Separate financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2017

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This is a free translation from the original Romanian version.

In lei		**December 31, 2017**	**December 31, 2016 restated**
Assets			
Intangible assets	8	2,494,273	2,947,844
Tangible assets	9	6,190,220	4,343,040
Investment property	10	1,030,143	1,435,525
Available-for-sale financial assets	11	21,998,949	29,053,597
Other long-term financial investments	12	1,980,075	482,468
Total non-current assets		**33,693,660**	**38,262,474**
Financial assets at fair value through profit or loss	11	18,033,358	10,193,251
Other short-term financial investments	12	6,265,408	7,925,611
Trade and other receivables	15	12,620,117	15,565,227
Bank account for clients	17	26,351,801	27,096,728
Cash and cash equivalents	17	1,515,211	5,037,084
Total current assets		**64,785,894**	**65,817,900**
Assets classified as held for sale	14	544,721	557,067
Total assets		**99,024,275**	**104,637,441**
Equity			
Share capital	18	54,039,987	54,039,987
Adjustment of share capital	18	4,071,591	4,071,591
Own shares	18	(24,047)	(24,047)
Share premiums	18	5,355	5,355
Reserves from the revaluation of available-for-sale financial assets		3,623,734	3,799,682
Other reserves		10,860,687	9,633,968
Retained earnings	20	(13,280,773)	(8,699,961)
Total equity		**59,296,533**	**62,826,576**
Liabilities			
Financial lease liabilities	22	74,234	23,601
Total long-term liabilities		**74,234**	**23,601**
Short-term bank liabilities	22	5,006,087	0
Current portion of finance lease liabilities	22	48,087	23,433
Amounts payable to clients (clients' available funds)	22	30,938,001	32,573,663
Trade and other payables	21	3,211,150	8,798,690
Provisions	23	450,182	391,480
Total current liabilities		**39,653,507**	**41,787,266**
Total liabilities		**39,727,742**	**41,810,867**
Total liabilities and equity		**99,024,275**	**104,637,442**

These financial statements were approved today, March 22, 2018.

Chairman of the BoA,
Darie Moldovan, PhD

Economic Manager,
Dora Diaconescu

In lei		**December 31, 2017**	**December 31, 2016 restated**
Continued operations			
Revenues from commissions and related activities	25	4,566,717	2,528,427
Net finance gains on transactions with shares and bonds	29	4,073,935	681,928
Net finance gains on transactions with Turbo products and IG	29	478,902	5,946,011
Financial revenues from dividends	29	318,222	145,203
Financial interest revenues	29	621,943	710,440
Income from rentals	25	16,543	32,576
Income from the valuation of investment property and available-for-sale assets		96,301	0
Other revenues	26	13,961	27,483
Income from impairment of current assets		19,151	230,438
Total revenues from continued operations		**10,205,674**	**10,302,506**
Expenses with employees and collaborators	27	(4,666,621)	(4,220,019)
Other operating expenses	28	(412,453)	(403,939)
Expenses with suppliers' services	29	(3,131,667)	(3,055,666)
Value adjustments of intangible and tangible assets excluding goodwill		(1,115,327)	(946,524)
Expenses with allowances for risks and charges		(58,702)	(265,925)
Financial costs, of which:		186,726	5,825
Expenses with interest		*(14,430)*	*(5,825)*
Net finance losses	*30*	*(172,296)*	*0*
Loss on impairment of investments classified as available-for-sale financial assets		(4,539,884)	(3,066,375)
Net loss of disposal of non-current assets		180,393)	0
Other expenses	30	(568,300)	(142,940)
Total expenses		**(14,860,073)**	**(12,107,213)**
Result of operating activities		**(4,654,398)**	**(1,804,707)**
Loss before tax		**(4,654,398)**	**(1,804,707)**
Expenses with income tax	31	0	0
Loss for the period		**(4,654,398)**	**(1,804,707)**

In lei		**December 31, 2017**	**December 31, 2016 restated**
Other comprehensive income			
Net changes in the fair value of available-for-sale financial assets transferred to profit or loss		(1,780,164)	(1,404,435)
Lines that may be restated to profit or loss			
Net changes in the fair value of available-for-sale financial assets		1,604,216	4,218,368
Changes in the value of used non-current assets		1,226,718	
Total other comprehensive income for the period		**1,050,770**	**2,813,934**
Total comprehensive income for the period		**(3,603,628)**	**1,009,227**
Earnings per share			
Basic earnings per share (lei)	24	(0.0138)	(0.0053)
Diluted earnings per share (lei)	24	(0.0138)	(0.0053)

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In lei	Share capital	Own shares	Revaluation differences	Legal and statutory reserves	Fair value reserves	Other reserves	Adjustments of share capital (IAS 29)	Retained earnings	Retained earnings from adoption of IFRS	Total equity before restatement	Impact of restatement	Total equity after restatement
Balance as at January 1, 2016	54,039,987	-	2,370,920	4,587,875	985,749	3,186,601	4,076,946	(3,223,472)	(4,166,868)	**61,857,738**	**-**	**61,857,738**
Profit or loss	-	-	-	-	-	-	-	1,066,340	-	1,066,340	(2,871,047)	(1,804,707)
Gains transferred to profit or loss of available-for-sale financial assets sold	-	-	-	-	(4,275,482)	-	-	-	-	-	-	(4,275,482)
Effect of impairment loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	2,871,047	2,871,047
Net changes in the fair value of available-for-sale financial assets	-	-	0	0	4,218,368	0	0	0	0	4,218,368	0	4,218,368
Impact of restatement	-	-	0	0	2,871,047	0	0	(2,871,047)	0	0	0	0
Other changes in equity	-	-	0	0	0	0	0	(16,340)	0	(16,340)	0	(16,340)
Transfer to reserves of differences from revaluation for sold assets	-	-	(73,586)	0	0	0	0	73,586	0	**0**	**0**	**0**
Transfer to retained earnings	-	-	0	0	0	(437,841)	0	437,841	0	0	0	0
Total other comprehensive income	**-**	**-**	**(73,586)**	**0**	**2,813,933**	**(437,841)**	**0**	**(1,309,620)**	**0**	**(73,454)**	**0**	**(73,454)**
Total comprehensive income for the period	-	-	(73,586)	0	2,813,933	(437,841)	0	(1,309,620)	0	992,886	0	992,886
Buy-back of own shares	-	(24,047)	-	-	0	0	0	0	0	(24,047)	0	0
Total operations with own shares	-	(24,047)	-	-	0	0	0	0	0	(24,047)	0	0
Balance as at December 31, 2016 restated	**54,039,987**	**(24,047)**	**2,297,334**	**4,587,875**	**3,799,682**	**2,748,760**	**4,076,946**	**(4,533,091)**	**(4,166,868)**	**62,826,576**	**0**	**62,826,576**

The impact of the restatements for 2016 is presented in note 35.

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SSIF BRK FINANCIAL GROUP SA
Separate statement of changes in shareholders' equity
as at December 31, 2017

In lei	Share capital	Own shares	Revaluation differences	Legal and statutory reserves	Fair value reserves	Other reserves	Adjustments of share capital (IAS 29)	Retained earnings	Retained earnings from adoption of IFRS	Total equity
Balance as at January 1, 2017 restated	54,039,987	(24,047)	2,297,334	4,587,875	3,799,682	2,748,760	4,076,946	(4,533,091)	(4,166,868)	62,826,576
Loss	0	0	0	0	0	0	0	(4,654,398)	0	(4,654,398)
Gains transferred to profit or loss of available-for-sale financial assets sold	0	0	0	0	(1,780,164)	0	0	0	0	(1,780,164)
Net changes in the fair value of available-for-sale financial assets	0	0	0	0	1,604,216	0	0	0	0	1,604,216
Increase of value of tangible assets revalued during the year	0	0	1,226,718	0	0	0	0	73,584	0	1,300,302
Total other comprehensive income	**0**	**0**	**1,226,718**	**0**	**(175,948)**	**0**	**0**	**(4,580,814)**	**0**	**1,124,354**
Total comprehensive income for the period	0	0	1,226,718	0	(175,948)	0	0	(4,580,814)	0	(3,530,044)
Balance as at December 31, 2017	**54,039,987**	**(24,047)**	**3,524,052**	**4,587,874**	**3,623,733**	**2,748,759**	**4,076,946**	**(9,113,907)**	**(4,166,869)**	**59,296,533**

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	December 31, 2017	December 31, 2016 restated
	RON	**RON**
Operating activities		
Gross loss	(4,654,398)	(1,804,707)
Adjustments for reconciliation of net result against net cash used in operating activities		
Value adjustments of tangible and intangible assets	1,115,327	946,524
Impairment of available-for-sale financial assets	4,539,884	2,915,294
Unrealized gains on financial assets carried at fair value through profit or loss	(1,388,771)	180,161
Provisions for current and non-current assets	10,072	(230,438)
Provisions for risks and charges	58,702	265,925
Expenses with interest	14,430	5,825
Interest income	(621,943)	(710,440)
Dividend income	(318,222)	(145,203)
Gain/(loss) on sale of tangible assets	180,393	(3,177)
Income from foreign exchange differences for IB, IG and FXCM	172,296	(22,359)
Increase/(Decrease) of operating cash before changes to working capital	**(892,230)**	**1,397,404**
Changes in working capital:		
(Increase)/Decrease in balances of other receivables	4,594,080	(8,254,664)
Increase/(Decrease) in balances of trade and other payables	(6,819,275)	17,636,266
Cash flows generated by operating activities	**(3,117,425)**	**10,779,007**
Cash flows from operating activities		
Income tax paid	0	0
Proceeds from interest	704,154	710,440
Interest paid	(3)	(5,825)
Net cash flows generated by operating activities	**(2,413,274)**	**11,483,622**
Cash flows from investing activities		
Cash payment for purchase of tangible and intangible assets and investment property	(1,038,433)	(6,618,963)
Cash paid/received for purchase of financial instruments	(6,674,930)	9,131,730
Cash received from sale of buildings, plant and equipment, intangible assets and other non-current assets	19,454	0
Dividends received	270,207	145,203
Loans granted	(1,699,620)	0
Proceeds from loans granted	0	2,216,860
Proceeds from sale of turbo certificates	2,333,106	842,235
Net cash flows generated by investing activities	**(6,790,216)**	**5,717,065**

		December 31, 2017	December 31, 2016 restated
		RON	**RON**
Cash flows from financing activities:			
Lease payments		(69,397)	(41,633)
Collections/payments of short-term bank loans		5,006,087	0
Net cash flows generated by financing activities		**4,936,690**	**(41,633)**
Total cash flows		**(4,266,800)**	**17,159,053**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		32,133,811	14,974,758
Increase/(Decrease) in cash and cash equivalents		(4,266,800)	17,159,053
Cash in Company’s accounts at the end of the period		27,867,012	32,133,811
Cash blocked (attachment)	24	(4,980,780)	(4,980,780)
Cash on behalf of clients		(21,371,021)	(22,115,948)
Cash and cash equivalents at the end of the period		**1,515,211**	**5,037,084**

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1. REPORTING ENTITY

SSIF BRK FINANCIAL GROUP SA („the Company”) is a financial investment company headquartered in Romania. The address of the registered office is Cluj-Napoca, str Motilor nr 119. The main activity of SSIF BRK FINANCIAL GROUP SA is intermediation of financial investment services.

The financial statements of SSIF BRK FINANCIAL GROUP SA are separate financial statements of the company and have been prepared according to Rule no. 39/2015 approving the accounting regulations compliant with the International Financial Reporting Standards („IFRS”), applied by entities authorized, regulated and supervised by the Financial Supervisory Authority – Financial Instruments and Investments and are the Company’s responsibility.

The annual separate financial statements for 2017 and 2016 have been prepared in accordance with IFRS.

These financial statements have been authorized for publication on 22.03.2018 by the Board of Administration of SSIF BRK FINANCIAL GROUP SA, and cannot be changed as of such date.

SSIF BRK FINANCIAL GROUP SA issues financial statements for the financial year ended December 31, 2017 and consolidated financial statements in accordance with International Financial Reporting Standards. The consolidated financial statements of SSIF BRK FINANCIAL GROUP SA as at December 31, 2017 will be prepared, approved and made public at a later date following the publication of these separate financial statements, and compliance with the legal provisions is the responsibility of the Company's management.

2. BASIS OF PREPARATION

a) Statement of compliance

The separate financial statements are prepared by the Company in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS”). The Company prepared these separate financial statements in order to comply with Norm 39/2015, as revised, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorized, regulated and supervised by the FSA – Financial Investments and Instruments Sector (FSA). For the comparability of the financial information as at December 31, 2017, where applicable, the Company reclassified the financial infromation as at December 31, 2016 in the elements of these separate financial statements.

