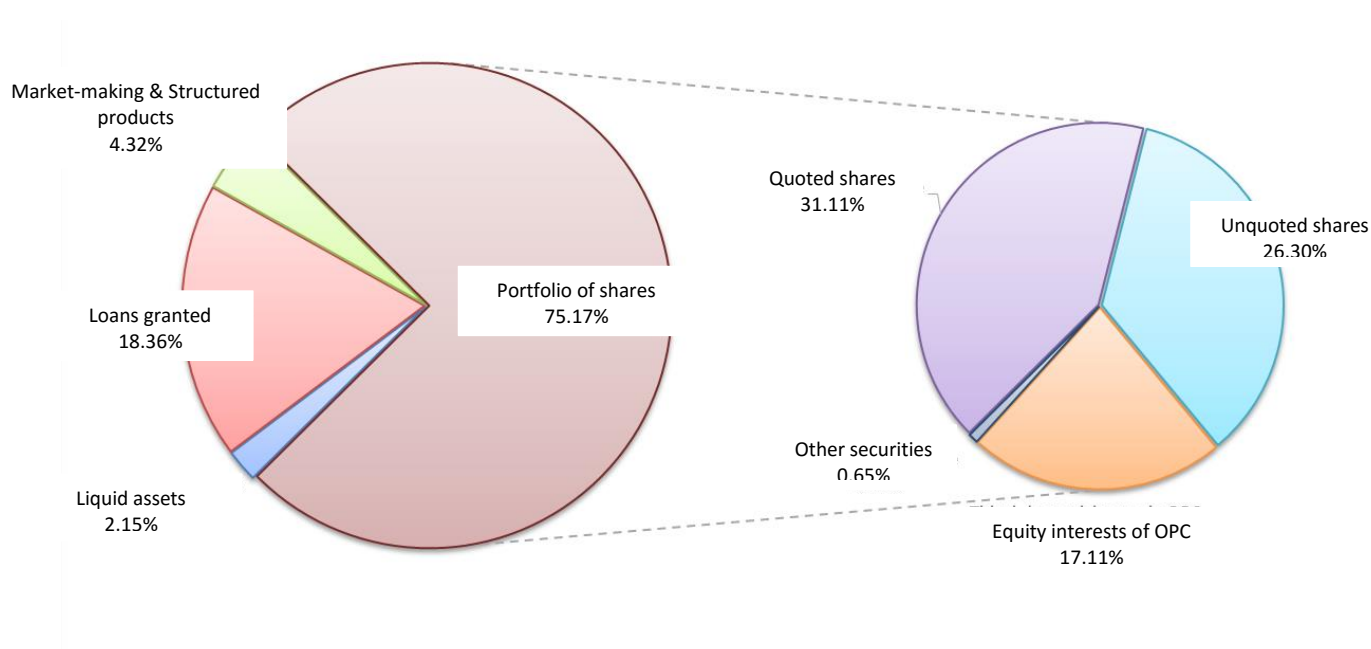
The value of the portfolio of fund units increased to over 9.57 million lei, mainly due to increased investments in the investment funds managed by SAI Broker made to support and develop such projects. In 2015, net subscriptions were made for the following investment funds managed by SAI Broker: *Fondul Deschis de Investitii Prosper Invest (Prosper Invest Open-End Investment Fund)*, *Fondul Deschis de Investitii FIX Invest (FIX Invest Open-End Investment Fund)*, and *Fondul Privat de Investitii Optim Invest (Optim Invest Private Investment Fund)*.



Evolution of the financial assets portfolio	31.12.2015	31.12.2014
Liquid assets	1,205,148	1,107,615
Loans granted	10,274,059	5,838,455
Market-making & structured products	2,417,514	7,184,334
Portfolio of shares	42,075,129	42,696,689
<b>Total</b>	<b>55,971,850</b>	<b>56,827,093</b>

At the end of 2015, the value of the total financial assets portfolio of SSIF Broker SA amounted to 55.97 million lei, in decline by 1.5% compared to 2014. The assessment of the share portfolio was made through the marking-to-market<sup>2</sup> of all positions of the tradable portfolio of shares<sup>3</sup>, and at the fair value established according to the international assessment standards for all the holdings classified as long-term investments<sup>4</sup> also called the non-tradable portfolio.

