

individual

at 30 June 2020

Statements

Financial

www.brk.ro

Separated financial statements prepared in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS”) for the period ended June 30, 2020



**Table of Contents**

|  |  |
| --- | --- |
| Individual statement of financial position | 04 |
| The individual situation of the overall result | 05 |
| Individual situation of changes in equity | 07 |
| The individual situation of the cash flows | 09 |
| Notes to the individual financial statements | 11 |

**Dear shareholders,**

We present the results registered by SSIF BRK Financial Group SA in the first semester of 2020 as well as the objectives of the next period, in accordance with the corporate and group strategy of BRK Financial Group SA approved in the General Meeting of Shareholders.

The half-yearly result also includes the effect of marking on the market the instruments held, as well as the provisions.

In the first half of 2020, BRK Financial Group recorded a loss of 6.42 million lei, this value being influenced by the result of the activity of managing its own portfolio from which there was a loss of 4.47 million lei, this value incorporating the result of all investments in which the capital of BRK Financial Group was involved (investments in shares, bonds, units of units, participations in closed companies, market making operations related to structured products issued, interest received and paid, dividends and coupons, interest related to , exchange rate differences, etc.).

On the other hand, the intermediation segment had a positive dynamic: the increase of commission revenues up to the value of 3.64 million lei (compared to 1.27 million lei in the same period last year). From this perspective, BRK registered in the first 6 months of 2020 a turnover of 418 million lei (increasing by 77% compared to the first 6 months of last year), the increase being also felt in terms of market share on the main segment from BVB (3.74% in H1 / 2020 vs 2.22% in H1 / 2019) and a jump of a position in the top of intermediaries (from 9th to 8th place). We also find a positive evolution of the business in terms of the international market segment (increase in commission income from 268k lei to 1.46 million lei) amid the growth of the client portfolio correlated with the climate of volatility on the financial markets, on the background whose customers' appetite for transactions on international markets has visibly increased.

The segment of issuing structured products and market making also had a positive dynamic, BRK registering a turnover of 149.5 million lei four times higher than in the similar period of last year. In our experience, investors' interest in BRK's products is directly influenced by market volatility, so the current context has had a positive impact on the spray and results of this segment.

We also find an increase in revenues in the segment of services offered to issuers, revenues increasing from RON 44k (in H1 / 2019) to RON 540k (H2 / 2020), BRK intermediating a private bond placement, a restructuring of a bond issue corporate, several consulting contracts and the growth of the “Market Maker of the Issuer” business segment (launched in 2019) by significantly expanding the client portfolio.

Regarding the future prospects, we estimate in the second half of 2020 the completion of the project on obtaining membership in stock exchanges in the region and the development of operations for issuing structured products and market making on the targeted stock exchanges. At the same time, in the segment of services offered to customers, we aim to maintain the pace of development and growth, the progress of 2020 being the result of operational redefinition of BRK in recent years, in terms of increasing digitization and flexibility and focus on issuers and potential issuers to use capital market as financing alternatives.

**Cluj-Napoca**

**14/08/2020**

**Monica Ivan, Razvan Rat,**

**General Manager Deputy General Manager**

|  |  |  |  |
| --- | --- | --- | --- |
| **Individual statement of financial position as at 30 June 2020** | |  |  |
| *In RON* |  | **30.06.2020** | **31.12.2019** |
|  |  |  |  |
| **Assets** |  |  |  |
| Intangible assets | **8** | 905.835 | 1.213.729 |
| Tangible assets | **9** | 5.770.867 | 5.887.007 |
| Property investment | **10** | 669.959 | 669.959 |
| Financial assets at fair value through other comprehensive income | **11** | 37.501.473 | 44.644.883 |
| Financial assets at amortised cost | **11** | - | - |
| Loans and advances granted | **15** | 7.264.232 | 12.111.428 |
| Trade and other receivables | **15** | 1.029.138 | 662.686 |
| Other financial assets |  | 76.411.817 | 24.773.064 |
| Bank account for clients | **17** | 42.628.002 | 53.626.771 |
| Cash and cash equivalents | **17** | 8.187.162 | 781.635 |
| Assets classified as held for sale | **14** | - | 303.389 |
| **Total assets** |  | **180.368.484** | **144.674.551** |
|  |  |  |  |
| **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 |  | 0 | 0 |
| Other reserves | **19** | 11.268.338 | 10.860.687 |
| Total reserves | **19** | 0 | 0 |
| Current result | **20** | (6.424.942) | 8.153.016 |
| Retained earnings | **20** | (4.947.800) | (12.693.166) |
|  |  | - |  |
| **Total equity attributable to Company’s shareholders** |  | **57.988.481** | **64.413.423** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| Financial lease liabilities | **26** | - | - |
| Provisions |  | - | - |
| **Total non-current liabilities** |  | - | **-** |
| Short-term bank liabilities | 22 | 1.414.413 | 4.187.543 |
| Current portion of finance lease liabilities | 22 | 13.813 | 28.640 |
| Amounts payable to clients (clients’ available funds) | 22 | 112.926.096 | 60.945.094 |
| Trade and other payables | 21 | 5.223.133 | 12.297.303 |
| Provisions | 23 | 2.802.547 | 2.802.547 |
| **Total current liabilities** |  | **122.380.002** | **80.261.127** |
| **Total liabilities** |  | **122.380.002** | **80.261.127** |
| **Total liabilities and equity** |  | **180.368.483** | **144.674.551** |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

|  |  |  |  |
| --- | --- | --- | --- |
| **Separate statement of comprehensive income** |  |  |  |
|  |  |  |  |
| **Reporting as at June 30, 2020** |  |  |  |
| *In RON* |  | **30.06.2020** | **30.06.2019** |
| **Activitati continue** |  |  |  |
| Revenues from commissions and related activities | **25** | 3.642.609 | 1.271.107 |
| Net finance gains other than dividends | **22** | (7.277.336) | 10.327.685 |
| Net finance losses on transactions with shares and bonds | **29** | (7.890.603) | 7.655.007 |
| Net finance gains on transactions with Turbo products | **29** | 1.758.564 | 363.558 |
| Net gains on financial assets measured at fair value through profit or loss, unrealised | **29** | (1.145.298) | 2.309.121 |
| Financial revenues from dividends | **29** | 1.808.844 | 888.556 |
| Financial interest revenues | **29** | 988.514 | 1.012.266 |
| Income from rentals | **25** | 31.440 | 5.681 |
| Gains / (Losses) from the evaluation / sale of real estate investments and available assets for sale |  | - | - |
| Gains / (Losses) from the assessment / sale of tangible assets |  | (88.389) | - |
| Other revenues | **26** | 361.001 | 517.698 |
| Revenues from write-off of provisions for risks and charges |  | - | - |
| Income from impairments of current assets |  | 5.167 | 4.291 |
| **Total revenues from continued operations** |  | **(528.152)** | **14.027.285** |
|  |  |  |  |
| Expenses with employees and collaborators | **27** | (2.241.367) | (2.685.706) |
| Other operating expenses | **28** | (260.446) | (203.833) |
| Expenses with raw materials and consumables |  | (86.311) | (51.733) |
| Expenses with power and water |  | (79.982) | (75.264) |
| Expenses with taxes and levies |  | (94.152) | (76.836) |
| Expenses with suppliers’ services | **29** | (2.738.321) | (1.821.023) |
| Value adjustments of intangible and tangible assets |  | (456.056) | (479.586) |
| Expenses with allowances for risks and charges |  | - | - |
| Expenses with interest |  | (171.509) | (151.135) |
| Net finance losses | **30** | - | - |
| Impairment of investments |  | - | - |
| Net loss on the disposal/decommissioning of non-current assets |  | - | - |
| Impairment of receivables |  | - | (3.399) |
| Other expenses | **30** | (29.092) | (6.789) |
| **Total expenses** |  | **(5.896.790)** | **(5.351.469)** |
| Expenses with provisions for risks and charges |  | - | - |
| **Result of operating activities** |  | **(6.424.942)** | **8.675.816** |
|  |  |  |  |
| **Profit before tax** |  | **(6.424.942)** | **8.675.816** |
| Expenses with income tax | **31** | **-** | **-** |
|  |  |  |  |
| **Profit for the period** |  | **(6.424.942)** | **8.675.816** |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

|  |  |  |  |
| --- | --- | --- | --- |
| **Separate statement of comprehensive income** | |  |  |
|  |  |  |  |
| **Reporting as at June 30, 2020** |  |  |  |
| *In RON* |  | **30.06.2020** | **30.06.2019** |
|  |  |  |  |
| **Other comprehensive income** |  |  |  |
| Net changes in the fair value of available-for-sale financial assets transferred to profit or loss |  | 0 | 0 |
| ***Lines that may be restated to profit or loss*** |  |  |  |
| Net changes in the fair value of available-for-sale financial assets |  | 0 | 0 |
| Free shares collected, classified as available-for-sale |  | - | - |
| Changes in the value of available-for-sale assets |  | - | - |
|  |  |  |  |
| ***Items that cannot be restated to profit or loss*** |  |  |  |
| Changes in the value of used non-current assets |  |  |  |
| Changes in the value of investment property |  | - | - |
| Set-up/write-off of profit for the allocation of free shares to employees |  | - | - |
| Tax on other comprehensive income |  |  |  |
| **Total other comprehensive income for the period** |  | **0** | **0** |
| **Total profit or loss and other comprehensive income for the period** |  | **(6.424.942)** | **8.675.816** |
|  |  | **30.06.2020** | **30.06.2019** |
| **Loss attributable to:** |  |  |  |
| Company’s owners |  | (6.424.942) | 8.675.816 |
| Non-controlling interests |  | - | - |
| **Profit for the period** |  | **(6.424.942)** | **8.675.816** |
|  |  |  |  |
| **Total comprehensive income attributable to:** |  |  |  |
| Company’s owners |  | (6.424.942) | 8.675.816 |
| Non-controlling interests |  | - | - |
| **Total comprehensive income for the period** |  | **(6.424.942)** | **8.675.816** |
| **Earnings per share** |  |  |  |
| Basic earnings per share (lei) | 24 | (0,0190) | 0,0257 |
| Diluted earnings per share (lei) | 24 | (0,0190) | 0,0257 |
|  |  |  |  |
| Continued operations |  |  |  |
| Basic earnings per share (lei) | 24 | (0,0190) | 0,0257 |
| Diluted earnings per share (lei) | 24 | (0,0190) | 0,0257 |
|  |  |  |  |
| **30.06.2020** |  |  |  |
| Weighted average number of outstanding shares |  | 337.749.919 | 337.749.919 |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