Within the meaning of Norm 39/2015, the International Financial Reporting Standards, herein after referred to as *IFRS*, represent the standards adopted according to the procedure provided by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as subsequently amended and supplemented.

b) Basis of measurement

The financial statements were prepared at historical cost, except for the following significant items in the statement of financial position:

- financial instruments at fair value through profit or loss are stated at fair value;
- the available-for-sale financial assets that are quoted at the Bucharest Stock Exchange (BSE), SIBEX Stock Exchange (SBX) or international stock exchanges are stated at fair value;
- derivatives are stated at fair value;
- investment property is stated using the revaluation model in accordance with IAS 40;
- non-current assets representing buildings and related land are stated at revalued amount, in accordance with IAS 16;
- available-for-sale non-current assets are stated at fair value in accordance with IFRS 5.

In accordance with IAS 29, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current measurement unit at the closing balance sheet date (non-monetary elements are restated using a general price index as at the acquisition or contribution date).

2. BASIS OF PREPARATION (continued)

In accordance with IAS 29, an economy is hyperinflationary if, apart from other factors, the accumulated inflation rate over a period of three years is more than 100%.

The continued decrease of inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Company ceased to be hyperinflationary, which affects the financial periods starting January 1, 2004. Hence, the Company adopted the provisions of IAS 29 in preparing the separate financial statements as at December 31, 2003.

Thus, the values denominated in the current measurement unit as at December 31, 2003 are treated as basis for the accounting values reported in the separate financial statements and do not constitute valued amounts, replacement cost or any other measurement of the current value of assets or prices at which transactions would be carried out at present.

- For the preparation of the separate financial statements, the Company adjusts share capital so as to express them in the current measurement unit as at December 31, 2003.

These separate financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management assesses the forecasts regarding future cash inflows.

The Company registered in 2017 a loss of RON 4,654,398, an accumulated carried forward loss as at December 31, 2017 of RON 13,280,773 and total equity in amount of RON 59,296,533. The Company's capacity to continue to operate depends on its capacity to generate enough future revenues and the financial support of shareholders and creditors. The Company's management considers that such support will be available anytime required. Based on such assessments, the management considers that the Company will be able to continue to operate in the foreseeable future and, therefore, the use of the going concern principle in the preparation of the financial statements is justified.

Fair value

Certain accounting policies of the entity and disclosure requirements involve the determination of fair value both for financial assets and non-financial assets. Fair values have been determined for the purpose of evaluating and / or presenting information based on the methods described below. Where appropriate, additional information is provided on the assumptions used to determine fair values in the notes dedicated to such asset or liability.

i. Equity investments

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

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

1. <u>The trading price</u>: For equity investments quoted on the stock exchange, the Company assesses whether the exchange is active and liquid and uses as fair value the closing price of the last trading period at the end of the financial year;

2. <u>The fair value determined by applying the Discounted Dividend Model (DDM)</u>: If the company has a consistent history of dividend distribution and the dividend policy is predictable, the evaluation price is considered to be the intrinsic value resulting from the DDM model.

3. <u>Fair value determined by applying the Discounted Cash Flow (DCF) method</u>: If the company does not distribute dividends and the evaluation is made from the perspective of a significant shareholder, the evaluation price is considered to be the intrinsic value resulting from the DCF model.

4. <u>The fair value determined by the asset-based method</u>: If the company has valuable redundant assets and the operating activity is small, the evaluation price is considered to be the intrinsic value resulting from the application of the adjusted net asset method.

2. BASIS OF PREPARATION (continued)

5. Fair value resulting from the application of the comparative method – similar transactions: If in the last year on the local stock market there were significant transactions (>10% of the capital) involving the shares of companies operating in the same field of activity as the company under scrutiny, the evaluation price is considered to be the intrinsic value determined by applying the comparative method (using the evaluation multiples such as: P / E, P / B, P / S as reference at which the respective transactions were made compared to the results published by the companies in the previous financial year).

ii. Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the effective interest rate. This fair value is determined for disclosure purposes.

iii. Derivatives

The fair value of derivative products closed at the end of the period is calculated as the minimum of the number of short and long positions multiplied by the difference between the average sale price and the purchase price and further multiplied by the number of contracts of the package. The resulting value affects the results account.

The fair value of derivative products open at the end of the period is calculated if, at the end of the period, there are more sale contracts than purchase contracts as follows: the number of open positions calculated as number of short positions less long positions, multiplied by the difference of the average sale price and the quotation price at the end of the period. The calculation is the same when there are more purchase contracts than sale contracts at the end of the period. The resulting value adjusts the initial value of the security generated by the set margin.

iv. Non-derivative liabilities

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

c) Functional and presentation currency

These financial statements are presented in lei (RON), which is also the functional currency of the Company. All financial information is presented in lei (RON), rounded to the nearest unit, unless otherwise specified.

d) Foreign currency

Operations denominated in foreign currencies are recorded in RON at the official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RON at the exchange rate of that date. Foreign exchange differences are recognized directly to other comprehensive income.

e) Use of estimates and professional judgments

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

The judgments and assumptions underlying the financial statements are revised periodically by the Company. The revisions of accounting estimates are recognized when the estimate is revised and in the future affected periods.

Information on critical professional judgments of accounting policies that materially affect the amounts recognized in the financial statements is included in the following notes:

- *Financial instruments* – classification of financial instruments;
- *Financial income and expenses* – losses on impairment of available-for-sale securities, which are reclassified from equity to financial expenses;
- *Non-current assets held for sale* – treatment as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company will be presented below. The impact of applying IFRS on the financial position and results registered in the financial statements is presented in note *Reconciliation of assets accounts* and note *Reconciliation of results*.

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

a) Financial assets and liabilities

(i) Classification

The Company classifies financial instruments it holds in the following categories:

Financial assets or financial liabilities at fair value through profit or loss

Such category includes financial assets or financial liabilities held for trading and financial instruments designated at fair value through profit or loss upon initial recognition. The Company includes a financial asset or liability in this category if such has been acquired primarily for purpose of speculation (to generate short-term profit).

Derivative financial instruments are classified as held for trading if they are not instruments used for hedging.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near term. They consist primarily in bank deposits. Cash and cash equivalents comprise cash and sight deposits with initial maturity of less than three months.

Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are those financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

After initial recognition, equity instruments classified as available-for-sale financial assets for which there is an active market are measured at fair value and changes in fair value other than impairment losses, such as gains and losses on the exchange rate variation related to financial instruments, are recognized directly to equity.

When the asset is derecognized, the cumulated gain or loss is transferred to profit or loss.

(ii) Recognition

The assets and liabilities are recognized when the Company becomes contract party in the conditions of the instrument. Financial assets and liabilities are measured upon initial recognition at fair value plus directly attributable trading costs, except investments in shares whose fair value could not be reliably determined and which are initially carried at cost.

(iii) Offset

The Company offsets financial assets and liabilities, and the net result is presented in the statement of financial position if and only if it has a legally enforceable right of set-off intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis if and only if it is permitted by accounting standards or for the gain or loss resulting from a pool of similar transactions such as those deriving from the Company's trading.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(iv) Measurement at amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any impairment losses.

(v) Measurement at fair value

Fair value is the price which would be received from the sale of an asset or the price which would be paid to transfer a liability, through a normal transaction between market participants as at the valuation date (i.e., outgoing price).

The fair value of financial assets and liabilities is determined based on the quotations in an active market. A financial instrument has an active market if quoted prices are readily and regularly available for such instrument and such prices reflect regular arm's length market transactions.

Instruments traded in an active market are measured at fair value by multiplying the number of shares held with the closing price of the last trading day in the corresponding reporting period.

If a financial asset is quoted in more active markets, then the Company uses the quotation of the most advantageous market, considering all barriers/costs associated to accessing each of the markets.

Available-for-sale financial assets for which there is no active market and for which fair value cannot be reliably determined are carried at cost and are tested periodically for impairment.

For all other financial instruments, fair value is calculated using measurement techniques. Measurement techniques include techniques based on net discounted value, discounted cash flows, comparison with similar instruments for which there is an observable market price and other measurement techniques.

The value resulting from using a measuring model is adjusted depending on certain factors, as measurement techniques do not reliably reflect all the factors considered by market participants when entering into a transaction. Adjustments are registered so as to reflect risk models, the differences between sale and purchase quotes, liquidity risks and other factors. The Company's management considers that such adjustments are required to reliably present the financial instruments at fair value in the statement of financial position.

(vi) Identification and evaluation of impairment

Financial assets carried at amortized cost

The Company analyzes at each reporting date whether there is any objective evidence of the impairment of a financial asset. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the effective interest rate of the financial asset at initial recognition.

If a financial asset measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current variable interest rate determined under the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(vi) Identification and evaluation of loss of value (continued)

The carrying amount of an asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed by adjusting an allowance account. The amount of the impairment loss decrease shall be recognized in profit or loss.

Available-for-sale financial assets

In case of available-for-sale financial assets, when a decline in the fair value of an available-for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been directly recognized in equity shall be reclassified from equity to comprehensive income even though the financial asset has not been derecognized.

To determine whether an asset is impaired, the Company takes into account all relevant loss generating events such as significant long-term decline in fair value below cost; market and industry conditions, to the extent that they influence the recoverable amount of the asset; financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer's recent losses, the qualified independent auditor's report on the most recent financial statements of the issuer etc.

The amount of the cumulative loss that is reclassified from equity to comprehensive income shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in comprehensive income.

Impairment losses recognized in comprehensive income for an investment classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of an impaired investment increases, the amount of the increase shall be recognized directly to other comprehensive income.

To determine whether an available-for-sale financial asset carried at cost because the fair value cannot be reliably established is impaired, the Company considers relevant loss events, such as the significant long-term decrease of fair value below cost; the market conditions and the conditions of the field of activity, to the extent they influence the recoverable value of the asset; the financial conditions and short-term perspectives of the issuer, including any specific adverse events likely to influence the issuer’s operations, issuer’s recent losses, the independent auditor’s qualified report on the latest financial statements of the issuer etc.

Given the inherent limitations of the methodologies applied and the significant uncertainty of how assets are measured in local and international markets, the Company’s estimates can be substantially revised subsequent to the approval of the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(vii) Derecognition

The Company derecognizes a financial asset when the rights to the cash flows from the financial asset expire, or when the Company has transferred the contractual rights to the cash flows from the financial asset in a transaction in which it has transferred substantially all the risks and rewards of ownership.

Any interest in the transferred financial assets retained by the Company or created for the Company is recognized separately as asset or liability.

The Company derecognizes a financial liability when the contractual obligations terminated or when the contractual obligations are annulled or expire.

In accordance with IAS 39, if an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract.

If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognized at its fair value. If the fee to be received is expected to be more than an adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

In addition, in accordance with IAS 39, if, as a result of the transfer, a financial asset is derecognized in its entirety, but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount; and

- the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset (e.g. when an entity transfers interest cash flows that are part of a debt instrument interest) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. For this purpose, a servicing asset shall be treated as a part that continues to be recognized.

The difference between:

- the carrying amount allocated to the part derecognized; and
- the sum of (i) the consideration received for the part derecognized (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(vii) Derecognition (continued)

Loans and receivables

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

b) Property, plant and equipment

i. Recognition and measurement

Items included in property, plant and equipment are measured at the cost date and subsequently at revalued amount less accumulated depreciation and accumulated impairment losses.

Gains or losses on the disposal of a tangible asset are determined by comparing the proceeds from disposal of the asset with the carrying amount of the tangible asset and are recognized at net value under other revenues in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings. The revaluation reserve is reduced in each financial year by the amount corresponding to the amortization and transferred to retained earnings.

ii. Reclassification as investment property

Investment property is defined below in *Investment property (letter e)* section.
When the use of a property changes from real estate used by the owner to investment property, the property is revalued at fair value and reclassified as investment property.

iii. Subsequent costs

The cost of replacing a tangible asset component is recognized in the carrying amount of the asset if it is probable that the future economic benefits embedded in that component will flow to the entity and its cost can be measured reliably. The accounting value of the replaced component is derecognized. Expenses with the current maintenance of the tangible asset are recognized in profit or loss as they are incurred.

iv. Depreciation of property, plant and equipment

Depreciation is calculated for the depreciable amount, which is the cost of the asset, or another value that substitutes cost, less the residual value.

Depreciation is recognized in profit or loss on the straight-line basis for the useful life estimated for each component of a tangible asset. Leased assets are depreciated over the shortest of the lease term and the useful life, unless it is reasonably certain that the entity will acquire the ownership right at the end of the lease. Land is not depreciated.

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

- buildings - 40 years
- plant and equipment - 2-10 years; 5 years total average value
- vehicles - 5 years
- other plant, fixture and furniture - 3-10 years; 5 years total average value

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Intangible assets

i. Goodwill

Goodwill arising from the acquisition of subsidiaries is included in intangible assets. It is measured at cost less accumulated impairment losses.

ii. Subsequent expenses

Subsequent expenses are capitalized only when they increase the amount of future economic benefits embedded in the asset for which they are intended. All other expenses, including goodwill, are recognized in profit or loss when incurred.

iii. Amortization of intangible assets

Amortization is calculated for the cost of the asset or another value that replaces cost, less the residual value.