#### The structure of the financial assets portfolio as at 31.12.2015



As regards the structure of SSIF Broker SA's financial assets portfolio in 2015, one can notice an increased rate of granted loans up to approx. 18% of the total financial assets, while the portfolio held in market-making and structured products operations declined. The portfolio of shares and variable income securities remained at approx. 75%, but the percentage of quoted shares decreased to the detriment of unquoted shares and equity interest in OPC. The payment of compensations amounting to approx. 0.95 million lei for the settlement of the civil part of the criminal case concerning the defrauding of the customers by the former employees of the Deva branch negatively affected the balance of SSIF Broker's own liquid assets existing in the bank accounts.

<sup>2</sup> at closing price

<sup>3</sup> Category of short-term investments – securities available for trading

<sup>4</sup> Category of financial assets – securities available for sale, including unquoted and quoted shares which do not have an active market. The classification criteria and the definition of active market are highlighted in the explanatory notes:

<https://www.ssifbroker.ro/actionariat/rapoarte/aga-29-30-aprilie-2015.html>



## 9. Operational infrastructure

### 9.1 The territorial network of subsidiaries

At the end of 2015, the territorial subsidiary network of SSIF Broker SA consisted of 5 agencies (Iasi, Bucharest, Timisoara, Brasov and Suceava). Compared to 2014, the number of agencies remained constant, as the management opted to transform the Bucharest branch into Agency and close down the Pitesti Agency.

The headquarters of SSIF Broker is located at the address: 119 Motilor Street, Cluj-Napoca.

### 9.2 Company personnel

In 2015, SSIF Broker SA had an average number of 55 employees compared to 54 employees in 2014. Personnel fluctuations remained high in 2015, the company chose not to renew the contracts of the employees who performed poorly, the number of employees categorized as financial investment services agents decreased to 30 compared to 35 in 2014. The number of employees from the administrative staff category increased to 18 compared to 13 in 2014 due to increased workload following the implementation of new services offered to customers. At the end of 2015, the actual number of SSIF Broker SA employees was 54 compared to 60 in the previous year.

As at 31.12.2015, the company had mandate contracts signed with 20 appointed agents (24 in 2014), which required a correlation between transaction-related expenses and the resulting income. In the future, the company management plans to extend the sales operations through the appointed agents.

### 9.3 Dynamics and structure of clients

In 2015, a total number of 3321 clients made transactions on Bucharest Stock Exchange through SSIF Broker, their number decreasing by 33% compared to 2014. Out of this total, 1085 employees (1925 in 2014) made single sales (sales of coupons/compensation bonds).

The clients belonging to the category of resident legal persons generated over 19.7% of the total rollovers brokered by SSIF Broker in 2015 compared to 40.5% in 2014, while resident natural persons contributed by 56.34% to the total transactions, as compared to only 33.6% in the previous year.

The transactions made on its own behalf (house) represented 23.78% of the total transactions brokered by SSIF Broker in 2015 as compared to 6.2% of the total rollovers in 2014.