**Separate statement of changes in shareholders’ equity as at June 30, 2020**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *In RON* | **Share capital** | **Own shares** | **Revaluation differences** | **Legal and statutory reserves** | **Other reserves** | **Losses on own shares** | **Retained earnings from adoption of IFRS** | **Retained earnings** | **Total equity** |
| **Balance as at January 1, 2020** | **54.039.986** | **(24.048)** | **3.524.052** | **4.587.874** | **2.748.759** | **4.071.591** | **(4.166.869)** | **(3.765.590)** | **64.413.423** |
|  |  |  |  |  |  |  |  |  |  |
| **Profit for the period** | - | - | - | - | - | - | - | (6.424.942) | (6.424.942) |
| Other comprehensive income | - | - | - | - | - | - | 0 | - | **-** |
| Gains transferred to profit or loss | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of available-for-sale non-current assets | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of used non-current assets | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of investment property | - | - | - | - | - | - | - | - | **-** |
| Other changes in equity | - | - | - | - | - | - | - | - | **-** |
| **Deferred income tax on non-current assets** | - | - | - | - | - | - | - | - | **-** |
| Changes in profit or loss | - | - | - | - | - | - | - | - | **-** |
| Decrease of share capital | - | - | - | - | - | - | - | - | **-** |
| Transfer of revaluation differences for assets sold to reserves | - | - | - | - | - | - | - | - | **-** |
| **Transfer to retained earnings** | - | - | - | - | - | - | - | (6.424.942) | **(6.424.942)** |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | - | - | - | - | - | - | - | - | - |
| Operations with own shares |  |  |  |  |  |  |  |  |  |
| Own shares redeemed |  | - |  |  |  |  |  |  | - |
| **Total operations with own shares** |  | - | - | - | - | - |  | - | - |
| **Balance as at June 30, 2020** | **54.039.986** | **(24.048)** | **3.524.052** | **4.587.874** | **2.748.759** | **4.071.591** | **(4.166.869)** | **(2.801.208)** | **57.988.480** |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

**Situatia individuala a modificarii capitalurilor proprii pentru anul 2019**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***In RON*** | **Share capital** | **Own shares** | **Revaluation differences** | **Legal and statutory reserves** | **Other reserves** | **Losses on own shares** | **Retained earnings from adoption of IFRS** | **Retained earnings** | **Total equity** |
| **Balance as at January 1, 2019** | **54.039.986** | **(24.048)** | **3.524.052** | **4.587.874** | **2.748.759** | **4.071.591** | **(4.166.869)** | **(11.918.606)** | **56.260.406** |
| **Profit for the period** | - | - | - | - | - | - | - | 8.153.016 | **8.153.016** |
| Other comprehensive income | - | - | - | - | - | - | 0 | - | **-** |
| Gains transferred to profit or loss | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of available-for-sale non-current assets | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of used non-current assets | - | - | - | - | - | - | - | - | **-** |
| Changes in the value of investment property | - | - | - | - | - | - | - | - | **-** |
| Other changes in equity | - | - | - | - | - | - | - | - | **-** |
| **Deferred income tax on non-current assets** | - | - | - | - | - | - | - | - | **-** |
| Changes in profit or loss | - | - | - | - | - | - | - | - | **-** |
| Decrease of share capital | - | - | - | - | - | - | - | - | **-** |
| Transfer of revaluation differences for assets sold to reserves | - | - | - | - | - | - | - | - | **-** |
| **Transfer to retained earnings** | - | - | - | - | - | - | - | 8.153.016 | **8.153.016** |
| **Total other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | - | - | - | - | - | - | - | - | - |
| Operations with own shares |  |  |  |  |  |  |  |  |  |
| Own shares redeemed |  | - |  |  |  |  |  |  | - |
| **Total operations with own shares** |  | - | - | - | - | - |  | - | - |
| **Balance as at December 31, 2019** | **54.039.986** | **(24.048)** | **3.524.052** | **4.587.874** | **2.748.759** | **4.071.591** | **(4.166.869)** | **(3.765.590)** | **64.413.423** |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

**Separate statement of cash flows as at June 30, 2020**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **30.06.2020** | **30.06.2019** |
|  |  | **RON** |  |
| **Operating activities** |  |  |  |
| Gross profit |  | **(6,424,942)** | **8,153,016** |
|  |  |  |  |
| **Adjustments for reconciliation of net result against net cash used in operating activities** |  |  |  |
| Value adjustments of tangible and intangible assets |  | 456.056 | 479.586 |
| Income from own shares redeemed |  | - | - |
| Impairment of available-for-sale financial assets |  | - | - |
| Unrealised gains (-)/(+)losses of the measurement of financial assets |  | - | - |
| Value adjustments of short-term investments |  | 2.577.312 | (2.309.121) |
| Income tax |  | - | - |
| Provisions for current and non-current assets |  | - | (892) |
| Provisions for risks and charges |  | - | - |
| Expenses with interest |  | - | 151.135 |
| Interest income |  | 171.509 | (1.012.266) |
| Dividend income |  | (988.514) | (888.556) |
| Relative gains from Turbo certificate |  | (1.808.844) | (363.558) |
| Gain/(loss) on sale of tangible assets |  | (1.758.564) | - |
| Income from foreign exchange differences |  | 88.389 | (206) |
|  |  |  |  |
| **Increase/(Decrease) of operating cash before changes to working capital** |  | **(7.687.598)** | **4.731.557** |
|  |  |  |  |
| Changes in working capital: |  |  |  |
| (Increase)/Decrease in balances of other receivables |  | 366.451 | 2.752.413 |
| Increase/(Decrease) in balances of trade and other payables |  | (6.197.866) | (1.035.725) |
| Increase/(Decrease) in balances of available-for-sale assets |  | - | - |
|  |  |  |  |
| ***Cash flows generated by operating activities*** |  | **(13.519.012)** | **6.448.245** |
|  |  |  |  |
| **Cash flows from operating activities** |  |  |  |
| Income tax paid |  | - | - |
| Proceeds from interest |  | 575.128 | 97.545 |
| Interest paid |  | (170.828) | (149.551) |
| ***Net cash flows generated by operating activities*** |  | **(13.114.712)** | **6.396.239** |
|  |  |  |  |
| **Cash flows from investing activities:** |  |  |  |
|  |  |  |  |
| Cash payment for purchase of tangible and intangible assets and investment property |  | (36.718) | (9.520) |
| Cash payment for purchase of financial instruments |  | 8.465.545 | 10.895.030 |
| Cash received from sale of buildings, plant and equipment, intangible assets and other non-current assets |  | 215.000 | - |
| Dividends received |  | 308.844 | 888.556 |
| (Loans granted)/reimbursed to related parties and client margin |  | (1.200.000) | 5.945.160 |
|  |  | - | - |
| Net position on collections from sale of turbo certificates and payments |  | 4.401.487 | 2.196.550 |
| Interest received on subscribed bonds |  | 329.970 | 329.970 |
| Effect of changes in exchange rate on loans and liabilities |  | - | 0 |
|  |  |  |  |
| ***Net cash flows generated by investing activities*** |  | **12.295.300** | **20.308.671** |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **30.06.2020** | **30.06.2019** |
|  |  | **RON** |  |
| **Cash flows from financing activities:** |  |  |  |
| Lease payments |  | - | (13.664) |
| Collections/payments of short-term bank loans |  | (2.773.130) | (1.666.158) |
|  |  |  |  |
| ***Net cash flows generated by financing activities*** |  | **(2.773.130)** | **(1.679.822)** |
|  |  |  |  |
| **Total cash flows** |  | **(3.592.542)** | **15.138.175** |
|  |  |  |  |
| **Changes in cash and cash equivalents** |  |  |  |
| Cash and cash equivalents at the beginning of the period |  | 54.407.705 | 27.867.012 |
| Increase/(Decrease) in cash and cash equivalents |  | (3.592.542) | 15.138.175 |
| Effect of changes in exchange rate on the opening balance of cash and cash equivalents |  |  |  |
|  |  |  |  |
| **Cash and cash equivalents at the end of the period** |  | **50.815.163** | **43.013.136** |
| of which blocked (attachment) | 24 | - | 4.980.780 |
|  |  |  |  |
| Of which: |  |  |  |
| **Cash on behalf of clients** |  | **50.815.163** | **41.119.860** |
|  |  |  |  |
| **Cash on behalf of the company** |  | 8.187.162 | **1.893.276** |

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

### REPORTING ENTITY

SSIF BRK FINANCIAL GROUP SA („the Company”) is a financial investment company headquartered in Romania. The address of the registered office is in 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 (“the 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 as adopted by the European Union (“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 2020 and 2019 have been prepared based on the accounting regulations, standards and policies included in these financial statements.