Amortization is recognized in profit or loss on a straight-line basis for the useful life estimated for intangible assets other than goodwill from the date they are available for use, this way reflecting the most accurately the expected pattern of consumption of the economic benefits embedded by the asset.

Estimated useful lives for the current and comparative periods are as follows: 3 years for all intangible assets, except goodwill.

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

d) Investment property

Investment property means property owned either to be leased or to increase the value of the capital or both, but not for sale in the ordinary course of business, use in production, supply of goods or services, or for administrative purposes. Investment property is valued as assets used, at fair value.

e) Leased assets

Leases by which the entity substantially assumes the risks and rewards of ownership are classified as finance leases. At the time of initial recognition, the asset subject to the lease is measured at the minimum of the 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 the asset.

Other leasing contracts are classified as operating leases.

f) Lease payments

Lease payments under an operating lease are recognized as an expense in profit or loss on a straight-line basis over the lease term. The operating lease facilities received are recognized as an integral part of the total lease expense, over the lease term.

The minimum lease payments under finance leases are divided on a pro rata basis between lease interest expenses and reduction of lease debt. The lease interest expense is allocated to each lease term so as to generate a constant interest rate for the remaining lease debt.

Determining the extent to which an arrangement contains a lease: When initiating an arrangement, the entity determines whether the arrangement is or contains a lease operation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment

Tangible assets or disposal groups containing assets or liabilities whose carrying amount is expected to be recovered principally through a sale operation and not through continuing use are classified as held for sale.

Prior to reclassification to tangible assets held for sale, the assets or components of a disposal group are revalued in accordance with the entity's accounting policies. Generally, assets or components of disposal groups are subsequently valued at the minimum of the carrying amount and the fair value less costs to sell.

Impairment losses related to a sales group are first allocated to goodwill and then pro rata to the remaining amount of assets and liabilities, except that no impairment will be allocated to inventories, financial assets, deferred tax assets, employee benefits and investment property, which continue to be valued in accordance with the entity's accounting policies. Impairment losses arising on initial classification as held for sale and subsequent gains or losses as a result of revaluation are recognized to profit or loss. Gains that exceed accumulated impairment losses are not recognized.

h) Discontinued operations

A discontinued operation is a component of the entity's activities that represents a major distinct segment of business or a geographic area of operations that has been either discontinued or classified as held for sale, or is a branch acquired exclusively for resale. Classification as discontinued operation occurs at the time of interruption or when the operation meets the classification criteria as held for sale, which ever occurs earlier. When an operation is classified as discontinued, comparative information in the statement of comprehensive income is presented as if the activity had been discontinued from the beginning of the comparative period.

Tangible assets held for sale and discontinued operations are recognized in accounting in accordance with IFRS 5.

m) Non-derivative financial liabilities

Liabilities are recognized on the date when the entity becomes part of the instrument's contractual terms.

The entity derecognizes a financial liability when the contractual obligations are paid, canceled or expire.

The entity has the following non-derivative financial liabilities: trade payables, debts to customers on their deposits and other liabilities.

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

n) Share capital

Ordinary shares

Ordinary shares are classified as part of equity. Additional direct costs attributable to the issue of ordinary shares are recognized as a reduction in equity at net book value.

Buy-back of shares (treasury shares)

When the share capital recognized as part of equity is bought back, the amount of the consideration paid, which includes other directly attributable costs, net of tax effects, is recognized as a decrease in equity. Redeemed shares are classified as treasury shares and presented as a reduction in equity. When treasury shares are subsequently sold or re-issued, the amount received is recognized as an increase in equity and the surplus or deficit arising from the transaction is transferred to or from the retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employee benefits

i. Short-term benefits

Employees' short-term benefits are assessed without being updated, and the expense is recognized as the related services are rendered.

A liability is recognized at the amount that is expected to be paid under short-term cash-premium or profit-sharing plans if the entity has a legal or constructive obligation to pay that amount for services previously provided by employees, and the obligation can be estimated reliably.

ii. Share-based transactions

The fair value of the share-based payment allowance granted to employees is recognized as a payroll expense, together with an increase in equity, during the time when employees become unconditionally entitled to these premiums.

p) Provisions

A provision is recognized if, as a result of a prior event, the entity has a present legal or constructive 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 expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and debt-specific risks. The amortized discount is recognized as financial expense.

q) Sale of goods and provision of services

Income from sales during the current period is measured at the fair value of the consideration received or receivable. Income is recognized when the risks and rewards resulting from ownership of the goods are transferred significantly and the amount of income can be measured reliably. The moment when the transfer of risks and rewards varies depending on the individual terms in the sales contracts.

In the case of intermediation activity, commission income is recognized on the transaction date. Dividend income is recognized when the right to receive them arises.

r) Rental income

Rental income from investment property is recognized in the income statement on a straight-line basis over the lease.

s) Financial revenues and expenses

Financial revenues include:

- revenues from interest on bank deposits,
- dividend revenues,
- gains on sales of:
  - available-for-sale financial assets, and
  - assets at fair value through profit or loss,
- changes in the fair value of assets at fair value through profit or loss.

Interest income is recognized in profit or loss on accrual basis using the effective interest method.

Dividend income is recognized in profit or loss at the date when the entity is entitled to receive the dividends, which in the case of the quoted instruments is the ex-dividend date.

Financial expenses comprise:

- impairment losses on financial assets at fair value through profit or loss;
- definitive impairment losses on available-for-sale financial assets;
- foreign exchange differences;
- foreign exchange losses;

Gains and losses from foreign exchanges are reported on net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Income tax

Expenses with income tax include current tax and deferred tax. Current and deferred tax is recognized in profit or loss, unless they are attributable to business combinations or items recognized directly in equity or other comprehensive income.

Current tax is the tax that is expected to be paid or received for the taxable income or deductible loss incurred in the current year using tax rates adopted or substantially adopted at the reporting date and any adjustment to tax liability on profits for previous years.

Deferred tax is recognized for the temporary differences that arise between the carrying amount of assets and liabilities used for the purpose of financial reporting and the tax base used for the tax calculation.

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

Deferred tax assets and liabilities are offset only if there is a legal right to offset current tax liabilities and receivables and are related to taxes levied by the same tax authority for the same taxable entity or for different tax entities, but which intends to settle receivables and debts with current tax on a net basis, or whose tax assets and liabilities will be simultaneously incurred.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future profits may be used to cover the tax loss. Deferred tax assets are reviewed at each reporting date and are diminished to the extent that the related tax benefit is no longer probable. The Note on *deferred tax assets and liabilities* includes cases where deferred tax assets have not been recognized as assets.

u) Earnings per share

The entity discloses basic and diluted earnings per share for its ordinary shares. The basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average of ordinary shares outstanding during the period, adjusted by the amount of own shares held. The diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, adjusted by the amount of own shares held, with the dilutive effects of all ordinary potential shares that comprise share options granted to employees.

v) Segment reporting

An operating segment is a component of the entity that engages in activities that can generate revenues and expenses, including revenues and expenses related to transactions with any of the entity's other components.

Operating results of an operating segment are reviewed periodically by the Company's management to make decisions about the resources to be assigned to the segment and to analyze its performance and for which distinct financial information is available.

The following **amendments to the existing standards** and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are **effective** for the current reporting period:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealized Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

At the date of authorization of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

SSIF BRK FINANCIAL GROUP SA has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application, except IFRS 9, whose impact is described in Note 27.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 22 March (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

SSIF BRK FINANCIAL GROUP SA anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

4. FINANCIAL RISK MANAGEMENT

Due to the complex activity it carries out and the use of financial instruments, BRK Financial Group is exposed to risks from the following categories:

- credit risk
- liquidity risk
- market risk
- operational risk
- exchange rate risk
- currency risk

The explanations provide information on the exposure of the company to each risk category, the objectives, policies, processes and procedures used for risk and capital assessment and management.

General risk management setting

The Board of Administration of BRK Financial Group is responsible for establishing, monitoring and supervising the risk management setting at company level.

The company's complex activity requires active risk management and, in order to ensure such management, the company has established a risk management system by developing internal risk management policies and procedures, in line with current regulations and legislation. Risk management principles include risk identification and awareness, assumption, management and monitoring or risk, prudential requirements for risk management, periodic review of risk policies and internal procedures, risk control and management.

At the same time, the company's internal procedures define risk management policies, set appropriate limits and controls, ways to monitor risks and meet established limits.

4. FINANCIAL RISK MANAGEMENT (continued)

Regularly, verification and follow-up missions are carried out to observe the provisions of the internal procedures and regulations in force and reports are drafted to the Executive Management of the company and to the Board of Administration.

In this way an orderly and constructive control environment is developed so that, through the proactive activity of risk management (basic activity within the company), all the risks faced by BRK Financial Group may be measured.

Categories of risk

Credit risk

Credit risk is the risk of financial loss or unrealized profit for the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and this risk arises mainly from customers' incapacity to meet their payment obligations regarding risk assets, either from balance sheet or off-balance sheet.

For securities intermediation activity, at the balance sheet date there is no credit risk because, according to the internal procedures approved by the Board of Administration, clients can record debts to BRK Financial Group only on the basis of analyzes and approvals and only on the short term.

Exposure to credit risk

Assets exposed to credit risk are the following categories of holdings: positions on financial instruments that do not belong to the tradable portfolio, exposures from commissions, interest, dividends, margins for futures, options, warrants, receivables on financial and non-financial entities, off-balance sheet items related to other assets than those included in the tradable portfolio, tangible assets, cash, sight and term deposits, loans granted to affiliated entities, any assets not deducted from the eligible capital of BRK Financial Group.

The risk of incurring losses due to default by the debtor may have two causes:

a) bankruptcy of the debtor / issuer - also called bankruptcy risk of the debtor (long-term credit risk). This risk concerns the long-term financial assets, which are implicitly affected by the solvency dynamics of the issuer of those securities.

b) the bad faith of the debtor (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 relates are the following:

    1. derivatives traded on OTC and credit derivatives;
    2. repurchase agreements, reverse repurchase agreements, securities/commodities lending or borrowing 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.

Determination

The credit risk and counterparty credit risk capital requirement is determined in accordance with the provisions of EU Regulation no. 575/2013 on capital adequacy for the standardized approach for those financial risks.

Minimum capital requirements for credit risk are determined by the standard approach, taking into account only positions in the non-tradable portfolio, based on their book value (after deducting the amortized amount), weighted by the coefficient of the exposure class from which the item analyzed forms part.

Exposures to credit risk recorded an average level of 103.63% of the company's own funds.

4. FINANCIAL RISK MANAGEMENT (continued)

The types of exposures are as follows:

Exposure classes	Exposure risk weighted values
Credit risk and counterparty credit risk	
Institutions	11,315,233.90
Companies	3,342,496.00
Retail	652,669.92
Default exposures	2,573.00
Elements associated to extremely high risk	15,926,620.23
Collective placement undertakings	5,824,220.00
Other elements	12,149,502.77
Secured bonds	1,815,180.77
Total	**51,028,496.59**

Liquidity risk

Liquidity risk is the risk that the entity has difficulty in meeting the obligations associated with financial liabilities that are settled in cash or by transferring another financial asset. At the date of this report, BRK Financial Group has outstanding loans.

In terms of brokerage activity, liquidity in customer relationships is ensured by the fact that investment firms have the obligation to keep their clients' deposits in separate accounts without using them in any way.

Regarding the overall liquidity, the current sources of availability are represented by the results of the investment activity, commissions received from clients, and as extraordinary sources the capital increases.

The risk of liquidity takes two forms:

Liquidity risk of the portfolio of financial instruments - losses that can be recorded by BRK Financial Group due to the impossibility of finding a counterparty in financial transactions, thus making it difficult to close the positions on the financial instruments that record unfavorable price variations.

Risk of liquidity coverage - losses that can be recorded by BRK Financial Group due to the impossibility to finance net outflows (current liabilities) recorded over a 30-day horizon.

Determination:

Liquidity risk of the portfolio of financial instruments - The rate of high liquidity assets in the total portfolio - is calculated as the ratio between the value of high liquidity assets and the value of the total asset.

Liquidity coverage ratio (LCR) - is calculated as a ratio between the value of high liquidity assets (liquidity reserves) and the value of current liabilities (maturity band of up to 30 days)

The risk of long-term assets financing from non-permanent resources - is calculated as a ratio between the value of temporary resources (e.g. dividends not received, loans, issued bonds, etc.) and the value of the total asset.

As at December 31, 2017, BRK Financial Group registered an LCR of 49%.
The following holdings were classified as high liquidity:

- bank accounts (cash and deposits);
- shares' adjusted value;
- OPC adjusted value.