#### Structure of transactions made on BSE in 2015

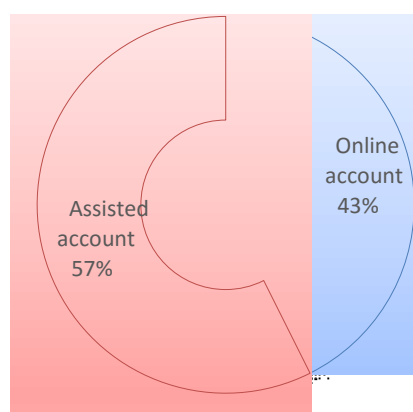




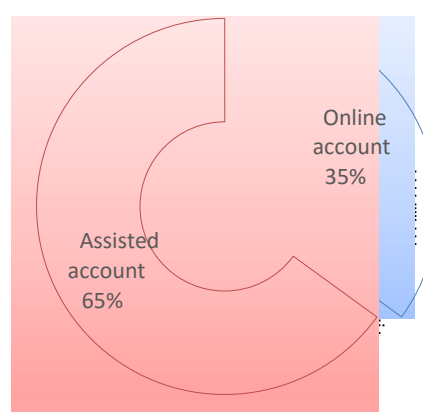


In 2015, 38 new accounts were opened on the international trading platform, the total number of active accounts thus reached 115 compared to 77 at the end of 2014. Out of 115 active clients, 49 chose the online trading service. The net commissions made during 2015 totalled over 117,800 thousand euros, approx. 65% of these commissions being generated by the transactions on the accounts assisted by brokers (91% in 2014).

Structure of clients on foreign markets – account type



Structure of commissions from transactions on foreign markets



In 2015, SSIF Broker brokered transactions of a total amount of 125 million euros on the new trading platform intended for international markets, the rollovers being generated both by the retail investors and by the institutional investors.

#### 9.4 Research and development activity

The research and development activities of the company target the improvement of the computer software and the development of new investment products, such as the structured products. SSIF Broker wants to complete the implementation of a new computer software, so as to be able to offer its clients a wider range of financial products on foreign markets, as well as to start margin loan operations.

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.

#### 9.5 Risk management

A requirement specific to the companies providing financial investment services is the one set out by the National Securities Commission, currently FSA (Financial Supervisory Authority), in Emergency Ordinance no. 99/2006 on capital adequacy. This ordinance requires the existence of a high level of own funds, which should be above the level needed to cover the following risks: credit risk, risk of receivable value decrease, counterparty risk, position risk, settlement risk, operational risks, foreign currency risk. In principle, the own funds level is required to exceed 8-12% of the exposures existing at the calculation date, depending on the exposure type.



The level of SSIF Broker SA capital surplus / deficit is as follows:

Risk indicators (values in lei)	31.12.2015	31.12.2014
Total own funds	29,872,362	40,687,283
Total capital requirements	8,108,554	8,271,765
Surplus	21,763,807	32,415,518

## 10. Objectives for 2016

In 2016, SSIF Broker SA will focus on developing the viable business lines launched in 2012-2015, such as: promotion of loans for margin trading, promotion of brokerage of insurance policies and bank loans, and development of the structured product segment.

The implementation of the adopted strategies has become feasible following the significant investments made by the company between 2011 and 2015 in the *Tradis Workstation Pro* trading platform. This platform offers the required environment for the development of the offered services; it reduces significantly the information flow and creates the premises for a more efficient management of the clients' assets by the company employees.

Special attention will be paid to the financial investments from own funds, so as to ensure a high level of performance. The optimization of resource allocation in both the operational and investment process will aim at improving the rates of capital return and maintaining a high growth potential of the company in the medium and long term.

As for the brokerage activity, the Board of Directors approved the following strategic lines:

- ✚ promotion of lending services for margin transactions
- ✚ implementation of discretionary management of the clients' financial assets portfolios
- ✚ integration of foreign market trading in the *Tradis Workstation Pro* trading platform. Through this integration, SSIF Broker SA will become the first broker in Romania that will have this service available for its clients
- ✚ issuance of new series of turbo certificates, based on several types of underlying assets (commodities, foreign currencies, shares, stock exchange indices, etc.), as well as of capital-guaranteed structured products that have worldwide renown shares as underlying asset
- ✚ improvement of the relations with institutional and professional clients
- ✚ increasing the share of income from brokerage services (intermediation on local and foreign markets, market-making, structured products, margin loans) in the total income

In terms of management of financial assets, SSIF Broker SA's strategic lines approved by the Board of Directors refer to:


- ✚ continuation of the restructuring process for the portfolio of shares by selling certain positions, due to either the too small size or the lack of growth perspectives, and by consolidating the positions that offer both a liquidity advantage and medium-term growth perspectives;




- ✚ investments in projects in expanding economic sectors with an annual return higher than 20%;
- ✚ qualitative and quantitative adjustment of the portfolio of quoted shares and balancing of the financial assets portfolio;
- ✚ support under the form of working capital for certain brokerage activities that bring high added value;




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

The events occurred after the date of the balance sheet were taken into account when evaluating the conditions existing on 31.12.2015 with regard to receivables and significant estimates, including the creation of provisions for litigation.