SSIF BRK FINANCIAL GROUP SA issues financial statements for the financial period ended June 30, 2020 and consolidated financial statements in accordance with IFRS. The consolidated financial statements of SSIF BRK FINANCIAL GROUP SA as at June 30, 2020 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.

### BASIS OF PREPARATION

1. **Statement of compliance**

The separate financial statements are prepared by the Company in accordance with IFRS. The Company has prepared these separate financial statements in order to comply with the requirements of Rule 39/2015, revised, approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector (FSA).

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

1. **Basis of measurement**

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

* financial assets held at fair value through profit or loss 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 shall be presented in the current measurement unit at the balance sheet date (non-monetary items are restated using a general price index from the date of acquisition or contribution).

**2. BASIS OF PREPARATION (continued)**

Under IAS 29, an economy is deemed hyperinflationary is, apart from other factors, the accumulated inflation rate for a period of three years exceeds 100%.

The continued fall in inflation rate and other factors related to the economic environment in Romania indicate that the economy whose functional currency was adopted by the Company ceased to be hyperinflationary with effect on the financial periods as of January 1, 2004. Therefore, IAS 29 was adopted in the preparation of the separate financial statements as at December 31, 2003.

Thus, the amounts expressed in the current measurement unit as at December 31, 2003 are treated as a basis for the carrying amounts reported in the separate financial statements and are not valued amounts, replacement cost, or any other measurement of the current value of the assets or prices at which the transactions would currently take place.

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

*Going concern*

According to the management’s assessments, the Company will continue to operate on a going concern basis in the foreseeable future. The Company’s management estimates that the Company will continue to operate on a going concern for a period longer than 12 months as of the preparation of these financial statements.

### *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.

* 1. Equity investments

Alte forme ale valorii juste care nu se bazeaza pe ultimul pret de tranzactionare sunt urmatoarele:

1. The trading price: For investments quoted on the stock exchange, the Company looks for an active and liquid market, and uses as fair value the closing price in the last trading period at the end of the financial year.

2. Fair value determined by applying the Discounted Dividend Model (DDM): In case the company has a consistent history regarding the distribution of dividends, and the dividend policy is a predictable one, the valuation price is considered to be the intrinsic value resulting from the DDM model.

3. Fair value determined by applying the Discounted Cash Flow (DCF) method: 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. The fair value determined by the asset-based method: 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.

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).

**2. BASIS OF PREPARATION (continued)**

* 1. 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.

* 1. 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.

* 1. Financial 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.

* 1. Loans granted

Loans granted to related parties are registered at fair value. Loan impairments are calculated according to the stage they are classified in according to the criteria described in Note 3 to these financial statements.

1. **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**

Foreign currency transactions are converted into the entity's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities, which at the reporting date are expressed in foreign currency, are converted into the functional currency at the exchange rate at the reporting date. Foreign exchange differences are recognized directly in other comprehensive income.

The exchange rates of the main foreign currencies, published by the National Bank of Romania on June 30, 2020 are the following: 4.8423 EUR / RON; 4.3233 USD / RON and 5.3020GBP / RON (June 30, 2019: 4.7351 EUR / RON; 4.1587 USD / RON and 5.2735 GBP / RON).

**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.

**2. BASIS OF PREPARATION (continued)**

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

* Note 11 *Financial instruments* – classification of financial instruments
* Note 26 *Financial income and expenses* – losses on impairment of available-for-sale securities, which are reclassified from equity to financial expenses
* Note 16 – Deferred tax assets and liabilities
* Note 24 – Contingent assets and liabilities
* Note 33 – Fair value hierarchy

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company will be presented below. These separate financial statements have prepared in accordance with IFRS and the Company’s accounting policies as presented herein below. The responsibility for these financial statements lies with the management of BRK Financial Group SA.

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

1. **Adoption of IFRS 9**

The adoption of IFRS 9 ”Financial Instruments” replaces the existing provisions of IAS 39 “Financial Instruments: Recognition and measurement” and includes new principles as regards the classifications and measurement of financial instruments, a new model of credit risk to calculate the impairment of financial assets and new general requirements on hedge accounting. Also, it keeps similar principles to IAS 39 on the recognition and derecognition of financial instruments.

SSIF BRK FINANCIAL GROUP SA adopted IFRS 9 as of its initial application, i.e., January 1, 2018. The Company holds the following types of financial instruments: investments, bonds, cash and current accounts, fund units in closed funds, financial derivatives, other financial assets and liabilities. Further to the analysis made, as of the initial application of IFRS 9, BRK decided to state all investments at fair value through profit or loss (implicit option as per IFRS 9). Such approach is in line with the business model of the Company of managing the performance of its portfolio at fair value, with the intended purpose of maximising the returns for shareholders and increasing the net asset value per share through investments made, mainly in Romanian shares and securities.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1. **Financial instruments** 
   1. **Financial instruments**

The company initially recognizes the loans, receivables and deposits at the date they were initiated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized at the date when the entity becomes part of the contractual terms of the instrument.

The entity derecognizes a financial asset when the contractual rights on the cash flows generated by the asset expire.

The entity has the following significant non-derivatives: financial assets at fair value through profit or loss, loans and receivables.

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

Further to the adoption of IFRS 9, as at January 1, 2018 the Company classified all of the investments at fair value through profit or loss (implicit option under IFRS 9). A financial asset is classified at fair value through profit or loss if it is classified as held for trading or if it is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the entity manages those investments and makes purchase or sale decisions based on fair value in accordance with the investment and risk management strategy. Upon initial recognition, attributable trading costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and subsequent changes are stated to profit or loss. Financial assets at fair value through profit or loss are not subject to impairment testing. Loans to affiliates are tested for impairment depending on the fulfillment of the established scenarios that take into account probabilities of repaying such loans on term.

* *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 fair value, loans granted to affiliates and customers, and other receivables at amortized cost.

Cash and cash equivalents comprise cash balances and sight deposits with original maturities of up to three months.

* *Financial assets and liabilities at amortised cost*

Financial assets at amortized cost are tested for impairment in accordance with IFRS 9.

For this purpose, these instruments are classified in Stage 1, Stage 2 or Stage 3, depending on their absolute or relative credit quality in terms of initial payments. Thus:

Stage 1: includes (i) newly recognized exposures; (ii) exposures for which credit risk has not materially deteriorated since initial recognition; (iii) low credit risk exposures (reduced credit risk exemption).

Stage 2: includes exposures that, although performing, have experienced a significant deterioration in credit risk since initial recognition.

Stage 3: includes impaired credit exposures.

For Stage 1 exposures, impairment is equal to the expected loss calculated over a time horizon of up to one year. For Stage 2 or 3 exposures, impairment is equal to the expected loss calculated over a time horizon corresponding to the full duration of the exposure.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

As regards bank deposits and amortized cost bonds, the Company has opted to apply the low credit risk exemption in full compliance with IFRS 9.

Adjustments for impairment of receivables are based on the present value of the expected cash flows of the principal. To determine the present value of future cash flows, the basic requirement is to identify estimated collections, the payment schedule and the discount rate used.

The Company defined as "non-performing" exposures the receivables that meet one or both of the criteria:

exposures for which the Company estimates that it is unlikely that the debtor will fully pay its obligations regardless of the exposure value and the number of days for which the exposure is delayed;

unpaid amounts.

* 1. **Derivatives**

Derivatives are initially recognized at fair value; attributable trading costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and subsequent changes are recognized immediately to profit or loss.

* 1. *Financial assets (including receivables)*

A financial asset that is not carried at fair value through profit or loss is tested at each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered impaired if there is objective evidence to suggest that after the initial recognition there was an event that caused a loss, and this event had an adverse impact on the expected future cash flows of the asset and the loss can be reliably estimated.

The objective evidence that the financial assets (including equity instruments) are impaired may include a debtor’s failure to meet the payment obligations, the restructuring of an amount owed to the entity under terms that the entity would otherwise not accept, indication that a borrower or an issuer will go bankrupt, the disappearance of an active market for an instrument.

In addition, for a capital investment, a significant and long-term decline in fair value is objective evidence of impairment under IAS 39 for available-for-sale financial assets, a criterion that no longer applies after the transition to IFRS 9 because the Company has opted to measure equity and debt instruments at fair value through profit or loss.

* 1. *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any evidence of impairment. If such evidence exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year.

The recoverable amount of an asset or a cash-generating unit is the maximum of the value in use and fair value less costs to sell. In determining the value in use, expected future cash flows are updated to determine the present value, by using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset specific risks.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1. **Property, plant and equipment**
   1. *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.

* 1. *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.

* 1. *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.

* 1. *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.

1. **Intangible assets**
   1. *Goodwill*

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

* 1. *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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

* 1. *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.

1. **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. Any appreciation or depreciation in their value is recognized in profit or loss.

1. **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 lease contracts are classified as operating leases.

1. **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.

1. **Property, plant and equipment held for sale**

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**i) 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, cancelled 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.

**j) 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.

**k) Employee benefits**

* 1. *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.

* 1. *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.

**l) 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.

**m) 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**n) Rental income**

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

**o) Financial revenues and expenses**

Financial revenues include:

* revenues from interest on bank deposits,
* dividend revenues,
* gains on sales of:
  + 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.

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

**p) 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.

**q) 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**q) Earnings per share (continued)**

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.

**r) 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 analyse its performance and for which distinct financial information is available.