4. FINANCIAL RISK MANAGEMENT (continued)

The values factored in in the calculation of the LCR of SSIF BRK Financial Group as at December 31, 2017 were as follows:

Cash and deposits	1,515,210.84
Shares adjusted value	564,013.65
Maximum value included in RL holdings	267,390.15
OPC adjusted value + securities	797,418.65
Total liquid assets	**2,312,629.49**
LCR	**49%**

Market risk

Market risk is the risk that the variation in market prices, such as the price of equity instruments, the exchange rate and the interest rate, will affect the company's income or the value of the financial instruments held. The objective of market risk management is to monitor and control market risk exposures within acceptable parameters and, at the same time, to optimize return on investments.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide range of factors associated with processes, personnel, technology and infrastructure of the company, as well as external factors other than credit, market and liquidity risk, such as those arising from legal and regulatory requirements, and generally accepted standards of organizational behavior.

The objective of the company is to identify, measure, monitor, manage and mitigate operational risk so as to strike a balance between avoiding direct or indirect financial losses that may occur as a result of procedural, human or systemic errors, or due to external events, which may jeopardize the reputation of the entity. At the same time, the operational risk at the company level is very low also due to the requirements imposed by the Financial Supervisory Authority (FSA) regarding the organization, the required reports and the internal control carried out.

The main responsibility for the development and implementation of operational risk controls lies with the management of each organizational unit. This responsibility is supported by the development of general corporate standards for operational risk management in the following areas:

- requirements for appropriate segregation of tasks and responsibilities
- requirements for reconciliation, monitoring and authorization of transactions;
- compliance with regulations and legislation;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks and the adequacy of controls and procedures for identified risks;
- training and professional development;
- ethical and business standards;
- risk mitigation.

Compliance with company standards is ensured through a program of periodic reviews of internal procedures. The results of these reviews are discussed with management.

Interest rate risk

As at December 31, 2017, SSIF BRK FINANCIAL GROUP SA contracted a credit line granted for a period of 1 year to support the company’s current activity.

Interest rates used to determine fair value

For the determination of fair value or for impairment testing of financial instruments, no interest rates were used to discount cash flows as it was not the case for trade receivables or other financial instruments whose collection is significantly delayed over time.

For doubtful receivables (receivables whose recovery is uncertain), at the end of the reporting period, the Company registered impairments for the entire amount.

4. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

BRK Financial Group is a financial institution regulated and authorized by the Financial Supervisory Authority and is subject to the European regulations and the CRD - CRR legislative package to the relevant Technical Standards.

The capital requirement related to the foreign exchange risk is determined according to the provisions of EU Regulation no. 575/2013 on capital adequacy for the standardized approach for that financial risk.

The limits on exposure to this risk are calculated as the ratio between the exposure value of the assets exposed to the foreign currency risk and the value of the BRK Financial Group's own funds.

BRK Financial Group calculates the capital requirement for foreign exchange risk if exposures to this risk exceed 2% of total own funds.

As at December 31, 2017 exposures to foreign exchange risk represented 19.02% of total own funds, which equals a high risk for the company.

Exposures to foreign exchange risk comprise the following elements:

- derivatives (CFD, futures, options, warrants);
- cash in accounts with external intermediaries (Interactive Brokers, IG);
- bank deposits in foreign currency;
- leases;
- guarantees at market institutions (Athex);
- bonds in foreign currency

4. FINANCIAL RISK MANAGEMENT (continued)

The methodology to determine capital exposure and requirement is as follows:

		GROSS POSITION		NET POSITION	
CURRENCY	**INSTRUMENTS**	**SHORT**	**LONG**	**SHORT**	**LONG**
	CFD	0.00	0.00	0.00	0.00
	FUTURES	0.00	0.00	0.00	0.00
	CASH IN ACCOUNT WITH INTERMEDIARIES	0.00	39,104.15	0.00	39,104.15
	DEPOSITS	0.00	525,314.82	0.00	525,314.82
	WARRANTIES	0.00	59,248.22	0.00	59,248.22
	LEASE	0.00	0.00	0.00	0.00
EUR	ATHEX GUARANTEES	0.00	139,266.00	0.00	139,266.00
	OPTIONS	0.00	47,991.65	0.00	47,991.65
	BONDS	0.00	9,244,658.41	0.00	9,244,658.41
Total EUR		0.00	10,055,583.25	0.00	10,055,583.25
	IG OTC	343,784.84	0.00	343,784.84	0.00
	IG OTC GOLD	19,727.96	0.00	19,727.96	0.00
	OPTIONS	0.00	2,339.73	0.00	2,339.73
	CASH IN ACCOUNT WITH INTERMEDIARIES	0.00	1,198,183.47	0.00	1,198,183.4
	LEON 1604	0.00	15,230.09	0.00	15,230.09
USD	DEPOSITS	0.00	16,733.72	0.00	16,733.72
Total USD		363,512.80	1,232,487.00	363,512.80	868,974.20
	OPTIONS + CFD	0.00	0.00	0.00	0.00
	WARRANTIES	0.00	0.00	0.00	0.00
CHF	DEPOSITS	0.00	26,701.04	0.00	26,701.04
Total CHF		0.00	26,701.04	0.00	26,701.04
	CFD	0.00	0.00	0.00	0.00
GBP	DEPOSITS	0.00	2,167.49	0.00	2,167.49
Total GBP		0.00	2,167.49	0.00	2,167.49
NOK	CFD	0.00	0.00	0.00	0.00
CAD	DEPOSITS	0.00	12,397.58	0.00	12,397.58
CZK	DEPOSITS	0.00	1,852.75	0.00	1,852.75
SEK	CFD	0.00	0.00	0.00	0.00
HKD	CFD	0.00	51,937.35	0.00	51,937.35
TOTAL		***363,512.80***	***11,383,126.46***	***727,025.60***	***10,967,676.31***

5. Capital Management

The Policy of the Board of Administration of BRK FINANCIAL GROUP SA is to maintain a sound capital base to maintain investor, creditor and market confidence and sustain the future development of the company. The Board of Administration monitors the profitability of all agencies in which trading is conducted on a monthly basis and the results of the analysis are discussed during the monthly meetings of the Board of Administration.

Also, during the monthly meetings of the Board of Administration, the report on the investment activity drawn up by the analysis department is discussed. Global results are thus monitored to maintain a high return on capital.

BRK FINANCIAL GROUP SA is subject to prudential regulations regarding minimum capital requirements and minimum own funds so as to hedge risks:

- risk-weighted exposures by class of exposures to which they are part are considered to hedge credit risk and the risk of receivables' value reduction;
- to hedge position risk and settlement / delivery risk, capital is required at the level of 16% of the exposure level;
- to hedge operational risk capital is required at the level of 15% of the average of the last three years of the operating result.

	December 31, 2017	**December 31, 2016**
Total own funds	53,844,125.36	57,463,227
Total capital requirements	9,995,306.45	3,262,499
Risk exposures	124,941,330.56	98,360,198

The capital adequacy requirements do not imply own funds for liquidity risk.

Under the regulations in force, large exposures, which are defined as those gross exposures exceeding 10% of the eligible capital (own funds), are reported to the Financial Supervisory Authority (FSA). For institutions, large exposures cannot exceed the maximum of 25% of the eligible capital (own funds).

Also, qualifying holdings, representing the direct or indirect participation of at least 10% of the voting rights or of the capital of an entity, in a percentage higher than 15% of the company's own funds.

6. OPERATING SEGMENTS

The entity has two main segments that have different characteristics, and implicitly require separate disclosure: intermediation and trading. Strategic business units offer different services and products, being managed separately because they involve different know-how and marketing strategies. The Executive Director of the entity reviews at least monthly the activities related to the main segments. The two segments also have common expenses that cannot be separated without a very high degree of subjectivism.

a) The intermediation activity comprises intermediation transactions for spot clients.

   The significant positions in the financial statements that are influenced by such operations are:

   - revenues from commissions received from customers, expenses with commissions paid to market institutions;
   - net receivables on the amounts receivable from the stock exchange for customers as a result of customer transactions;
   - debt to customers representing clients' available funds for trading purposes.

6. OPERATING SEGMENTS (continued)

b) The trading activity includes the operations of buying and selling of securities and derivatives. The significant positions in the financial statements that are affected by these operations are:

- investments made, which may include securities available for sale, financial instruments at fair value through profit or loss, market value of derivatives;
- expenses and revenues from trading;
- adjustment of the value of investments, recognized either in the income statement, in the case of financial instruments at fair value through profit or loss and derivative products, or in the comprehensive income in case of available-for-sale securities.

The information related to segments that are reported is as follows:

6. OPERATING SEGMENTS (continued)

Information on reported segments

	2017				**2016 (restated)**			
	Total, of which:	**Intermediation**	**Trading**	**Not allocated**	**Total, of which:**	**Intermediation**	**Trading**	**Not allocated**
Revenues from commissions and related activities	4,550,676	4,550,676	0	0	2,501,078	2,501,078	0	0
Revenues from rentals	16,543	0	0	16,543	32,576	0	0	32,576
Finance non-dividend revenues	5,151,841	0	5,151,841	0	7,187,297	0	7,187,297	0
Finance dividend revenues	318,222	0	318,222	0	145,203	0	145,203	0
Revenues from insurance intermediation	10,317	10,317	0	0	26,407	26,407	0	0
Revenues from allocation of unit funds	5,724	5,724	-	0	942	942	-	0
Other revenues	33,415	0	33,415	0	62,491	0	62,491	0
Finance expenses	-186,726	0	0	-186,726	-5,825	0	-5,825	0
Employee-related expenses	-4,666,621	-2,112,788	-2,546,179	-7,654	-4,220,019	-1,094,626	-599,362	-2,526,032
Impairment of intangible and tangible assets, excluding goodwill	-5,516,821	0	-4,516,946	-999,875	-3,932,312	0	-2,915,451	-1,016,861
Expenses with risks and charges	-58,702	0	0	-58,702	0	0	0	0
Third party supplies, taxes and levies, expenses with materials and utilities	-3,544,119	-1,604,581	-1,933,725	-5,813	-3,459,604	-1,383,842	-622,729	-1,453,034
Other expenses	-768,147	0	0	-768,147	-142,940	0	0	-142,940
Total	**-4,654,398**	**849,348**	**-3,493,373**	**-2,010,373**	**-1,804,707**	**49,960**	**3,251,624**	**- 5,106,291**
Profit of reported segment before tax								
Assets of reported segment, of which:	**91,734,063**	**31,715,291**	**47,294,277**	**12,724,496**	**92,934,789**			92,934,789
- tangible assets	6,190,220	0	0	6,190,220	4,343,040	0	0	4,343,040
- financial instruments	46,282,453	0	46,282,453	0	47,172,459	0	47,172,459	0
Liabilities of reported segment, of which:	39,261,391	31,715,291	1,011,824	6,534,276	41,419,289	34,393,788	1,607,332	5,418,169
- client’s amounts	30,938,001	30,938,001		0	32,573,663	32,573,663	0	0

7. RECONCILIATION OF REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES OF REPORTED SEGMENTS

Reconciliation

In lei	**2017**	**2016 restated**
Revenues		
Total revenues from reported segments	4,566,717	2,528,427
Revenues not allocated to segments	16,543	32,576
Consolidated revenues	4,583,261	2,561,004
Profit or loss		
Total profit or loss on reported segments	-4,654,398	-1,804,707
Consolidated profit before tax	**-4,654,398**	**-1,804,707**
Assets		
Total assets from reported segments	91,734,063	92,934,789
Assets from non-reported segments	7,290,212	11,702,653
Total consolidated assets	**99,024,275**	**104,637,441**
Liabilities		
Total liabilities from reported segments	39,261,391	43,616,474
Provisions for risks and charges	450,182	391,480
Liabilities from reported segments	16,168	-2,197,087
Total consolidated liabilities	**39,727,742**	**41,810,867**

The intermediation segment registers revenues from commissions charged from the following products:

Revenues from intermediation segment	**2017**	**2016 restated**
Spot commissions	1,913,978	1,535,303
Foreign stock exchange commissions	857,327	744,101
Related activities	1,779,371	221,674
Related commissions and activities	**4,550,676**	**2,501,078**
Insurance intermediation	**10,317**	**26,407**
Distribution of fund units	**5,724**	**942**
Total revenues	**4,566,717**	**2,528,427**

Transactions with clients are conducted both via brokers, and online.