 On 24.02.2016, FSA issued Authorization no. 25/24.02.2016 authorizing the change of the company's name from SSIF BROKER SA to SSIF BRK FINANCIAL GROUP S.A. in accordance with resolutions of the Extraordinary General Meeting of Shareholders held on 16.12.2015. On 21.03.2016, the name changing operation was completed by issuance of the certificate of recorded amendments by the Trade Register Office attached to the Cluj Court

 On 21.05.2016, SSIF Broker SA signed a court settlement contract with the company MOARA CIBIN SA to settle the dispute in case no. 3883/85/2014 before the Sibiu Court, seeking buy-back of shares following MOARA CIBIN's involvement in a merger. Thus, by signing the court settlement contract which will be filed in court, MOARA CIBIN SA will pay 2,547,411.17 lei for the shares held by SSIF Broker SA and SSIF Broker SA waives all claims against the company MOARA CIBIN SA. The amount agreed by the parties will be paid in two installments, namely an advance of 509,482 lei within five working days after confirmation of the transaction by the court via consent judgment, but not later than 14 working days after the signing of the transaction, and the remaining amount will be paid by 15.05.2016;

 In accordance with the resolution of the Extraordinary General Meeting of Shareholders held on 16.12.2015, published in the Official Gazette of Romania no. 226, Part IV, dated 15.01.2016, as required by the legal provisions of the European Commission Regulation (EC) no. 2273 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments, SSIF Broker SA initiates the program for the buy-back of its own shares as follows:

-  The purpose of the buy-back program is to cancel the shares and decrease the share capital – as per the resolution of the extraordinary general meeting of shareholders held on 16.12.2015; the program for the buy-back of its own shares aims at the buy-back of maximum 50,802,280 shares (maximum 15 % of share capital), which can be purchased at a price ranging between 0.0400 lei/share and 0.1700 lei/share.
-  The program for the buy-back of its own shares will take place over a period of maximum 18 months after publication of the buy-back resolution in the Official Gazette. The buy-back will start on 23.03.2016.
-  The provisions regarding the actual price and the volume of each transaction carried out, as required by Article 5 “conditions for trading” of Regulation (EC) no. 2273 of 22 December 2003 implementing Directive 2003/6/EC, shall be complied with throughout the buy-back program.



## 12. Financial statement

### 12.1 Financial position

31 December

<i>In lei</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Intangible assets	17	2.295.910	2.825.753
Tangible assets	16	4.584.491	3.968.453
Investment property	18	1.148.773	534.864
Long-term financial investment	20	39.175.295	27.404.543
Other long-term financial investment	21	1.762.652	5.457.679
<b>Total fixed assets</b>		<b>48.967.122</b>	<b>40.191.292</b>
Inventories		-	-
Short-term financial investments	20	4.351.364	15.552.638
Other short-term financial investments	21	8.846.512	816.132
Trade and other receivables	24	8.104.386	16.384.885
Bank account for clients	25	13.769.608	11.510.092
Cash and cash equivalents	25	1.205.149	1.107.615
<b>Total current assets</b>		<b>36.277.019</b>	<b>45.371.362</b>
Assets classified as available for sale	8	801.390	749.615
<b>Total assets</b>		<b>86.045.531</b>	<b>86.312.268</b>
<b>Equity</b>			
Share capital	26	54.039.987	84.670.467
Share capital adjustment		4.071.591	4.071.591
Own shares	26	0	-225.678
Share premium	26	5.355	5.355
Reserves	26	11.131.145	6.573.847
Result carried forward	26	-7.390.339	-35.142.235
<b>Total equity attributable to the Company's shareholders</b>		<b>61.857.739</b>	<b>59.953.346</b>
<b>Non-controlling interests</b>	26		
<b>Total equity</b>		<b>61.857.739</b>	<b>59.953.346</b>
<b>Liabilities</b>			
Obligations under finance leases	28	48.424	57.919
Provisions	30		1.396.084
<b>Total long-term liabilities</b>		<b>48.424</b>	<b>1.454.003</b>
Current portion of obligations under finance leases	28	47.492	50.542
Clients cash balance	28	17.332.865	20.764.762
Trade and other payables	31	6.403.222	4.089.616
Provisions	30	355.790	0
<b>Total current liabilities</b>		<b>24.139.369</b>	<b>24.904.920</b>
<b>Total liabilities</b>		<b>24.187.793</b>	<b>26.358.923</b>
<b>Total equity and liabilities</b>		<b>86.045.531</b>	<b>86.312.269</b>