### Standards and interpretations in force in the current year

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) and adopted by the European Union (“EU”) effective for the current reporting period, are applicable to the Company:

* **IFRS 9 “Financial Instruments”** – adopted by the EU on 22 November 2016 (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),
* **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** - adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Except for IFRS 9, the Company considers that the adoption of these new standards, amendments and interpretation has not led to any material changes in its annual financial statements.

The Company adopted IFRS 9 as of its initial application as of 1 January 2018. There were no changes in the book value of financial assets further to the transition to IFRS 9 (see note 3 for further details).

**Standards and interpretations issued by IASB and adopted by the EU, but not yet effective**

At the reporting date of these financial statements, the following standards, amendments to existing standards and new interpretations also applicable to the Company were in issue by IASB, but not yet effective:

* **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 9 “Financial Instruments”** - Prepayment Features with Negative Compensation - adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
* **IFRIC 23 “Uncertainty over Income Tax Treatments**” - adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company has analysed the impact of adoption of IFRS 16 and the other standards mentioned above and anticipates that they will not have any significant impact on the annual financial statements if applied for the first time. The Company will apply such standards as of their effectiveness.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Standards and interpretations issued by IASB, but not yet adopted by the EU**

As at the reporting date of such financial statements, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments and interpretations, which are also applicable to the Company and which were not endorsed for use in EU as at the date of authorisation of these financial statements:

* 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 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
* 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 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),
* Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the Company’s annual financial statements in the year of initial application.

SSIF BRK FINANCIAL GROUP SA anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the financial statements of the company During the initial application period.

### 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:

1. credit risk
2. liquidity risk
3. market risk
4. operational risk
5. exchange rate risk
6. 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.

### 4. FINANCIAL RISK MANAGEMENT (continued)

**General risk management setting (continued**

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.

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.

The Company's Risk Profile, which takes into account all the risks to which it is exposed depending on the risk appetite assumed by the management structure in the decision-making process and the business strategy, as well as the classification of the exposures that the company assumes within the limits set by it, we make the following clarifications:

- setting the maximum levels of risk that the company is willing to assume for each risk category (risk appetite) is a result of the current portfolio structure, investment policy and business strategy agreed at BRK FINANCIAL level GROUP SA;

- during the meeting of the Board of Directors dated 23.01.2020 it was decided to modify the Risk Profile of the company regarding the classification of the Risk of concentration by sector from Medium to Very High, and by entity from Low to High, in order to more faithfully reflect the reality risks assumed by the company, information made public to investors through the company's website. As such, the Risk Profile in force, with the specific levels of risk appetite, is illustrated in the attached table.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tolerance limits/ Risk categories** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| **Color for the proposed maximum level** | |  |  |  |  |  |
|  | | ***(0 - 5%)*** | ***(5% - 10%)*** | ***(10 % - 25%)*** | ***(25% - 40%)*** | ***> 40% din fp[[1]](#footnote-1)*** |
| **Market risk** | **Equity securities** |  |  |  |  | **Very high** |
| **Debt securities** |  | **Low** |  |  |  |
| **OPCVM** |  |  | **Medium** |  |  |
| **Currency risk** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***(0 - 5%)*** | ***(5% - 10%)*** | ***( 10% - 12%)*** | ***( 12% - 15%)*** | ***> 15% of fp*** |
| **Credit risk** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***(0 - 40%)*** | ***(40% - 80%)*** | ***(80% - 120%)*** | ***(120% - 140%)*** | ***> 140% of fp*** |
| **Counterparty risk** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***(0 - 4%)*** | ***(4% - 8%)*** | ***( 8% - 12%)*** | ***( 12% - 15%)*** | ***>15%*** |
| **Risc of concentration** |  | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| **Sector** | ***< 5%*** | ***(5% - 10%)*** | ***(10% - 15%)*** | ***(15% - 20%)*** | ***>20%*** |
| **Entity** | ***< 5%*** | ***(5% - 15%)*** | ***(15% - 20%)*** | ***(20% - 25%)*** | ***>25%*** |
| **Operational risk** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***(0 - 15%)*** | ***(15% - 30%)*** | ***( 30% - 40%)*** | ***( 40% - 50%)*** | ***> 50% of fp*** |
| **CRL (liquidity indicator)** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***> 5*** | ***(3.5 – 5)*** | ***(2 - 3.5)*** | ***( 1 – 2 )*** | ***< 1*** |
| **Portfolio liquidity** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***> 50%*** | ***(40% - 50% )*** | ***(30% - 40%)*** | ***(20% - 30%)*** | ***< 20 % of portfolio*** |
| **Lever** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***> 50%*** | ***(40% - 50 %)*** | ***(30% - 40%)*** | ***(20% - 30%)*** | ***< 20%*** |
| **CAR (capital adequacy rate)** | | **Very low** | **Low** | **Medium** | **High** | **Very high** |
| ***> 50%*** | ***(35% - 50%)*** | ***(25% - 35%)*** | ***(18% - 25%)*** | ***< 18%*** |

On 30.06.2020, BRK FINANCIAL GROUP SA certifies that it falls within the Risk Profile in force, each of the values set for the risk appetite being at acceptable values or values lower than them.

**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 analyses 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:

1. 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.
2. 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.

### 4. FINANCIAL RISK MANAGEMENT (continued)

|  |  |  |
| --- | --- | --- |
| **Exposures in current accounts and bank deposits** | |  |
|  |  |  |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| **Total current accounts and bank deposits** | **50.814.995** | **54.424.947** |
| **Exposures from fair value bonds** | |  |
|  |  |  |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| **Total corporate bonds** | **6.138** | **55.391** |
|  |  |  |
| **Exposures from loans granted to affiliates at fair value** |  |  |
|  |  |  |
| *In RON* | **June-20** | **December-19** |
| Romlogic Technology SA | 4.810.000 | 9.315.550 |
| Firebyte Games SA | 820.885 | 320.885 |
| Gocab Software | 950.000 | 950.000 |
| **Total loans granted** | **6.580.885** | **10.586.435** |

The types of exposures are as follows:

### 4. FINANCIAL RISK MANAGEMENT (continued)

**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.

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 liquidity risk of SSIF BRK Financial Group as at June 30, 2020 were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| In RON | **Carrying amount** | | | | |  |
|  |  | **Within 3 months** | | **3 – 12 months** | **More than 1 year** | **No pre-set maturity** |
| June 30, 2020 |  |  | |  |  |  |
| **Financial assets** |  |  | |  |  |  |
| Cash and cash equivalents | 50.815.163 | 50.815.163 | | - | - | - |
| Bank deposits | - | - | | - | - | - |
| Financial assets at fair value through profit or loss | 37.495.335 | - | | - | - | 37.495.335 |
| Loans and advances granted | 7.264.232 | 1.712.981 | | 2.666.858 | 2.884.393 | - |
| Bonds at fair value | 6.138 | - | | - | 6.138 | - |
| Other financial assets | 76.411.817 |  | | - | - | 76.411.817 |
| **Total financial assets** | **171.992.684** | **52.528.144** | | **2.666.858** | **2.890.531** | **113.907.152** |
|  |  |  | |  |  |  |
| Financial liabilities | 1.414.413 | - | | - | - | - |
| Dividends payable | - | - | | - | - | - |
| Financial liabilities at amortised cost | - | - | | - | - | - |
| **Total financial liabilities** | **1.414.413** | **-** | | **-** | **-** | **-** |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
| In RON | **Carrying amount** | | | | | |
|  |  | | **Within 3 months** | **3 – 12 months** | **More than 1 year** | **No pre-set maturity** |
| December 31, 2019 |  | |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |
| Cash and cash equivalents | 54.408.406 | | 54.408.406 | - | - | - |
| Bank deposits | - | | - | - | - | - |
| Financial assets at fair value through profit or loss | 44.589.492 | | - | - | - | 44.589.492 |
| Loans and advances granted | 12.111.428 | | 1.224.550 | 5.869.048 | 5.017.830 | - |
| Bonds at fair value | 55.391 | | - | - | 55.391 | - |
| Other financial assets at fair value | 24.773.064 | |  | - | - | 24.773.064 |
| **Total financial assets** | **135.937.781** | | **55.632.956** | **5.869.048** | **5.073.221** | **69.362.556** |
|  |  | |  |  |  |  |
| Financial liabilities | 4.187.543 | | - | - | - | - |
| Dividends payable | - | | - | - | - | - |
| Financial liabilities at amortised cost | - | | - | - | - | - |
| **Total financial liabilities** | **4.187.543** | | **-** | **-** | **-** | **-** |

### 4. FINANCIAL RISK MANAGEMENT (continued)

**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.

Investment opportunities are selected through:

* + technical analysis;
  + basic analyses – determining the issuer’s capacity to generate profit;
  + comparison – determining the relative value of an issuer compared to the market or other similar companies;
  + statistics – determining trends and correlations using the pricing and trading volume history.

The Company is exposed to the following categories of market risk:

* + 1. **Price risk**

Exposure to price risk is the possibility that the value of financial instruments fluctuates as a result of changes in market prices.

The Company is exposed to the risk associated with the change in the price of financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. 31% of the total shares traded on an active market held by the Company as at June 30, 2020 (December 31, 2019: 70%) represented investments in companies included in the BET index of the Bucharest Stock Exchange, a weighted index with stock capitalization created to reflect the overall trend of the ten most liquid shares traded on the Bucharest Stock Exchange.

A positive 10% change in the price of financial assets at fair value through profit or loss would result in a profit increase of RON 3,750,149 (December 31, 2019: RON 4,289,070), a negative change of 10% having an equal and opposite net impact.