Detailed description of financial statements lines

8. INTANGIBLE ASSETS

Intangible assets

In lei	Licenses and software	Payments in advance	Total
Cost			
Balance as at January 1, 2016	3,351,239	429,331	3,780,569
Inflows	1,034,576	250,065	1,284,641
Outflows	(25,827)	-	(25,827)
Transfer to intangible assets	-	(395,873)	(395,873)
Balance as at December 31, 2016	4,359,987	283,523	4,643,510
Balance as at January 1, 2017	4,359,987	283,523	4,643,510
Inflows	371,330	452,142	823,472
of which, by transfer	366,551	-	366,551
Outflows	(143,962)	(520,743)	(664,705)
of which, by transfer	-	(366,551)	366,551)
Balance as at December 31, 2017	4,587,355	214,922	4,802,277

Amortization and impairment	**Licenses and software**	**Payments in advance**	**Total**
Balance as at January 1, 2016	1,055,328	-	3,804,088
Amortization during the year	666,165	-	666,165
Amortization for disposals	-25,827	-	- 2,774,587
Balance as at December 31, 2016	1,695,666	0	1,695,666
Balance as at January 1, 2017	1,695,666	-	1,695,666
Amortization during the year	713,978	-	713,978
Impairment expensed	-	-	-
Amortization for disposals	-101,639	-	-101,639
Balance as at December 31, 2017	2,308,005	0	2,308,005

Book values	**Licenses**	**Payments in advance**	**Total**
Balance as at January 1, 2016	2,295,911	429,331	2,725,242
Balance as at December 31, 2016	2,664,322	283,523	2,947,844
Balance as at January 1, 2017	2,664,322	283,523	2,947,844
Balance as at December 31, 2017	2,279,350	214,922	2,494,273

8. INTANGIBLE ASSETS (continued)

The balance of intangible assets comprises software and software licenses.

The Tradis back office system accounts for the highest value.
Advances for intangible assets represent advances paid to acquire a Customer Relationship Management (CRM) system.

The useful lives used for the calculation of intangible assets are on average 3 years, amortized on a straight line basis.

Expenses with the amortization of intangible assets during the year are included in the statement of comprehensive income in the *Impairment of tangible and intangible assets* line.

9. PROPERTY, PLANT AND EQUIPMENT

In lei	**Land and buildings**	**Equipment and vehicles**	**Furniture, office equipment and other**	**Non-current assets in progress**	**Total**
Balance as at January 1, 2016	4,164,802	1,628,022	273,903	-	**6,066,727**
Purchases and upgrading	**3,600**	**-**	**37,582**	-	**41,182**
- disposal	-	(172,609)	(10,465)	-	**(183,073)**
Balance as at December 31, 2016	**4,168,402**	**1,455,413**	**301,021**	**-**	**5,924,836**
Balance as at January 1, 2017	**4,168,402**	**1,455,413**	**301,021**	**-**	**5,924,836**
Purchases and upgrading	(3,600)	171,896	38,852	-	**207,148**
Compensation of depreciation against revaluation of assets	(269,147)	-	-	-	**(269,147)**
Value increase registered	1,300,304	-	-	-	**1,300,304**
Transfers from investment property	637,840	-	-	-	**637,840**
Outflows of property, plant and equipment:					
- sale	-	-	(5,390)	-	**(5,390)**
- disposal	-	(125,600)	(37,945)	-	**(163,545)**
Balance as at December 31, 2017	**5,833,799**	**1,501,709**	**296,538**	**-**	**7,632,046**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

In lei	**Land and buildings**	**Equipment and vehicles**	**Furniture, office equipment and other**	**Non-current assets in progress**	**Total**
Depreciation and impairment					
Balance as at January 1, 2016	**-**	**1,259,067**	**223,169**	**-**	**1,482,236**
Depreciation during the year	134,574	129,029	16,756	-	280,358
Depreciation related to disposal of fixed assets	-	(170,334)	(10,465)	-	(180,798)
Balance as at December 31, 2016	**134,574**	**1,217,762**	**229,460**	**-**	**1,581,796**
Balance as at January 1, 2017	**134,574**	**1,217,762**	**229,460**	**-**	**1,581,796**
Depreciation during the year	134,573	132,441	26,678	-	**293,692**
Depreciation related to disposal of fixed assets	-	(129,889)	(34,625)	-	**(164,514)**
Compensation of depreciation against revaluation of assets	(269,147)	-	-	-	**(269,147)**
Balance as at December 31, 2016	**(0)**	**1,220,314**	**221,513**	**-**	**1,441,826**

In lei	**Land and buildings**	**Equipment and vehicles**	**Furniture, office equipment and other**	**Non-current assets in progress**	**Total**
Book values					
Balance as at January 1, 2016	4,164,802	368,955	50,734	-	4,584,491
Balance as at December 31, 2016	4,033,828	237,651	71,561	-	4,343,040
Balance as at January 1, 2017	4,033,828	237,651	71,561	-	4,343,040
Balance as at December 31, 2017	5,833,799	281,395	75,025	-	6,190,220

Buildings include the headquarters of the entity, as well as the offices of some work points opened for brokerage.

In 2014, the building of the Botosani agency was transferred to assets held for sale, which, following a decision of the Board of Administration, was closed in 2015.

9. PROPERTY, PLANT AND EQUIPMENT (continued)

On December 31, 2015, the company uses its registered office in Cluj-Napoca, Str. Motilor nr. 119, as well as the apartments owned in Suceava and Iasi, where the brokerage agencies operate. As at December 31, 2015, the Company does not own land, and the ones related to the buildings used are included in the value of the building.

Expenses with depreciation for the year are included in comprehensive income under the *Impairment of tangible and intangible assets* line.

In 2017, the Bucharest office was moved to the building on Bocsa Street, owned by the company and classified as investment property until December 2017. In December 2017, the building on Bocsa Street was reclassified as a real estate in use.

Pledged or mortgaged property, plant and equipment

In December 2017, the Company contracted a credit line in amount of RON 5,340,000 from Libra Bank, and secured the loan with the Company's real estate.

Revaluation

Fixed assets representing buildings were revalued as at December 31, 2017. The valuation was carried out by a valuation expert, Darian DRS SA, in accordance with the International Valuation Standards and Work Methodology recommended by ANEVAR.

As a result of the revaluation, there was an increase in the value of tangible assets for operating activities, which was reflected in reserves as at December 31, 2017.

The previous revaluation took place in 2015, when valuation reports were prepared by Neoconsult Valuation. In 2016, according to the valuation of the same valuation expert, Neoconsult Valuation, the evolution of fair values of fixed assets representing buildings and land was relatively constant, with no significant changes in the specific market. The valuation expert also noted that there were differences between the fair values estimated as at December 31, 2016 and the book values, but their impact was minimal and would not have justified the preparation of a valuation report for that period.

10. INVESTMENT PROPERTY

In lei	**2017**	**2016**
Balance as at 1 January	1,435,525	1,148,773
Transfers to property, plant and equipment during the year	(578,684)	-
Inflow from enforcement of guarantees received	-	-
Purchases during the year (asset exchange)	417,624	-
Investment property in progress - inflows	47,072	52,752
Investment property in progress – outflows	(59,155)	-
Advances for investment property	(234,000)	234,000
Disposals of investment property (asset exchange)	-	-
Plus revaluation amount	11,431	-
Less revaluation amount	(9,670)	-
Balance as at 31 December	**1,030,143**	**1,435,525**

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

10. INVESTMENT PROPERTY (continued)

Starting with July 2016, when the building in Bucharest, on Bocsa Street was classified as investment property, significant improvement works started, works that were completed in 2017. In December 2017, the Bucharest agency of the company moved its headquarters in the location on Bocsa street, so that the real estate was reclassified as non-current asset in use.

In 2016, a sale undertaking for an apartment located in the building on Einstein Street, Cluj-Napoca worth EUR 68,367 was concluded, of which an advance of EUR 28,367 was paid in 2016. During 2017, the transaction was completed, and currently the Company is executing improvement works in the building in order to be used.

Pledged or mortgaged property, plant and equipment

In December 2017, the Company contracted a credit line in amount of RON 5,340,000 from Libra Bank, and secured the loan with the Company's investment property.

Revaluation

Investment property representing buildings and land were revalued as at December 31, 2017. The valuation was carried out by a valuation expert, Darian DRS SA, in accordance with the International Valuation Standards and Work Methodology recommended by ANEVAR.

As a result of the revaluation, there was an increase in the value of tangible assets for operating activities, which was reflected in reserves as at December 31, 2017.

The previous revaluation took place in 2015, when valuation reports were prepared by Neoconsult Valuation. In 2016, according to the valuation of the same valuation expert, Neoconsult Valuation, the evolution of fair values of fixed assets representing buildings and land was relatively constant, with no significant changes in the specific market. The valuation expert also noted that there were differences between the fair values estimated as at December 31, 2016 and the book values, but their impact was minimal and would not have justified the preparation of a valuation report for that period.

11. FINANCIAL INVESTMENTS

In lei		**December 31, 2017**	**December 31, 2016**
Long-term financial investments		**240,495**	**682,361**
Available-for-sale financial assets – at cost	not quoted	463,313	703,969
Provision for financial assets available at cost		-222,818	-21,608
Available-for-sale financial assets – at fair value, of which:		**9,918,074**	**7,996,070**
	quoted	2,196,612	2,312,724
	non-quoted	7,721,462	5,683,346
Available-for-sale financial assets at associates – at fair value, of which:		**11,840,380**	**20,375,166**
	quoted	0	5,824,486
	non-quoted	11,840,380	14,550,680
Total long-term financial investments:		**21,998,949**	**29,053,597**
In lei			
Short-term financial investments		**2017**	**2016**
Financial assets at fair value through profit or loss – held for trading	quoted	12,941,662	9,601,352
Financial assets at fair value through profit or loss – held for trading	non-quoted	4,984,106	-
Other financial instruments		107,590	591,899
		18,033,358	**10,193,251**
Total financial investments		**40,032,307**	**39,246,848**

11. FINANCIAL INVESTMENTS (continued)

Non-quoted 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 the capital market institutions (Romanian Clearing House, Bucharest Compensation House, Romanian Commodities Exchange Bucharest) and other non-quoted companies (e.g. Confident Broker etc.).

As at December 31, 2017, there were open positions on the House account on international markets for hedging operations. Financial instruments traded on international markets are futures, options and contracts for difference (CFDs) and are used for speculative and hedging purposes for market maker operations.

Impairment losses

Available-for-sale financial assets carried at cost

Available-for-sale financial assets carried at cost are those that are not quoted on a stock exchange, for which fair value measurement is difficult.

For available-for-sale financial instruments carried at cost, the Company registered provisions amounting to RON 222,818.

Available-for-sale financial assets at fair value

The Company owns *available-for-sale financial assets*, classifying all the securities that are not included in short-term securities and for which it was possible to apply measurement methods to determine fair value.

Subsequent to initial recognition, these securities were measured at fair value and subsequent changes, other than the definitive impairment losses, recognized in other comprehensive income. They are presented within the equity in the fair value reserve. When an investment is derecognized, the gain or loss accumulated in other comprehensive income is transferred to profit or loss.

Impairment losses on available-for-sale investments are recognized by transferring to profit or loss the cumulative loss that has been recognized in other comprehensive income. Accumulated loss transferred from other comprehensive income to profit or loss is the difference between the cost of acquisition, net of principal repayments and amortization, and the fair value less any impairment loss previously recognized in profit or loss.

If, in a subsequent period, the fair value of an available-for-sale equity instrument increases, any subsequent fair value recovery is recognized in other comprehensive income.

Losses from the definitive impairment of these securities are recognized as expenses in the financial year in which the management estimates that they have occurred. For some available-for-sale financial assets, it was found that they were depreciated as at December 31, 2016, an impairment that was not recognized to the profit or loss for 2016. This aspect was corrected in these financial statements, so that the balances relating to 2016 were restated to reflect such impairment. Moreover, following the valuation report prepared during the second half of 2017, subsidiary Facos registered a significant impairment of the securities held in this company. The impairment was recognized in the profit or loss for 2017 and had a negative impact of RON 4,295,369 on the financial result.

12. OTHER FINANCIAL INVESTMENTS

In lei	**2017**	**2016**
Other long-term financial investments		
Guarantees established	273,498	335,679
Margin loans granted to customers	-	-
Other loans granted	1,714,620	15,000
Interest on loans granted	7,219	131,789
Provisions for non-current receivables	-15,262	-
Total long-term financial investments	**1,980,075**	**482,468**
Other short-term financial investments		
Margin loans granted to customers	6,265,408	7,925,611
Interest on margin loans	-	-
Total short-term financial investments	**6,265,408**	**7,925,611**
Total other financial investments	**8,245,483**	**8,408,079**

13. INVESTMENTS IN ASSOCIATES

SSIF BRK FINANCIAL GROUP SA holds non-controlling interests in several companies, interests determined either by the percentage of shares held or by the number of administrators exercising their activity in such companies, but without control. IAS 39 was applied to these entities.

The associates (where there is significant influence) are mentioned below. For those with a holding of less than 20%, the significant influence is due to the presence of the respective company on the board of administration.