## 11.2 Financial performances

### Profit and loss account and other elements of the global result

For the financial year ended on December 31

<i>In lei</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Continuing operations</b>			
Income from commissions and related activities		4,096,670	7,657,583
Financial income, other than dividends		4,013,334	8,995,244
Financial income from dividends		307,943	733,871
Income from lease activities		49,833	49,633
Income from assessment of investment property		216,772	0
Income from assessment of assets available for sale	14	0	0
Other income	14	1,348,601	30,140
Income for cancellation of provisions for risks and charges		1,075,301	4,316,182
<b>Total income from continuing operations</b>	<b>10</b>	<b>11,108,454</b>	<b>21,782,651</b>
Raw materials, materials		-200,361	-193,053
Electricity and water		-132,251	-125,431
Personnel-related expenses	13	-4,971,683	-5,790,032
Taxes and duties		-144,391	-149,139
Expenses related to external services		-3,708,962	-4,761,775
Value adjustment of intangible and tangible assets, exclusive of goodwill		-970,232	-508,420
Expenses related to provisions for risks and charges		0	0
Financial expenses	14	-2,272,845	-5,372,839
Reclassification of net losses, as acknowledged under the global results account to the results account, related to assigned financial assets available for sale	14	0	0
Other expenses	12	-1,445,893	-6,234,593
<b>Sales-related costs</b>		<b>-13,846,618</b>	<b>-23,135,282</b>
Expenses related to provisions for risks and charges	30	0	0
<b>Operating result</b>		<b>-2,738,164</b>	<b>-1,352,631</b>
<b>Profit before tax</b>		<b>-2,738,164</b>	<b>-1,352,631</b>
<b>Profit from continuing operations</b>		<b>-2,738,164</b>	<b>-1,352,631</b>
<b>Discontinued operation</b>			
Profit (loss) from discontinued operation (net of tax)	7	0	0
<b>Profit for the year</b>		<b>-2,738,164</b>	<b>-1,352,631</b>
<b>Other elements of the global result</b>			
Net change in fair value of available-for-sale financial assets transferred into the profit or loss account		-862,045	-1,158,002
<b>Positions that may be reclassified to profit and loss</b>			
Net change in fair value of available-for-sale financial assets		4,454,187	-278,320
Changes in value of available-for-sale assets		-	-
<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		-	-



For the financial year ended on December 31

<i>In lei</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
Setting up/cancellation of reserves from profit in order to give free shares to employees		-	-
<b>Total other elements of the global result for the year</b>		<b>4,647,500</b>	<b>-1,436,322</b>
<b>Total profit and loss account and other elements of the global result for the year</b>		<b>1,909,336</b>	<b>-2,788,953</b>
<b>Profit attributable to:</b>			
Shareholders of the Company	27	-2,738,164	-1,352,631
<b>Profit for the year</b>		<b>-2,738,164</b>	<b>-1,352,631</b>
<b>Total global result attributable to:</b>			
Shareholders of the Company	27		
<b>Total global result for the year</b>		<b>1,909,336</b>	<b>-2,788,953</b>
<b>Result per share</b>			
Basic result per share (lei)		-0.0081	-0.0040
Diluted result per share (lei)		-0.0081	-0.0040
Continuing operations			
Basic result per share (lei)		-0.0081	-0.0040
Diluted result per share (lei)		-0.0081	-0.0040