The Company holds shares in companies operating in different sectors of activity as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sector of activity** | **Iunie-2020** | **%** | **Dec-2019** | **%** |
|  |  |  |  |  |
| Commerce | 1.497.186,80 | 3,99% | 1.923.955,00 | 4,49% |
| Constructions | 281.165,05 | 0,75% | 324.773,25 | 0,76% |
| Finance-banking | 16.904.460,17 | 45,08% | 19.126.928,88 | 44,59% |
| Consumer goods | 213.358,55 | 0,57% | 262.611,35 | 0,61% |
| Industry | 2.567.528,48 | 6,85% | 3.282.500,00 | 7,65% |
| Other | 16.037.794,50 | 42,77% | 17.969.939,55 | 41,90% |
| **Total** | **37.501.493,55** |  | **42.890.708,03** |  |

As shown in the table above, at June 30, 2020 the Company holds shares mainly in finance-banking and insurance companies, accounting for 45.08% of its total portfolio, more than the 44.59% registered as at December 31, 2019.

### 4. FINANCIAL RISK MANAGEMENT (continued)

**Operational risk**

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 June 30, 2020, SSIF BRK FINANCIAL GROUP SA contracted a credit line granted for a period of 1 year to support the company’s current activity. The interest on the credit line consists of ROBOR 3M plus fixed margin.

**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.

The company faces interest rate risk due to exposure to unfavorable fluctuations in interest rate. The change in market interest rate directly influences the income and expense of floating-rate financial assets and liabilities as well as the market value of fixed-rate assets and liabilities.

### 4. FINANCIAL RISK MANAGEMENT (continued)

The following tables present the Company’s exposure to interest rate risk.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| In RON | **Carrying amount** | |  |  |  |
|  |  | **Within 3 months** | **3 – 12 months** | **More than 1 year** | **No pre-set maturity** |
| **June 30, 2020** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and cash equivalents | 50.815.163 | 50.815.163 | - | - | - |
| Bank deposits | - | - | - | - | - |
| Financial assets at fair value through profit or loss | 37.495.335 | - | - | - | 37.495.335 |
| Loans and advances granted | 7.264.232 | 1.712.981 | 2.666.858 | 2.884.393 | - |
| Bonds at fair value | 6.138 | - | - | 6.138 | - |
| Other financial assets | 76.411.817 |  | - | - | 76.411.817 |
| **Total financial assets** | **171.992.684** | **52.528.144** | **2.666.858** | **2.890.531** | **113.907.152** |
|  |  |  |  |  |  |
| Financial liabilities | 1.414.413 | - | - | - | - |
| Dividends payable | - | - | - | - | - |
| Financial liabilities at amortised cost | - | - | - | - | - |
|  |  |  |  |  |  |
| **Total financial liabilities** | **1.414.413** | **-** | **-** | **-** | **-** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| In RON | **Carrying amount** | |  |  |  |
|  |  | **Within 3 months** | **3 – 12 months** | **More than 1 year** | **No pre-set maturity** |
| **December 31, 2019** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and cash equivalents | 54.408.406 | 54.408.406 | - | - | - |
| Bank deposits | - | - | - | - | - |
| Financial assets at fair value through profit or loss | 44.589.492 | - | - | - | 44.589.492 |
| Loans and advances granted | 12.111.428 | 1.224.550 | 5.869.048 | 5.017.830 | - |
| Bonds at fair value | 55.391 | - | - | 55.391 | - |
| Other financial assets at fair value | 24.773.064 |  | - | - | 24.773.064 |
| **Total financial assets** | **135.937.781** | **55.632.956** | **5.869.048** | **5.073.221** | **69.362.556** |
|  |  |  |  |  |  |
| Financial liabilities | 4.187.543 | - | - | - | - |
| Dividends payable | - | - | - | - | - |
| Financial liabilities at amortised cost | - | - | - | - | - |
|  |  |  |  |  |  |
| **Total financial liabilities** | **4.187.543** | **-** | **-** | **-** | **-** |

**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.

### 4. FINANCIAL RISK MANAGEMENT (continued)

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

Exposures to foreign exchange risk comprise the following elements:

* derivatives (CFD, futures, options, warrants);
* cash in accounts with external intermediaries;
* bank deposits in foreign currency;
* leases;
* guarantees at market institutions;
* bonds in foreign currency.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In RON* |  |  |  |  |
| **June 30, 2020**  **Financial assets** | **RON** | **EUR** | **USD** | **Other** |
|  |  |  |  |  |
| Cash and cash equivalents | 46.824.826 | 547.476 | 3.415.730 | 27.132 |
| Bank deposits |  |  |  |  |
| Financial assets at fair value through profit or loss | 37.495.335 | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - |
| Bonds at fair value through profit or loss | 6.138 | - | - | - |
| Loans and advances granted | 7.264.232 | - | - | - |
| Other financial assets | 5.089.117 | 59.277.702 | 12.044.998 | - |
|  |  |  |  |  |
| **Total financial assets** | **96.679.648** | **59.825.178** | **15.460.727** | **27.132** |
|  |  |  |  |  |
| Financial liabilities | **1.414.413** | - | - | - |
| Dividends payable | **-** | **-** | **-** | **-** |
| Financial liabilities at amortised cost | - | - | - | - |
|  |  |  |  |  |
| **Total financial liabilities** | **1.414.413** | **-** | **-** | **-** |

### 4. FINANCIAL RISK MANAGEMENT (continued)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In RON* |  |  |  |  |
| **December 31, 2019**  **Financial assets** | **RON** | **EUR** | **USD** | **Alte valute** |
| Cash and cash equivalents | 53.967.805 | 360.101 | 52.274 | 28.226 |
| Bank deposits | - | - | - | - |
| Financial assets at fair value through profit or loss | 41.449.020 | - | - | 3.140.472 |
| Financial assets at fair value through other comprehensive income | - | - | - | - |
| Bonds at fair value through profit or loss | 55.391 | - |  |  |
| Loans and advances granted | 12.111.428 | - | - | - |
| Other financial assets | 10.669.381 | 7.953.764 | 6.149.920 | - |
|  |  |  |  |  |
| **Total financial assets** | **118.253.025** | **8.313.865** | **6.202.193** | **3.168.698** |
|  |  |  |  |  |
|  |  |  |  |  |
| Financial liabilities | **4.187.543** |  |  |  |
| Dividends payable | **-** | - | - | - |
| Financial liabilities at amortised cost | - | - | - | - |
| **Total financial liabilities** | **4.187.543** | **-** | **-** | **-** |

**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.

|  |  |  |
| --- | --- | --- |
| **Indicator** | **June 30, 2020** | **December 31, 2019** |
|  |  |  |
| Total own funds | 47.575.907,99 | 47.480.914,59 |
| Total capital requirements | 16.214.165,69 | 11.943.398,75 |
| Risk exposures | 182.282.854,87 | 118.609.679,29 |

**5. CAPITAL MANAGEMENT (continuted)**

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 Company 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.

1. The intermediation activity comprises intermediation transactions for spot clients.

The significant lines 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.

1. 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 reportable segments is as follows:

### 6. OPERATING SEGMENTS (continued)

**Information on reportable segments**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **June - 2020** | | | |  | **June - 2019** | | | |
|  |  |  |  |  |  |  |  | |  |
|  | **Total,  of which:** | **Intermediation** | **Trading** | **Not allocated** |  | **Total,  of which:** | **Intermediation** | **Trading** | **Not allocated** |
|  |  |  |  |  |  |  |  |  |  |
| Revenues from commissions and related activities | 3.641.644 | 3.641.644 | - | - |  | 1.269.891 | 1.269.891 | - | - |
| Rental income | 31.440 | - | 31.440 | - |  | 5.681 | - | - | 5.681 |
| Net finance gains on transactions | (7.277.336) | - | (7.277.336) | - |  | 11.042.936 | - | 11.042.936 | - |
| Finance dividend revenues | 1.808.844 |  | 1.808.844 |  |  | 888.556 | - | 888.556 | - |
| Interest income | 988.514 |  | 988.514 |  |  | - | - | - | - |
| Revenues from allocation of unit funds | 964 | 964 | - | - |  | 1.216 | - | - | 1.216 |
| Other income | 576.001 | 576.001 | - | - |  | 667.987 | - | 667.987 | - |
| Net finance losses | - | - | - | - |  | - | - | - | - |
| Employees and collaborators expenses | (2.241.367) | (660.078) | (1.581.288) |  |  | (2.689.104) | (246.094) | (2.441.673) | (1.337) |
| Impairment of intangible and tangible assets, excluding goodwill | (450.889) | (132.786) | (318.103) |  |  | (479.700) | - | (325.199) | (154.501) |
| Net expenses with provisions for risks and charges | - | - | - |  |  | - | - | - | - |
| Third party supplies, taxes and levies | (2.998.801) | (883.141) | (2.115.660) |  |  | (2.024.856) | (185.305) | (1.838.544) | (1.006) |
| Other expenses | (503.956) | (148.414) | (355.542) |  |  | (7.434) | - | - | (7.434) |
| **Total:** | **(6.424.942)** | **2.394.190** | **(8.819.132)** | **-** |  | **8.675.173** | **838.492** | **7.994.062** | **(157.380)** |
| **Profit of reported segment before tax** | **(6.424.942)** | **2.394.190** | **(8.819.132)** | **-** |  | **8.488.358** | **836.304** | **7.812.220** | **(160.166)** |
|  |  |  |  |  |  |  |  |  |  |
| **Assets of reported segment, of which:** | **180.368.485** | **116.935.457** | **55.241.958** | **844.407** |  | **105.391.656** | **56.258.428** | **55.373.825** | **9.336.634** |
| - Intangible assets | 905.835 | - | - | 905.835 |  | 1.858.723 | - | - | 1.858.723 |
| - Property, plant and equipment | 5.770.867 | - | - | 5.770.867 |  | 6.705.637 | - | - | 6.705.637 |
| - Real estate investments | 669.959 | - | 669.959 | - |  | 918.186 | - | - | 918.186 |
| - financial investments | 37.501.473 | - | 37.501.473 | - |  | 29.141.637 | - | 44.718.868 | - |
| - trade and other receivables | 84.702.427 | 74.304.510 | 9.553.510 | 844.407 |  | 20.587.989 | 11.637.005 | 8.465.285 | 485.699 |
| - available amounts | 50.817.922 | 42.630.947 | 8.186.975 | 0 |  | 55.662.030 | 44.621.423 | 2.189.672 | 8.850.935 |
| Liabilities of reported segment, of which: | 122.380.003 | 114.137.942 | 4.254.815 | 3.987.247 |  | 49.468.293 | 47.320.065 | 913.720 | 1.234.508 |
| - client’s amounts | 112.926.096 | 112.926.096 | - | - |  | 46.652.465 | 46.652.465 |  | - |