The percentage of ownership and the amount of the RON holding in the associates are as follows:

Symbol	**Company**	**Holding in 2017**	**Value of holding in 2017**	**Holding in 2016**	**Value of holding in 2016**
-	Facos SA	89,69%	4,940,880	89,69%	9,236,305
-	SAI Broker SA	99,98%	1,798,413	99,98%	830,763
-	Confident SA	98,00%	0	98,00%	138,202
ANTE	Anteco SA Ploiesti	19,93%	363,829	19,93%	99,523
CEON	Cemacon SA Zalau	0,00%	0	14,61%	4,747,317
PETY	Petal SA Husi	15,04%	427,573	15,04%	259,225
-	Minesa SA Cluj	38,10%	5,101,087	38,10%	3,396,763

SSIF BRK FINANCIAL GROUP SA holds control over Facos (89.69%), SAI Broker SA (99.98%), Confident (98%) and has a significant influence on Minesa SA (38.10%).

During 2016-2017 there were no dividends to be collected from the associated companies.

13. INVESTMENTS IN ASSOCIATES (continued)

During 2017, transactions with affiliated entities are as follows:

Name	Nature of affiliation	Nature of activity	Volume and weight of activity
SAI Broker	99.98%	Investment management	- net buy-backs of fund units at FDI Fix Invest managed by SAI Broker in amount of RON 300 thousand - net buy-backs of fund units at FDI Prosper Invest managed by SAI Broker in amount of RON 300 thousand - net purchases of unit funds at FII Smart Money managed by SAI Broker amount of RON 640 thousand - net purchases of unit funds at FII Optim Ivest managed by SAI Broker in amount of RON 500 thousand -revenues from distribution and intermediation commissions in amount of RON 5,724 - rental income in amount of RON 10,953 - income from interest on loans granted in amount of RON 23,336 - loan granted in amount of RON 676 thousand - payment of RON 400 thousand for share capital increase
Facos SA Suceava	89.69%	Production of meat products	- income from interest on loans granted in amount of RON 1,716 - loan granted in amount of RON 460 thousand
Anteco SA	19.93%	Manufacturing of furniture	No transactions with ANTE shares in 2017
Cemacon SA	0%	Constructions	The entire holding of BRK in CEON was cleared in 2017
Petal SA	15.04%		No transactions with PETY shares in 2017
Minesa SA	38.10%		No transactions with Minesa shares in 2016
Confident SA	98%	Insurance broker	- revenues from insurance intermediation commissions in amount of RON 10,317 - rental income in amount of RON 2,890 - income from interest on loans granted in amount of RON 262 - purchase of insurance in amount of RON 1,505
Romlogic Technology SA		SSIF Brk Financial Group SA is sole investor in FII Smart Money, which owns 88% of Romlogic Technology SA	- income from interest on loans granted in amount of RON 33,941 - loan granted in amount of RON 563,620

Related party transactions were conducted at arm’s length.

13. INVESTMENTS IN ASSOCIATES (continued)

As at December 31, 2017 and December 31, 2016 the balances of the Company's receivables against related parties were as follows:

In lei	**2017**	**2016**
SAI Broker	681,809	400,000
Facos SA Suceava	461,716	125,945
Minesa SA	0	194
Confident SA	20,355	15,307
Romlogic Technology SA	566,851	-
Total	**1,730,731**	**541,446**

14. NON-CURRENT ASSETS HELD FOR SALE

In lei	**2017**	**2016**
Balance as at 1 January	557,067	801,390
Disposals	-	(244,323)
Excess further to revaluation	84,870	-
Deficit further to revaluation	(97,216)	-
Balance as at 31 December	544,721	557,067

Non-current assets held for sale are represented by a land in Cluj, Borhanci neighborhood and 2 apartments in Botosani and Alba Iulia. Valuation reports were drawn up for such assets in accordance with the International Valuation Standards and Work Methodology recommended by ANEVAR by Napoca Business for the land and by Darian DRS for the apartments. Based on the valuation reports, these assets have been revalued in the accounting.

For the two apartments the Company constituted in December 2017 a guarantee in favor of Libra Bank for the contracted credit line.

15. TRADE AND OTHER RECEIVABLES

In lei		**2017**	**2016**
Trade receivables		93,139	413,197
Net receivables from debtors		79,084	-
	Employees with payment commitments	15,075	-
	Former employee and third party debtors	64,009	-
Other debtors		137,598	107,483
Debtors from trading the Company's financial instruments		1,465,849	2,801,618
Debtors from financial instruments traded by clients		10,844,448	12,242,929
Total trade and other receivables		**12,620,117**	**15,565,227**

15. TRADE AND OTHER RECEIVABLES (continued)

The exposure of the entity to credit risk and foreign exchange risk, as well as impairment losses related to trade receivables, are disclosed in the *Financial instruments* note.

Margin loans

The company continued to offer this product to its customers in 2017. The volume of credits granted was the following:

In lei	**2017**	**2016**
Margin loans – gross value	6,265,408	7,925,611
Margin loans – net value	**6,265,408**	**7,925,611**

Debtors' gross balances and impairments are as follows:

In lei	**2017**	**2016**
Former employee and third party debtors – gross value	1,926,194	1,866,260
Impairment of former employee and third party debtors' liabilities	(1,847,109)	(1,866,260)
Former employee and third party debtors – net value	**79,084**	**0**

Changes in the impairment of receivables against debtors (employees and third parties) during the year were as follows:

In lei	**2017**	**2016**
Balance as at 1 January	1,866,260	2,933,613
Write-off of provisions	(19,151)	(1,067,353)
Balance as at 31 December	**1,847,109**	**1,866,260**

In 2017, the Company reversed to income adjustments for receivables recovered in amount of RON 19,151.

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets not recognized

The deferred tax assets were not recognized for the following:

In lei	**2017**	**2016**
Current and previous tax losses	(38,737,035)	(42,826,359)
Total	**(38,737,035)**	**(42,826,359)**
Tax rate	16%	16%
Deferred tax assets not recognized	**(6,197,926)**	**(6,852,217)**

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

There are still deferred tax assets not recognized in relation to financial instruments for which the impairment was not deductible in 2010.

Deferred income tax liabilities not recognized

	Accumulated as at December 31, 2017	inflows 2017	2016
Revaluation differences	3,660,638	1,289,719	2,370,919
	3,660,638	**1,289,719**	**2,370,919**
Tax rate	16%	16%	16%
Deferred tax liabilities not recognized	**585,702**	**206,355**	**379,347**

Deferred income tax assets and liabilities recognized

The company has to recover a cumulative tax loss of RON 38,737 thousand. Tax losses can be recovered in a period of 7 years. For the time being, deductible differences cannot be expected to cover tax losses. As a result, no deferred tax assets and liabilities were recognized.

17. CASH AND CASH EQUIVALENTS

In lei	**2017**	**2016**
Account for clients	26,351,801	27,096,728
Cash and cash equivalents	1,515,211	5,037,084
Balance as at 31 December	**27,867,012**	**32,133,812**

The cash and cash equivalents position also includes short-term deposits.
Client balances in bank accounts are highlighted and managed separately from those of the company and can only be used on the basis of clients' trading orders.

The exposure of the entity to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in the *Financial instruments* note.

18. CAPITAL AND RESERVES

The share capital and shares issued are as follows:

In lei	**Value of share capital**	**No. of ordinary shares**	**Nominal value/share**
January 1, 2016	54,039,987	337,749,919	0,16
December 31, 2016	54,039,987	337,749,919	0,16
January 1, 2017	54,039,987	337,749,919	0,16
December 31, 2017	54,039,987	337,749,919	0,16

In 2017, there were no changes in share capital or the number of shares issued.

18. CAPITAL AND RESERVES (continued)

As at December 31, 2017 the Company owns 319,967.

In lei	**2017**	**2016**
Share capital	54,039,987	54,039,987
Adjustment of share capital	4,071,591	4,071,591
Own shares	-24,047	-24,047
Premiums	5,355	5,355
Total	**58,092,886**	**58,092,886**

19. RESERVES AND REVALUATION DIFFERENCES

In lei	**2017**	**2016 restated**	**2016**
Differences from the revaluation of property, plant and equipment	3,524,052	2,297,333	2,370,919
Legal and statutory reserves	4,587,875	4,587,875	4,587,875
Fair value reserves	3,623,734	3,799,682	928,635
Other reserves	2,748,760	2,748,760	3,186,601
-of which from the application of IAS 29 (inflation adjustment)	2,748,760	2,748,760	2,748,760
Legal reserves related to own shares	0	0	0
Total reserves and revaluation differences	**14,484,421**	**13,433,651**	**11,074,030**

Revaluation differences
The revaluation differences recorded an increase in 2017 following the revaluation of real estate.

Reserves from free shares
They refer to free shares related to non-quoted cost securities.

Legal reserves
Legal reserves represent the amounts created annually from the gross profit at a share of 5%, up to 20% of the share capital, recognized as a deduction in the profit tax calculation. This is a fiscal facility. The company has reached the 20% level required by law.

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

As detailed in note 5 to the *Available-for-sale financial assets stated at fair value* section, the reserves for the year 2016 have been restated so that the cumulative impairment losses of the securities treated as impaired are recognized in the financial result of 2016. The amount of RON 2,817,369 of these impairments was derecognized from the reserve accounts.

During 2017, due to the significant impairment of Facos, the outstanding debts of the reserves for such impairment loss amounting to 4,295,369 were recognized to profit or loss.

Other reserves
Other reserves include adjustments to the historical cost of share capital in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies".

Dividends and other distributions to shareholders
In 2017 no dividends were granted to shareholders

20. RETAINED EARNINGS

In lei	**2017**	**2016**
Profit carried forward from transition to IFRS	2,713,367	2,713,367
Retained earnings IAS 29	-6,880,234	-6,880,234
Retained earnings	-4,459,507	-2,728,386
Total retained earnings	**-8,626,375**	**-6,895,254**

Retained earnings by transition to IFRS

The retained earnings from the transition to IFRS dates back to 2008.

Retained earnings IAS 29

The financial statements and corresponding amounts of prior periods have been restated to reflect the change in the overall purchasing power of the functional currency and are therefore expressed in relation to the measuring unit existing at the end of the reporting period. This position of capital includes the influence of the share capital restatement on inflation for the period 1994 - 2002.

The applied inflation index recorded the following values during the updated period:

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

Further to the application of such discounts, the Company registered the following values:

Account	**Debit**	**Credit**
Share capital adjustments		4,071,591
Revaluation differences*		59,884
Other reserves**		2,748,760
Retained earnings from the first-time adoption of IAS 29	6,880,234	
Total	**6,880,234**	**6,880,234**

* Inclusion of revaluation reserves from 2011.
**Inclusion of revaluation reserves from 2007 upon merger with Investco.

Retained earnings
Retained earnings comprise amounts transferred from the profit and loss recorded in accordance with RAS, affected by the IFRS restatements as explained in the chapter on *Reconciliation of restated accounts further to IFRS*.

21. TRADE AND OTHER PAYABLES

In lei	**2017**	**2016**
Trade payables	409,936	276,806
Debts to employees	292,609	218,373
State budget debts	274,940	112,520
Sundry creditors from house transactions	60,102	592,805
Sundry creditors from clients' transactions	1,197,656	6,543,210
Sundry creditors from structured products	975,907	1,054,977
Total trade and other payables	**3,211,150**	**8,798,690**
Short term	3,211,150	8,798,690
Long term	-	-

21. TRADE AND OTHER PAYABLES (continued)

The entity's exposure to foreign currency risk and liquidity risk related to trade and other payables is presented in the *Financial instruments* note.

Sundry creditors represent settlements with the Bucharest Stock Exchange, which are in progress, performed from the time of the transactions carried out on behalf of the entity and / or the clients. Also, sundry creditors include sundry creditors from trading and refer to the debt for products with protected capital and Turbo certificates issued by the Company and listed on the Bucharest Stock Exchange.

Starting with 2016, for customers who have opened accounts with Interactive Brokers, only their funds held by the intermediary mentioned above are reflected in the bookkeeping. The accounts held by these clients are Margin type, and RegTMargin type, meaning that they can use the margin, in which case the value of the cash is negative.