### 1.3 Cash flow statement (Indirect method)

	December 31 2014	December 31 2015
	RON	RON
Operating activities:		
Gross (Loss)/Profit	(1,352,631)	(2,738,164)
<b>Adjustments for reconciliation of net result with the net cash used for operational activities:</b>		
Adjustment of value of tangible assets	508,420	761,876
Income from buy-back of own shares	(81,678)	-
Adjustment of value of financial assets	-	426,307
Adjustment of value of short-term investments	(3,035,422)	638,877
Corporate tax	-	-
Provisions for current assets	(840,371)	(12,250)
Provisions for risks and charges	(4,316,182)	(1,075,301)
Interest-related expenses	3,910	58,965
Interest income	(873,064)	(563,390)
Income from turbo certificates	22,965	-
Profit/(loss) from sale of tangible assets	(20,799)	22,276
Income from exchange rate differences, related to IB and FXCM	(225,217)	(625,221)
<b>Operational cash increase/(decrease) before changes of the working capital</b>	<b>(10,210,069)</b>	<b>(3,106,025)</b>
Changes of the working capital:		
(Increase)/Decrease in other receivables balances	(5,719,330)	4,353,618
(Increase)/Decrease in deferred income balances	-	-
(Increase)/Decrease in trade and other payables balances	(910,372)	419,195
(Increase)/Decrease in available-for-sale asset balances	126,204	(51,775)
<b>Net cash flow generated by operational activities</b>	<b>(16,713,567)</b>	<b>1,615,012</b>
<b>Cash flow from operation:</b>		
Paid corporate tax	-	-
Proceeds from interest	837,936	563,390
Paid interests	(3,910)	(58,965)
<b>Net cash flow generated by operational activities</b>	<b>(2,106,284)</b>	<b>2,119,437</b>
<b>Cash flow generated by investments:</b>		



	December 31 2014	December 31 2015
	RON	RON
Operating activities:		
Gross (Loss)/Profit	(1,352,631)	(2,738,164)
(Increase)/Decrease in financial investment balances	13,773,257	10,193,529
Cash payment for purchase of tangible assets	(335,870)	(1,746,842)
Cash payment for purchase of intangible assets	(738,801)	26,013
Cash payment for purchase of financial assets	(1,968,010)	(3,359,315)
Cash collections from sale of land and buildings, installations and equipment, intangible assets and other long-term assets	260,440	-
Payment for purchase of lease	(48,719)	(161,734)
Collected dividends	-	-
<b>Net cash flow used for investments</b>	<b>10,942,297</b>	<b>4,951,650</b>
<b>Cash flow generated by funding:</b>		
Payment of dividends	-	-
Collections related to share capital increase	-	-
Payments related to share capital decrease	(6,459)	(1,387)
Loans granted	(4,304,917)	(8,867,165)
Proceeds on loans granted	4,004,217	1,205,653
Income from sale of turbo certificates	1,355,386	2,948,861
Effect of exchange rate fluctuations on loans and liabilities	-	-
<b>Net cash flow generated by funding</b>	<b>1,048,227</b>	<b>(4,714,038)</b>
<b>Cash flow – total</b>	<b>9,884,239</b>	<b>2,357,050</b>
<b>Changes in cash and cash equivalents</b>		
Cash and cash equivalents in the beginning of the year	16,506,723	12,617,707
Increase/(decrease) of cash and cash equivalents	(3,889,016)	2,357,050
Effect of exchange rate fluctuations on the opening balance of cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	12,617,707	14,974,757

Chairman of the Board of Directors  
Buliga Mihai



I, the undersigned Vicaș Emilia-Alexandra, interpreter and translator certified for the following foreign languages: English, French, Italian, as per Authorisation no. 8072 dated March 09 2013, 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. 8072/2013*

*Vicaș*