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

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-2020** | **June-2019** |
|  |  |  |
| **Revenues** |  |  |
| Total revenues from reported segments | 3.641.644 | 1.269.891 |
| Revenues not allocated to segments | - | 6.897 |
| Write-off of discontinued operations | - | - |
| **Consolidated revenues** | 3.641.644 | 1.276.788 |
|  |  |  |
| **Profit or loss** |  |  |
| Total profit on reported segments | **(6.424.942)** | **8.675.173** |
| Write-off of discontinued operations | - | - |
| Amounts not allocated | - | - |
| **Consolidated loss before tax** | **(6.424.942)** | **8.675.173** |
|  |  |  |
| **Assets** |  |  |
| Total assets from reported segments | 180.368.485 | 105.391.656 |
| Assets from non-reported segments | - | 9.012.480 |
| Consolidation goodwill |  |  |
| **Total assets** | **180.368.484** | **114.404.136** |
| **Liabilities** |  |  |
| Total liabilities from reported segments | 115.590.209 | 48.084.536 |
| Provisions for risks and charges | 2.802.547 | 149.249 |
| Deferred tax liabilities | - | - |
| Liabilities from reported segments | 3.987.247 | 1.234.508 |
| **Total consolidated liabilities** | **122.380.003** | **49.468.293** |
|  |  |  |

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

|  |  |  |
| --- | --- | --- |
| **Revenues from intermediation segment** | **June- 2020** | **June- 2019** |
|  |  |  |
| Revenue from commissions on the spot market | 1.644.677 | 964.014 |
| Revenue from commissions on the foreign market | 1.771.468 | 268.643 |
| Revenue from commissions on derivative products | - | - |
| Revenue from related activities | 681.555 | 37.234 |
| Revenue from commissions on the spot market | 1.644.677 | 964.014 |
| Revenue from commissions and related activities | 4.097.700 | 1.269.891 |
| Revenue from distribution UF | 964 | 1.216 |
|  |  |  |
| **Total venituri** | **4.098.664** | **1.271.107** |

### 8. INTANGIBLE ASSETS

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* | **Licenses and software** | **Payments in advance** | **Total** |
|  |  |  |  |
| **Cost** |  |  |  |
|  |  |  |  |
| **Balance as at January 1, 2019** | **4.860.236** | **27.820** | **4.888.055** |
| Acquisitions | 1.895 | - | 1.895 |
| of which, by transfer | - | - | - |
| Outflows | - | - | - |
| **Balance as at December 31, 2019** | **4.860.235** | **27.819** | **4.888.055** |
|  |  |  |  |
| **Balance as at January 1, 2020** | **4.862.130** | **27.820** | **4.889.950** |
| Acquisitions | - | - | - |
| of which, by transfer | - | - | - |
| Outflows | - | - | - |
| of which, by transfer | - | - | - |
|  |  |  |  |
| **Balance as at June 30, 2020** | **4.862.130** | **27.820** | **4.889.950** |
|  |  |  |  |

### 8. INTANGIBLE ASSETS (continued)

|  |  |  |  |
| --- | --- | --- | --- |
| **Amortization and impairment** | **Licenses and software** | **Payments in advance** | **Total** |
|  |  |  |  |
| **Balance as at January 1, 2019** | **3.029.332** | **-** | **3.029.332** |
|  |  |  |  |
| Amortization during the year | 646.889 | - | 646.889 |
| Amortization for disposals | - | - | - |
|  |  |  |  |
| **Balance as at December 31, 2019** | **3.676.221** | **-** | **3.676.221** |
|  |  |  |  |
| **Balance as at January 1, 2020** | **3.676.221** | **-** | **3.676.221** |
| Amortization during the year | 307.893 | - | 307.893 |
| Amortization for disposals | - | - | - |
|  |  |  |  |
| **Balance as at June 30, 2020** | **3.984.114** | **-** | **3.984.114** |
|  |  |  |  |
| **Book values** |  |  |  |
|  |  |  |  |
| **Balance as at January 1, 2019** | 1.830.904 | 27.820 | 1.858.723 |
|  |  |  |  |
| **Balance as at December 31, 2019** | 1.185.909 | 27.820 | 1.213.729 |
|  |  |  |  |
| **Balance as at January 1, 2020** | 1.185.909 | 27.820 | 1.213.729 |
|  |  |  |  |
| **Balance as at June 30, 2020** | 878.016 | 27.820 | 905.835 |

The component of the balance of intangible assets is made up of software and software licenses.

The significant value in the total of the intangible assets is represented by the Tradis back office 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 RON* | **Land and buildings** | **Equipment and vehicles** | **Furniture, office equipment and other** | **Non-current assets in progress** | **Total** |
|  |  |  |  |  |  |
| **Balance as at January 1, 2019** | **6.036.262** | **1.577.517** | **305.467** | **12.823** | **7.932.069** |
| Purchases and upgrading | **-** | **6.076** | **-** | **9.520** | **15.596** |
| Advances for property, plant and equipment | - | - | - | - | - |
| Transfers to/from non-current assets in progress | - | - | - | - | - |
| Inflow from the enforcement of guarantees received | - | - | - | - | - |
| Revaluation of non-current assets: | - | - | - | - | - |
| compensation of depreciation against revaluation of assets | - | - | - | - | - |
| value increase registered | - | - | - | - | - |
| Transfers to assets held for sale | - | - | - | - | - |
| Transfers from investment property | - | - | - | - | - |
| Outflows of property, plant and equipment:  - sale | - | - | - | - | - |
| - disposal |  |  |  |  | - |
|  |  |  |  |  |  |
| **Balance as at December 31,** **2019** | **6.036.262** | **1.577.518** | **305.467** | **12.823** | **7.932.070** |
|  |  |  |  |  |  |
| **Balance as at January 1, 2020** | **6.036.262** | **1.583.595** | **305.467** | **22.343** | **7.947.665** |
| Purchases and upgrading | 0 | 0 | 32.023 | 0 | **32.023** |
| Transfers to/from non-current assets in progress | - | - | - | - | **0** |
| Inflow from the enforcement of guarantees received | - | - | - | - | **0** |
| Revaluation of non-current assets: | - | - | - | - | **0** |
| compensation of depreciation against revaluation of assets | - | - | - | - | **0** |
| value increase registered | - | - | - | - | **0** |
| Transfers to assets held for sale | - | - | - | - | **0** |
| Transfers from investment property | - | - | - | - | **0** |
| Outflows of property, plant and equipment:  - sale | - | - | - | - | **0** |
| - disposal |  |  | 0 | 0 | 0 |
|  |  |  |  |  |  |
| **Balance as at June 30, 2020** | **6.036.262** | **1.583.595** | **337.489** | **22.343** | **7.979.688** |

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **In RON** | **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, 2019** | **196.817** | **1.325.622** | **248.714** | **-** | **1.771.153** |
| Depreciation during the year | **199.937** | **66.628** | **22.940** | **-** | **289.505** |
| Impairment losses, of which: | - | - | - | - | - |
| - expensed | - | - | - | - | - |
| - deducted from other comprehensive income | - | - | - | - | - |
| Depreciation related to disposal of fixed assets | - | - | - | - | - |
| Depreciation related to scrapping of fixed assets | - | - | - | - | - |
| Compensation of depreciation against revaluation of assets | - | - | - | - | - |
|  |  |  |  |  |  |
| **Balance as at December 31, 2019** | **396.754** | **1.392.250** | **271.654** | **-** | **2.060.658** |
|  |  |  |  |  |  |
| **Balance as at January 1, 2020** | **196.817** | **1.325.621** | **248.716** | **-** | **1.771.154** |
| Depreciation during the year | 99.968 | 33.314 | 11.139 | - | 144.422 |
| Impairment losses, of which: | - | - | - | - | **-** |
| - expensed | - | - | - | - | **-** |
| - deducted from other comprehensive income | - | - | - | - | **-** |
| Depreciation related to disposal of fixed assets | - | - | - | - | **-** |
| Depreciation related to scrapping of fixed assets | - | - | - | - | **-** |
| Compensation of depreciation against revaluation of assets | - | - | - | - | **-** |
|  |  |  |  |  |  |
| **Balance as at June 30, 2020** | **296.785** | **1.358.935** | **259.856** | **-** | **1.915.576** |
|  |  |  |  |  |  |
| **Book values** |  |  |  |  |  |
|  |  |  |  |  |  |
| **Balance as at January 1, 2019** | 5.839.444 | 251.896 | 56.752 | 12.823 | 6.148.092 |
|  |  |  |  |  |  |
| **Balance as at December 31, 2019** | 5.639.508 | 191.344 | 33.813 | 22.343 | 5.887.008 |
|  |  |  |  |  |  |
| **Balance as at January 1, 2020** | 5.639.508 | 191.344 | 33.813 | 22.343 | 5.864.665 |
|  |  |  |  |  |  |
| **Balance as at June 30, 2020** | 5.539.539 | 158.030 | 50.956 | 22.343 | 5.770.868 |

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

On June 30, 2020, the company uses its registered office in Cluj-Napoca, Str. Motilor nr. 119, as well as the real estate owned in Bucharest, Suceava and Iasi, where the brokerage agencies operate.