22. BORROWINGS

The loans contracted by the Company are as follows:

In lei	**2017**	**2016**
Long-term liabilities		
Finance lease liabilities	74,234	23,601
	74,234	23,601
Short-term liabilities		
Secured credit lines	5,006,087	-
Current portion of finance lease liabilities	48,087	23,433
	5,054,174	**23,433**

In 2017, new leases were contracted for the purchase of two vehicles and a 12-month credit line from Libra Bank was contracted in amount of RON 5,340.00. The credit line was secured with the following buildings owned by the Company:

No.	Pledged property	Category	Value in EUR	Value in RON
1	Apartment in Suceava	Non-current assets in use	38,400	176,517
2	Property in Bucharest Bocsa	Non-current assets in use	157,000	721,698
3	Property in Cluj- Motilor	Non-current assets in use	1,032,700	4,747,115
4	Apartment in Iasi	Non-current assets in use	41,000	188,469
5	Property in Cluj - Eistein	Investment property	170,100	781,916
6	Apartment in Deva	Investment property	54,000	248,227
7	Teren Borhanci	Available-for-sale property	21,000	96,533
8	Apartment in Botosani	Available-for-sale property	31,500	144,799
9	Apartment in Alba Iulia	Available-for-sale property	66,000	303,389
	Total		**1,611,700**	**7,408,663**

The amounts owed to clients originate in:

In lei	**2017**	**2016**
Amounts payable to clients		
Creditor clients from transactions on the domestic market	20,856,290	27,807,489
Creditor clients from transactions on the foreign markets	9,759,480	4,766,173
Creditor clients from corporate services	322,231	-
	30,938,001	**32,573,663**

23. PROVISIONS

In lei	**2017**	**2016**
Provisions		
Balance as at 1 January	391,480	355,790
Cancelled during the year	-	-265,243
Established during the year	58,702	300,933
Balance as at 31 December	**450,182**	**391,480**

As at December 31, 2017, SSIF BRK FINANCIAL GROUP SA is a defendant and plaintiff in a number of disputes.

According to the management's estimates based on the estimates of the law firms with which the company has collaboration contracts for representation in these cases, the Company set up a provision for risks and charges in amount of RON 300,933 as at December 31, 2016, which was maintained as at December 31, 2017.

In addition, during 2017 the Company established another provision of 58,702 representing expenses with the voluntary dissolution and liquidation of affiliate Confident Broker SA.

24. CONTINGENT ASSETS AND LIABILITIES

The note on Provisions described the circumstances that led to the establishment of litigation provisions for events in previous years. There are legal disputes in which the probability of cash outflows is low or the amount of the debt cannot be approximated and for which no provision has been made.

As at December 31, 2017, the company has RON 4,980,779.71 blocked in the client account opened with BRD. This amount represents the turnover calculated for some clients who have traded through the company and are under criminal investigation and the precautionary attachment was enforced in 2016. As a result of the audits carried out by the company's internal auditor, the amount blocked was RON 4,980,779.71, amount already blocked by the company in a dedicated account opened with the settlement bank. The company is currently undertaking the necessary steps to clarify the amount in the client account affected by the precautionary attachment.

In addition to the disputes mentioned in the note on Provisions and in the previous paragraph, there are ongoing criminal lawsuits filed by SSIF BRK FINANCIAL GROUP SA against former employees, as well as lawsuits filed by SSIF BRK FINANCIAL GROUP SA for monetary claims. Not in all cases the amounts claimed can be determined with accuracy. There are lawsuits filed by SSIF BRK FINANCIAL GROUP SA, which were won, but where the chances to recover the amounts are low.

25. OPERATING REVENUES

	Continued activities		Discontinued activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues from commissions on the spot market	1,913,978	1,521,103	-	-	1,913,978	1,521,103
Revenues from commissions on the foreign market	857,327	769,151	-	-	857,327	769,151
Income from related activities	1,779,371	210,824	-	-	1,779,371	210,824
Sub-total revenues from commissions and related activities	**4,550,676**	**2,501,078**	**-**	**-**	**4,550,676**	**2,501,078**
Income from rental of non-current assets	16,543	32,576	-	-	16,543	32,576
Revenues from insurance intermediation	10,317	26,407	-	-	10,317	26,407
Revenues from allocation of unit funds	5,724	942			5,724	942
Total revenues	**4,583,261**	**2,561,003**			**4,583,261**	**2,561,003**

The Company's revenue recognition policy is to reflect such revenues at gross value. Gross revenues include market costs, commissions charged by the Stock Exchange, and ASF respectively.

In order to diversify revenues from commissions, the Company sought to permanently extend the product range and the markets where the transactions are carried out. The level of commissions earned for the operations carried out by the Company also comprised commissions related to operations on foreign markets, as presented above.

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

Revenues from commissions also include transactions for other non-banking financial institutions, called contracts with custodians, for which SSIF BRK FINANCIAL GROUP SA collects transaction fees, but the funds related to sales and purchases do not pass through the accounts of the company, but are settled through the custodian's accounts.

At the beginning of 2016, the Company concluded a brokerage assistance contract with SC Confident SRL (in which the Company has shares), through which the Company provides insurance intermediation services (offering insurance consultancy to potential clients, issuing insurance products). The level of the revenues from these services is shown above.

26. OTHER REVENUES

Other operating revenues include diverse revenues, which rarely repeat, i.e. cancellations of dividends not collected, inventory excess, recoveries of amounts, etc.

27. EMPLOYEE-RELATED EXPENSES

In lei	**2017**	**2016**
Employees and contractors	(3,635,165)	(3,261,200)
Mandatory social contributions and insurance	(721,848)	(693,545)
Employee's profit sharing	-	
Remunerations for BoA members	(309,608)	(265,274)
BoA members' profit sharing	-	-
Total employee expenses in comprehensive income	**(4,666,621)**	**(4,220,019)**

27. EMPLOYEE-RELATED EXPENSES (continued)

The remuneration of the general managers is established by decision of the Company's Board of Administration and the other benefits granted are in accordance with the collective employment contract concluded at company level.

During 2017 a new Deputy General Manager was appointed, i.e. Mrs. Monica-Adriana Ivan, who received the approval of the FSA in April. At the same time the collaboration with General Manager Pop Adrian was dropped, following his resignation and Mr. Grigore Chis was appointed as General Manager, Mr. Chis awaiting the approval of the Financial Supervisory Authority.

Also, the Financial Supervisory Authority authorized the members of the Board of Administration of the company: Mr. Baranga Laurentiu-Paul, Gherghelas Dan-Nicolae, Madem Aurelian, Mancas Catalin and Moldovan Darie in March. Then, Mr. Baranga resigned and was replaced by Mr. But Cristian who is awaiting the approval of the FSA. In March 2017, Mr. Darie Moldovan was elected President of the Board of Administration. He is still in office.

During 2017, the remunerations granted to the BoA members amounted to RON 310 thousand.

28. OTHER OPERATING EXPENSES

Other operating expenses include expenses with raw materials and consumables, expenses with power and water and expenses with taxes and levies:

In lei	**2017**	**2016**
Expenses with raw materials and consumables	(134,534)	(151,883)
Expenses with power and water	(110,627)	(97,348)
Expenses with taxes and levies	(167,291)	(154,707)
Total	**(412,453)**	**(403,939)**

29. OTHER EXPENSES

In lei	**2017**	**2016**
Damages, fines and penalties	(115,015)	(6,742)
Donations made	(9,000)	(5,000)
Intangible and tangible assets disposed	(180,393)	0
Other operating expenses	(444,285)	(131,198)
Total	**(748,693)**	**(142,940)**

In 2017, in account *Other expenses* the largest amount, 439,863 represents a compensation resulting from criminal sentence no. 430/2011/Arad tribunal, Civil Decision no. 105/A/2013/Timisoara Court of Appeal and Decision no. 573/2014 High Court of Cassation and Justice - Deva file that the company paid to the plaintiffs in March 2017.

30. FINANCIAL REVENUES AND EXPENSES

Recognized in profit or loss

in lei	**2017**	**2016 restated**
Net gains on transactions with financial assets at fair value through profit or loss	834,189	1,123,228
Net gains on transactions with Turbo products	478,902	1,106,488
Revenues from transactions with available-for-sale financial assets	1,730,813	2,070,475
Dividend revenues:	318,222	145,203
Related to available-for-sale financial assets	176,731	5,080
Related to financial assets at fair value through profit or loss	141,491	140,122
Revenues from free shares for financial assets at fair value through profit or loss	-	9,248
Total trading revenues	**3,362,126**	**4,454,642**
Total net changes in the fair value of financial assets at fair value through profit or loss, of which:	1,388,771	2,453,146
net changes in the fair value of financial assets at fair value through profit or loss	1,388,771	2,453,146
Revenues from interest on deposits	81,102	95,108
Revenues from interest on margin contracts and loan contracts	540,840	615,332
Net gains on foreign exchange differences	(172,296)	24,379
Other net financial revenues	(3,893)	2,798
Total financial revenues	**5,196,650**	**7,645,405**
Losses on transactions with derivatives – international markets	101,116	(312,906)
Total trading expenses	**101,116**	**(312,906)**
Expenses with definitive impairment of available-for-sale securities	(4,497,682)	(2,915,294)
Expenses with interest on financial liabilities carried at amortized cost	(14,430)	(5,825)
Total financial expenses	**(4,410,996)**	**(3,234,025)**
Net financial result carried to profit or loss	**785,655**	**4,411,380**

Recognized to other comprehensive income *In lei*	**2017**	**2016 restated**
Detailed on the following page	**(175,948)**	**2,813,934**

Recognized in other comprehensive income
in lei

Net changes in the fair value of available-for-sale financial assets transferred to profit or loss	2,515,206	(1,404,435)
Related to outstanding securities at the end of the period	-2,691,154	4,218,368
Financial revenues recognized in other comprehensive income, after tax	**(175,948)**	**2,813,934**

30. FINANCIAL REVENUES AND EXPENSES (continued)

Net revenues from trading in financial assets at fair value through profit or loss means revenues from the disposal of securities less cost of those securities for transactions for which the difference is positive. If the difference is negative, they are reported as *Net expenses with trading financial assets at fair value through profit or loss*.

Net revenues from transactions with available-for-sale financial assets means the revenues from the disposal of securities (classified as held for sale) less the cost of those securities for transactions for which the difference is positive. If the difference is negative, they are reported as *Net loss on transactions with available-for-sale financial assets.*

In 2017, SSIF BRK FINANCIAL GROUP SA sold the shares held in Cemacom, which were classified as available-for-sale securities.

Expenses with the definitive impairment of available-for-sale securities are estimated expense representing definitive impairment of these securities, which were not held in the equity adjustment accounts, but were recorded / reclassified to expenses because the Company estimates that they will not be recovered.

The 2016 figures for these expenses have been restated as a result of the significant impairment of some securities in the portfolio, as described in detail in Note 4, *Financial investments*. In 2017, irreversible impairment costs of RON 4,295,369 were recognized directly in the profit or loss of Facos. Another significant impairment was recognized for Confident Broker SA in amount of RON 138,202.

31. INCOME TAX EXPENSES

Reconciliation of effective tax rate

In lei	**2017**	**2016 restated**	**2016**
Profit for the period	**(4,654,398)**	**(1,804,707)**	**1,066,340**
Total income tax expenses	-	-	-
Profit before tax (including from discontinued operations)	**(4,654,398)**	**(1,804,707)**	**1,066,340**
Tax rate	16%	16%	16%
Income tax calculated by applying the tax rate to book profit	(744,704)	(288,753)	170,614
Impact of non-deductible expenses	778,754	2,280,097	1,820,730
Impact of non-taxable revenues	(337,638)	(3,317,727)	(3,317,727)
Impact of expenses from IFRS restatement not accounted in the calculation of income tax	-	-	-
Impact of tax losses from previous years	(5,894,338)	(7,204,419)	(7,204,419)
Total income tax expenses calculated as per the tax rate	(6,197,925)	(8,530,802)	(8,530,802)
Income tax expenses not registered for negative amounts	**6,197,925**	**8,530,802**	**8,530,802**
Final income tax expenses	-	-	-
Final tax rate	-	-	-

32. EARNINGS PER SHARE

Basic earnings per share

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

Loss attributable to ordinary shareholders

In lei	**2017**	**2016**
Profit/loss for the period	(4,654,398)	(1,804,707)
Attributable to company's shareholders	**(4,654,398)**	**(1,804,707)**

The profit presented follows the calculation of income tax.

	December 31, 2017	**December 31, 2016 restated**
Loss attributable to:		
Company's owners	(4,654,398)	(1,804,707)
Loss for the period	(4,654,398)	(1,804,707)
Total comprehensive income attributable to:		
Company's owners	(3,603,628)	1,009,227
Total comprehensive income for the period	(3,603,628)	1,009,227
Earnings per share		
Basic earnings per share (lei)	(0.0138)	(0.0053)
Diluted earnings per share (lei)	(0.0138)	(0.0053)

Weighted average number of ordinary shares

In 2015, the Company annulled 931,948 shares at a nominal value of RON 0.25 and no changes in the number of shares occurred since.

Number of shares	2017	2016	2015	2014
Number of shares	337,749,919	337,749,919	337,749,919	338,681,867

33. FAIR VALUE HIERARCHY

The table below analyzes the financial instruments carried at fair value depending on the measurement method. The fair value levels have been defined as follows:

- **Level 1**: quoted prices (not adjusted) on active markets. For securities at fair value through profit or loss, the price is the one at the end of the period, on the last trading day. For available-for-sale securities, the Company applied valuation methods based on market variables depending on how active the instrument is, as shown in the Company's accounting policies.