As at June 30, 2020, 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.

**Pledged or mortgaged property, plant and equipment**

In December 2017, the company contracted a credit line in the amount of 5,340,000 lei, and secured the loan with the operating properties of the company. Details regarding these guarantees can be found in note 22. The credit line was extended during 2019 for another 12 months until 30.12.2020.

### 10. INVESTMENT PROPERTY

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-2020** | **June-2019** |
|  |  |  |
| **Balance as at January 1, 2020** | **669.959** | **918.186** |
| Transfers to property, plant and equipment during the year | - | - |
| Inflow from enforcement of guarantees received | - | - |
| Purchases during the year (asset exchange) | - | - |
| Investment property in progress - inflows | - | - |
| Investment property in progress – outflows | - | - |
| Advances for investment property | - | - |
| Disposals of investment property (asset exchange) | - | - |
| Plus revaluation amount | - | (248.227) |
| Less revaluation amount | - | - |
| **Balance as at June 30, 2020** | **669.959** | **669.959** |

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

### 10. INVESTMENT PROPERTY (continued)

**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.

### There were no significant increases in the value of real estate investments for the exploitation activity in the first semester of 2020.

### 11. FINANCIAL INVESTMENTS

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  |  |  |
|  |  | **June-20** | **December-19** |
| **Financial assets at fair value through profit or loss** | quoted shares | 14.091.718 | 24.436.675 |
|  | quoted fund units | 431.300 | 566.500 |
|  | unquoted fund units | 8.542.136 | 8.811.471 |
|  | quoted bonds | - | 49.253 |
|  | unquoted bonds | 6.138 | 6.138 |
|  | unquoted shares | 14.430.201 | 9.020.671 |
| Other financial instruments | structured products | - | 1.754.174 |
| **Total financial assets at fair value through profit or loss** | | **37.501.494** | **44.644.883** |
|  |  |  |  |
| **Total financial investments** |  | **37.501.494** | **44.644.883** |

### 11. FINANCIAL INVESTMENTS (continued)

Quoted securities: shares, bonds and fund units are evaluated at the exchange rate of June 30, 2020 published by the Bucharest Stock Exchange.

The listed units of held funds are valued at the value of the net unitary asset, and the unlisted bonds at amortized cost.

For the unit funds held with SmartMoney, impairment allowances were registered in amount of RON 1.070.697 relying on the valuation report prepared by an ANEVAR authorised valuer for the company’s ownership in Romlogic Technology SA.

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. They are evaluated at the exchange rate of June 30, 2020.

### 12. LOANS AND ADVANCES GRANTED

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| Margin loans – gross value | 2.884.393 | 4.067.830 |
| Loans to affiliated parties | 6.580.885 | 10.586.435 |
| Interest on loans granted | 282.456 | 403.722 |
| Receivables increase share capital affiliated parties under registration | 500.000 | 500.000 |
| impairment of loans to affiliates | (2.983.503) | (3.446.502) |
|  |  |  |
| **Loans and advances granted – net value** | **7.264.232** | **12.111.485** |

In the first semester of 2020, the company granted loans to affiliated companies as follows: to Romlogic SA - 500,000 lei and to FireByte the amount of 500,000 lei.

In order to determine the fair value, the Company's management considered the future net cash flows related to these Loans, these loans having a maturity of less than 1 year. For each loan, 3 scenarios were defined regarding the recoverability of the amounts granted in the interval. from time to the maturity of the loan agreement.

The loans granted to the affiliated companies are classified in stage 2 according to the policy described in Note 3 of these financial statements.

The loans granted to the company's clients in the form of margin loans are classified at stage 1 according to the policy described in *Note 3.*

In February, loans and interest calculated up to the respective date for the loans granted in 2019 in the amount of 5,055,550 lei were converted into share capital.

### For the loans granted to Romlogic Technology SA that were not converted into share capital in the amount of 4,310,000 lei, the management of BRk Financial Group based on the accounting policy described in these financial statements in Note 3 considers that these loans are in stage 2 by default, so that a depreciation of the loan in the absolute amount of 2,903,250 lei was taken into account to determine the fair value.

### 12. LOANS AND ADVANCES GRANTED (continued)

For the loan granted to FireByte SA, the management of BRk Financial Group based on the accounting policy described in these financial statements in Note 3 considers that this loan is in default stage 2, so a depreciation of 25% of the total value of the loan in the absolute amount of 80,252 lei to determine the fair value.

The company maintained the service offered to customers to perform margin transactions. The credit balance in the margin granted to the clients on 30.06.2020 was of 2,884,393 lei. For the margin loans, the clients bring as guarantees the securities purchased with these loans, therefore there are no indications of depreciation and this represents the fair value on June 30, 2020.

### 13. INVESTMENTS IN ASSOCIATES

The affiliates and 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:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Company** | **Holding at June 2020** | **Value of holding at December 2019** | **Holding in 2019** | **Value of holding in 2019** |
|  |  |  |  |  |
| Sai Broker | 99,98% | 6.070.389 | 99,98% | 6.070.389 |
| Romlogic Technology | 84,00% | 7.549.009 | 37,52% | 2.139.479 |
| Firebyte | 30,00% | 50.233 | 30,00% | 50.233 |
|  |  |  |  |  |
| **Total** |  | **13.669.631** |  | **8.260.101** |

SSIF BRK FINANCIAL GROUP SA has control over SAI Broker SA (99.98%), and has a significant influence in Firebyte (30%) and Romlogic Technology in 84%.

### In the first half of 2020, dividends were registered from the associated companies in the amount of 1,500,000 lei.

### 13. INVESTMENTS IN ASSOCIATES (continued)

In the first half of 2020, the transactions with the affiliated parties are presented as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **The nature of affiliation** | **The nature of the activity** | **Volume and weight of the respective activity** |
| **SAI Broker** | Holding percentage 99.98% | Investment management | - income from intermediary commissions 835 |
| - income from distribution and intermediation commissions in the amount of 964 lei |
| - rental income in the amount of 17,100 lei |
| - income from related dividends related to the participation in the amount of 1,500,000 lei |
|  |
|  |  |
| **Romlogic Technology SA** | Holding percentage 84% |  | - interest income related to loans granted in the amount of 236,440 lei |
| -conversion of loans in share capital in the amount of 5,005,550 lei |
| -Lending 500,000 lei |
| **Firebyte Games SA** | 30% holding percentage | Development of games for mobile devices | -Giving a loan in the amount of 500,000 lei  -interest income 14,340 lei  -rental income 14,918 lei |

The transactions with the related parties were made at market value.

### 13. INVESTMENTS IN ASSOCIATES (continued)

At 30.06.2020 and 30.06.2019 the balances of the company's receivables from the relations with the affiliated parties were the following:

|  |  |  |
| --- | --- | --- |
|  |  |  |
| *In RON* | **June-20** | **June-19** |
|  |  |  |
| SAI Broker | 2.850 | 52.834 |
| Facos SA Suceava | - | 863.427 |
| Firebyte Games SA | 1.340.519 | 336.568 |
| Gocab Software | 950.000 | - |
| Romlogic Technology SA | 2.038.254 | 5.531.357 |
|  |  |  |
| **Total** | **4.331.623** | **6.784.186** |

### 

### 14. NON-CURRENT ASSETS HELD FOR SALE

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **Dec-2019** |
|  |  |  |
| **Balance as at 1 January** | **303.389** | **544.721** |
| Transfers to property, plant and equipment during the year | - | - |
| Inflow following the enforcement of guarantees received | - | - |
| Inflows during the year (exchange of assets) | - | - |
| Disposals | (303.389) | (241.332) |
| Excess further to revaluation | - | - |
| Deficit further to revaluation | - | - |
| **Balance as at June 30, 2020** | **0** | **303.389** |

The fixed assets held for sale on balance as of 31.12.2019 were sold in the first half of 2020, marking a loss of 88,389 lei. The building sold represents the space owned in Alba Iulia.

The credit line contracted by SSIF BRK Financial Group in December was diminished with the value of the guarantee representing the value of the alienated apartment.

**15. TRADE AND OTHER RECEIVABLES**

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **Dec-19** |
|  |  |  |
| Trade receivables | 139.652 | 57.839 |
| Amounts receivable from the State budget | - | - |
| Net receivables from debtors | 294.357 | 49.302 |
|  | 28.698 | 26.847 |
|  | 265.659 | 22.456 |
| Other debtors | 595.128 | 552.796 |
|  |  |  |
| **Total trade and other receivables** | **1.029.138** | **659.937** |

**15. TRADE AND OTHER RECEIVABLES (continued)**

*Borrowers from the trading of the financial instruments* of the company come from transactions concluded in June 2020 that have the first two days of July 2020 as settlement date.

Similarly, *Borrowers in financial instruments* *settled by clients* come from transactions concluded in June 2020 that have the first two days of July 2020 as settlement date.