- **Level 2**: inputs other than the quoted prices included in Level 1. This includes quoted securities for which valuation methods have been applied that contain observable values for assets or liabilities. If the asset or liability has a specific contractual term, the inputs related to Level 2 must have observable values for the entire asset or liability period. Examples: quoted prices for similar assets or liabilities on active markets, quoted prices for identical or similar products on markets that are not active, observable prices other than quoted prices such as interest rates, volatility, other corroborated input data on the market.

33. FAIR VALUE HIERARCHY (continued)

- **Level 3**: inputs other than the quoted prices included in Level 1 and Level 2. This includes unquoted securities for which valuation methods have been applied that contain observable values for assets or liabilities, either directly (e.g., prices) or indirectly (e.g., derived from prices). The fair value of these securities was determined either by applying the Discounted Dividend Model (DDM), by applying the Discounted Cash Flow (DCF) method or the asset-based method as presented in the Company's accounting policies.

in lei	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2016				
Available-for-sale financial assets	8,109,020	5,714,346	15,254,648	29,078,015
Financial assets at fair value through profit or loss	7,731,905	1,566,638	300,000	9,598,543
	2,196,612	7,176,518	12,848,704	22,221,834
December 31, 2017	7,731,905	1,566,638	300,000	9,598,543
Available-for-sale financial assets	**15,840,925**	**7,280,985**	**15,554,648**	**38,676,558**
Financial assets at fair value through profit or loss				
	15,138,274	**8,530,238**	**16,479,090**	**40,147,603**

33. FAIR VALUE HIERARCHY (continued)

The valuation methods for financial assets classified in level 3 are presented below:

No.	**Financial assets**	**Fair value as at 31 December 2017**	**Valuation technique**	**Unobservable inputs range**	**Relationship of unobservable inputs to fair value-sensitivity**
1	Unquoted majority investments	2,806,738	Cost approach - adjusted net asset method	Market value of equity to Book Value rate: below 1	In the balance sheet, the book value is identified by equity. Within the areas of high investments in non-current and financial assets, the P/BV is usually lower.
2	Unquoted majority investments	10,041,967	Income approach - discounted cash flow method	Weighted average cost of capital is between 10% and 10.5%, and g (the perpetuity growth rate) is between 2% and 2.5%	The lower the weighted average cost of capital, the higher the fair value.
3	Unquoted bonds	3,630,386	Amortized cost approach – fair value estimates. Bonds were acquired in November 2017, thus, the acquisition price is the fair value upon recognition.	**n/a**	**n/a**
	Total	**16,479,090**			

33. FAIR VALUE HIERARCHY (continued)

The main unobservable inputs are:

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in the weighted average cost of capital calculation.

To assess the unquoted majority shareholding in Facos SA in amount of RON 4,941 thousand and the unquoted minority shareholding in Minesa in amount of RON 5,101 thousand, valuation reports were prepared by valuers authorized in accordance with the International Valuation Standards and the working methodology recommended by ANEVAR. The valuation report for Facos was prepared by Darian DRS, and the one for Minesa by Mr. Marius Sufana.

Changes in level 3 fair value:

The main changes in 2017 refer to:

- transfer to profit or loss of the impairment in amount of RON 4.5 million related to the shareholding in Facos SA, investment which was measured as available-for-sale financial asset;

- the purchase of RON 3.6 million of the bonds of Chronostyle International SA classified as financial assets at fair value through profit or loss;

- purchases of RON 970 thousand in SAI Broker SA, an investment measured as available-for-sale financial asset;
- gains from the fair value increase of the investment in Minesa by RON 1.7 million, an investment measured as available-for-sale financial asset.

34. AFFILIATES

Benefits of key management personnel

Transactions with affiliated parties, in the form of key management personnel, refer to the benefits granted to members of the Board of Administration and members of the executive management, which were presented in the *Employee-related Expenses* note.

Investments in Associates

Note 18 *Investments in Associates* in these financial statements presents all associates and transactions that have taken place within the period.

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS

The Company owns *available-for-sale financial assets*, classifying as such all the securities not included in short-term traded securities and for which it was possible to apply measurement methods to determine their fair value.

Subsequent to initial recognition, these securities were measured at fair value and subsequent changes, other than the definitive impairment, recognized in other comprehensive income. They are presented within the equity in the fair value reserve. When an investment is derecognized, the gain or loss accumulated in other comprehensive income is transferred to profit or loss.

Impairment losses on available-for-sale investments are recognized by transferring to profit or loss the cumulative loss that has been recognized in other comprehensive income. Cumulative loss transferred from other comprehensive income to profit or loss is the difference between the cost of acquisition, net of principal repayments and amortization, and the fair value less any impairment loss previously recognized in profit or loss.

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

If, in a subsequent period, the fair value of an available-for-sale equity instrument increases, any subsequent fair value recovery is recognized in other comprehensive income.

Losses from the definitive impairment of these securities are recognized as expense in the financial year in which management estimates that they have occurred. For some available-for-sale financial assets, it was found that they were impaired on December 31, 2016 by RON 2,871,047, which was not recognized in the profit or loss for 2016. This was corrected in the present financial statements and the 2016 balances were restated to reflect that impairment.

We present below the positions in the financial statements of 2016 that have been restated:

Restatements in the separate financial position as at December 31, 2016

In lei	**December 31, 2016 restated**	**Restatement**	**December 31, 2016**
Share capital	54,039,987		54,039,987
Adjustment of share capital	4,071,591		4,071,591
Own shares	(24,047)		(24,047)
Share premiums	5,355		5,355
Reserves from revaluation of available-for-sale financial assets	928,635		928,635
Other reserves	12,505,015	2,871,047	9,633,968
Retained earnings	(8,699,961)	(2,871,047)	(5,828,914)
Total equity attributable to Company's owners	**62,826,576**	**0**	**62,826,576**

Restatements in the separate statement of profit or loss and other comprehensive income as at December 31, 2016

In lei	**December 31, 2017**	**Restatement**	**December 31, 2016**
Continued operations			
…..			
Net financial loss	(50,072)	151,082	(201,154)
Reclassification of net losses recognized in comprehensive income to profit or loss, for available-for-sale financial assets	(3,022,129)	(3,022,129)	0
…….			
Cost of sales	**(12,107,213)**	**(2,871,047)**	**(9,236,165)**
Result of operating activities	**(1,804,707)**	**(2,871,047)**	**1,066,340**
Profit before tax	**(1,804,707)**	**(2,871,047)**	**1,066,340**
Profit for the period	**(1,804,707)**	**(2,871,047)**	**1,066,340**
Other comprehensive income			
Net changes in the fair value of available-for-sale financial assets transferred to profit or loss	(1,404,435)	2,871,047	(4,275,482)
Lines that may be restated to profit or loss			
Net changes in the fair value of available-for-sale financial assets	4,218,368	-	4,218,368
Total other comprehensive income for the period	**2,813,934**	**2,871,047**	**(57,114)**
Total profit or loss and other comprehensive income for the period	**1,009,227**	**0**	**1,009,227**

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

Restatements in the separate statement of changes in shareholders' equity as at December 31, 2016

In lei	Share capital	Own shares	Revaluation differences	Legal and statutory reserves	Fair value reserves	Other reserves	Other items of equity	Retained earnings	Retained earnings from adoption of IFRS	Total equity carried forward	Impact of restatement	Total equity after restatement
Balance as at January 1, 2016	54,039,987	0	2,370,920	4,587,875	985,749	3,186,601	4,076,946	(3,223,472)	(4,166,868)	**61,857,738**	**0**	**61,857,738**
Profit or loss	0	0	0	0	0	0	0	1,066,340	0	1,066,340	(2,871,047)	(1,804,707)
Gains transferred to profit or loss	0		0	0	(4,275,482)	0	0	0	0	(4,275,482)	2,871,047	(1,404,435)
Net changes in the fair value of available-for-sale financial assets	0		0	0	4,218,368	0	0	0	0	4,218,368	0	4,218,368
Impact of restatement	0		0	0	2,871,047	0	0	(2,871,047)	0	0	0	0
Other changes in equity	0		0	0	0	0	0	(16,340)	0	(16,340)	0	(16,340)
Transfer to reserves of differences from revaluation for sold assets	0		(73,586)	0	0	0	0	73,586	0	**0**	**0**	**0**
Transfer to retained earnings	0		0	0	0	(437,841)	0	437,841	0	0	0	0
Total other comprehensive income	**0**	**0**	**(73,586)**	**0**	**2,813,933**	**(437,841)**	**0**	**(1,309,620)**	**0**	**(73,454)**	**0**	**(73,454)**
Total comprehensive income for the period	0	0	(73,586)	0	2,813,933	(437,841)	0	(1,309,620)	0	992,886	0	992,886
Balance as at December 31, 2016 restated	**54,039,987**	**(24,047)**	**2,297,334**	**4,587,875**	**3,799,682**	**2,748,760**	**4,076,946**	**(4,533,091)**	**(4,166,868)**	**62,826,576**	**0**	**62,826,576**

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

Restatements in separate statement of cash flows as at December 31, 2016

	December 31, 2016 restated	Restatement	December 31, 2016
Gross (loss)/profit	(1,804,707)	(2,871,047)	1,066,340
Adjustment of value of financial assets	2,915,294	2,871,047	44,247
Total impact of restatements	**1,110,587**	**-**	**1,110,587**

36. IMPACT OF IFRS 9 AS AT JANUARY 1, 2018

IFRS 9 "Financial Instruments" presents the provisions for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes new principles for the classification and measurement of financial instruments, a new model of credit risk for the calculation of impairment of financial assets, and new general requirements for hedge accounting. SSIF BRK FINANCIAL GROUP SA will adopt IFRS 9 starting with 01.01.2018. The Company owns the following types of financial instruments that fall under IFRS 9: equity instruments, debt instruments (fund units, bonds, cash and current accounts and deposits with banks), other financial assets and liabilities.

Following the analysis conducted, the Company decided to classify most of the financial instruments as of 01.01.2018, the date of initial application of IFRS 9, at fair value through profit and loss (79%).

The main changes in accounting policies and the estimated impact resulting from the transition to IFRS 9 are described in the following:

	IAS 39	IAS 39 value as at December 31, 2017	IFRS 9 reclassification	IFRS 9 value as at January 1, 018
1.) Financial assets at amortized cost as per IFRS 9				
-resulting from financial assets measured at amortized cost	amortized cost	463,380	amortized cost	463,380
Total financial assets measured at amortized cost	**X**	**463,380**	**X**	**463,380**
2.) Financial assets at fair value through profit or loss as per IFRS 9				
-resulting from available-for-sale financial assets	Available-for-sale financial assets	14,104,274	Fair value through profit or loss	14,104,274
-resulting from financial assets held for trading	Financial assets held for trading	17,925,768	Fair value through profit or loss	17,925,768
Total financial assets at fair value through other comprehensive income as per IFRS 9	**X**	**32,030,042**	**X**	**32,030,042**
3.) Financial assets at fair value through other comprehensive income as per IFRS 9				
- resulting from available-for-sale financial assets	Available-for-sale financial assets	7,654,180	Fair value through other comprehensive income	7,654,180
Total financial assets at fair value through other comprehensive income as per IFRS 9	**X**	**7,654,180**	**X**	**7,654,180**
Total 1.)+2.)+3.)	**X**	**40,147,603**	**X**	**40,147,603**

36. IMPACT OF IFRS 9 AS AT JANUARY 1, 2018 (continued)

The differences resulting from the adoption of IFRS 9 as of January 1, 2018 will be recognized in retained earnings. The impact of the transition consists in a net increase of RON 3,002,994, net of tax, of retained earnings and a net decrease of reserves by the same amount.

37. SUBSEQUENT EVENTS

Events after the balance sheet date were taken into account in assessing the conditions that existed on December 31, 2017 in respect of receivables lines and significant estimates that have been made, including those relating to the provisioning of litigation.

- December 2017 – Mr. Cristian But was granted the temporary approval of the Financial Supervisory Authority as member of the Board of Administration;
- January 2018 – the repayment terms for the loans granted to S.C. ROMLOGIC S.A. were changed
- January 2018 – the Board of Administration approved the issuance of structured products and the basic circular that includes the range of products that may be subject to future issues of turbo certificates and protected capital certificates.
- February 2018 – the Financial Supervisory Authority rejected the authorization of Mr. Grigore Chis as general manager;
- February 2018 – the company published the preliminary financial results as at December 31, 2017
- February 2018 – the Company concluded an addendum to the financing contract concluded with S.C. FACOS S.A.
- March 2018 – the Company published the call of the Ordinary General Meeting of Shareholders for 24-25 April 2018;
- February – March 2018 – the Board of Administration appointed Messrs. Razvan Rat and Mancas Catalin as Deputy General Manager and measures were taken for their approval;
- March 2018 – Deputy General Manager Monica Ivan resigned.

These financial statements were approved today, March 22, 2018.

Chairman of the BoA,	**Economic Manager,**
Dr. Darie Moldovan	**Dora Diaconescu**