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  |  |  |
|  |  | **June-20** | **December-19** |
| Borrowers from the trading of the financial instruments |  | 4.889.578 | 2.088.901 |
| Borrowers in financial instruments settled by clients |  | 71.522.239 | 22.684.163 |
|  |  |  |  |
| **Other financial assets** |  | **76.411.817** | **24.773.064** |

The exposure of the entity to credit risk and foreign exchange risk, as well as impairment losses related to trade receivables, are disclosed in note 4.

Debtors’ gross balances and impairments are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  | **June-20** | **December-19** |
| Former employee and third party debtors – Stage 3 |  | 1.937.891 | 1.902.048 |
| Impairment of former employee and third party debtors’ liabilities |  | (1.874.425) | (1.879.592) |
|  |  |  |  |
| **Former employee and third party debtors** **– net value** |  | **63.466** | **22.456** |

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

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  | **June-20** | **December-19** |
|  |  |  |  |
| Balance as at 1 January |  | 1.879.592 | 1.888.714 |
| Additional provisions |  | - | - |
| Write-off of provisions |  | (5.167) | (9.122) |
| **Balance as at 31 December** |  | **1.874.425** | **1.879.592** |

### In the first half of 2020, income adjustments related to debt recoveries amounting to 5,167 lei were resumed.

### 16. DEFERRED INCOME TAX ASSETS AND LIABILITIES

**Deferred income tax assets not recognized**

The deferred tax assets were not recognized for the following:

|  |  |  |
| --- | --- | --- |
| *In RON* | **Iunie-20** | **Iunie-19** |
|  |  |  |
| Loss for the period | (6.424.942) | 8.675.436 |
| Total income tax expense | - | - |
| **Profit before tax (including on discontinued operations)** | (6.424.942) | 8.675.436 |
| Tax rate | 16% | 16% |

### 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**

|  |  |  |
| --- | --- | --- |
|  | **June-20** | **December-19** |
|  |  |  |
| Differences from revaluation of fixed assets | 3.524.052 | 3.524.052 |
|  | **3.524.052** | **3.524.052** |
|  |  |  |
| Tax rate | 16% | 16% |
| **Deferred tax liabilities not recognized** | **563.848** | **563.848** |

**Deferred income tax assets and liabilities recognized**

The company has to recover a cumulative tax loss of RON 28,007 thousand. Tax losses can be recovered in a period of 7 years. As a result, no deferred tax assets and liabilities were recognized. As the Company registered losses, future profits are uncertain.

### 17. CASH AND CASH EQUIVALENTS

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  | **June-20** | **December-19** |
|  |  |  |  |
| Account for clients |  | 42.628.002 | 53.626.771 |
| Cash and cash equivalents |  | 8.187.162 | 781.635 |
| **Balance as at 31 December** |  | **50.815.163** | **54.408.405** |

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 be used on the basis of clients’ trading orders.

The Company performed an analysis of the impairment of cash and cash equivalents as per IFRS 9 and considers that the resulting impact is immaterial for the financial statements considered overall. This impact was not reflected in these financial statements.

The exposure of the entity to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 4.

### 18. CAPITAL AND RESERVES

The share capital and shares issued are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In RON* |  | **Value of share capital** | **No. of ordinary shares** | **Nominal value/share** |
|  |  |  |  |  |
| January 1, 2019 |  | 54.039.987 | 337.749.919 | 0,16 |
| December 31, 2019 |  | 54.039.987 | 337.749.919 | 0,16 |
|  |  |  |  |  |
| January 1, 2020 |  | 54.039.987 | 337.749.919 | 0,16 |
| June 30, 2020 |  | 54.039.987 | 337.749.919 | 0,16 |

### 18. CAPITAL AND RESERVES (continued)

In the first semester of 2020 there were no changes in the share capital or the number of shares issued.

As at June 30, 2020 the Company owns 319,967 shares.

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  | **June-20** | **December-19** |
|  |  |  |  |
| 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* |  | **June-20** | **December-19** |
|  |  |  |  |
| Differences from the revaluation of property, plant and equipment | | 3.524.052 | 3.524.052 |
| Legal and statutory reserves |  | 4.995.526 | 4.995.526 |
| Fair value reserves |  | - | 3.623.734 |
| Other reserves |  | 2.748.760 | 2.748.760 |
| -of which from the application of IAS 29 (inflation adjustment) | | 2.748.760 | 2.748.760 |
| Legal reserves related to own shares | | - | - |
| **Total reserves and revaluation differences** |  | **11.268.338** | **11.268.338** |

**Revaluation differences**

The revaluation differences did not change during the first half of 2020.

**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.

Further to the transition to IFRS 9, the fair value reserve was transferred to retained earnings.

**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**

No dividends were granted to shareholders during the first half of 2020.

**20. RETAINED EARNINGS**

|  |  |  |  |
| --- | --- | --- | --- |
| *In RON* |  | **June-20** | **December-19** |
|  |  |  |  |
| Profit carried forward from transition to IFRS | | 2.713.367 | 2.713.367 |
| Retained earnings from application of IFRS 9 | | 3.392.306 | - |
| Retained earnings IAS 29 |  | (6.880.234) | (6.880.234) |
| Retained earnings from recycling the current results of prior periods |  | (4.173.239) | (11.918.587) |
| Current result |  | (6.424.942) | 7.745.366 |
| **Total retained earnings** |  | **(11.372.742)** | **(4.947.786)** |

**Retained earnings by transition to IFRS**

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

The retained earnings from the application of IFRS 9 dates back to 2018.

**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** |
| Capital discount index | 1.00 | 1.15 | 1.41 | 1.90 | 2.77 | 4.04 | 6.42 | 16.36 | 22.71 |

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.

### 21. TRADE AND OTHER PAYABLES

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| Trade payables | 608.118 | 441.942 |
| Debts to employees | 191.351 | 184.224 |
| State budget debts | 171.354 | 126.638 |
| Sundry creditors from house transactions | 1.457.645 | 872.784 |
| Sundry creditors from clients’ transactions | 1.211.846 | 10.237.065 |
| Sundry creditors from structured products | 1.582.819 | 434.650 |
| **Total trade and other payables** | **5.223.133** | **12.297.303** |

### 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 note 4.

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 external intermediaries, 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 call, case in which the external intermediary offers clients the possibility to contract margin loans. Clients also bring as collateral financial instruments from their own trading portfolio.

### 22. BORROWINGS

The loans contracted by the Company are as follows:

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **December-19** |
| **Long-term liabilities** | - | - |
| Finance lease liabilities | - | - |
|  |  |  |
|  | **-** | **-** |

|  |  |  |
| --- | --- | --- |
| **Short-term liabilities** | **June-20** | **December-19** |
| Secured credit lines | 1.414.413 | 4.187.543 |
| Current portion of finance lease liabilities | 13.813 | 28.639 |
| **Total short-term liabilities** | **1.428.226** | **4.216.182** |

During the first semester of 2020, no new leasing contracts were contracted, and the credit line contracted in 2017 was extended for 12 months. The credit line was guaranteed with the following patrimonial buildings:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Pledged property** | **Category** | **Value in EUR** | **Value in RON** |
|  |  |  |  |  |
| 1 | Apartment în Suceava | fixed assets in operation | 38.400 | 176.517 |
| 2 | Property in Bucharest Bocsa | fixed assets in operation | 157.000 | 721.698 |
| 3 | Property in Cluj- Motilor | fixed assets in operation | 1.032.700 | 4.747.115 |
| 4 | Apartment in Iasi | fixed assets in operation | 41.000 | 188.469 |
| 5 | Apartment in Cluj - Eistein | Investment property | 170.100 | 781.916 |
|  |  |  |  |  |
|  | **Total** |  | **1.439.200** | **6.615.715** |
|  |  |  |  |  |

### 22. BORROWINGS (continued)

The amounts owed to clients are in fact amounts paid in advance by them in the bank accounts on the domestic market or in the accounts held with external brokers, which are available either for trading, or for withdrawal, depending on client’s future options. They originate in:

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| **Amounts payable to clients** |  |  |
| Creditor clients from transactions on the domestic market | 42.952.019 | 50.328.348 |
| Creditor clients from transactions on the foreign markets | 69.821.568 | 10.616.746 |
| Creditor clients from corporate services | 152.508 | - |
|  | **112.926.096** | **60.945.094** |

### 23. PROVISIONS FOR RISKS AND CHARGES

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **December-19** |
|  |  |  |
| **Provisions** |  |  |
| **Balance as at 1 January** | **149.249** | **450.182** |
| Cancelled during the year | - | 300.933 |
| Established during the year | - | - |
| **Balance as at 31 December** | **149.249** | **149.249** |

### In the first half of 2020, no provision for litigation was resumed.

### 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.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *In RON* | **Continued operations** | **Continued operations** | **Discontinued operations** | | **Total** | |
|  | **June- 20** | **June-19** | **June-20** | **June-19** | **June-20** | **June-19** |
| Revenue from commissions on the spot market | 1.644.677 | 964.014 | - | - | 1.644.677 | 964.014 |
| Revenue from commissions on the foreign market | 1.463.575 | 268.643 | - | - | 1.463.575 | 268.643 |
| Revenue from commissions on derivatives | - | - | - | - | - | - |
| Revenue from related activities | 533.393 | 37.234 | - | - | 533.393 | 37.234 |
| Revenue from insurance intermediation | - | - | - | - | - | - |
| Revenue from allocation of unit funds | 964 | 1.216 | - | - | 964 | 1.216 |
| **Subtotal of revenues from commissions and related activities** | **3.642.609** | **1.271.107** | **-** | **-** | **1.271.760** | **4.566.717** |
| Income from rental of non-current assets | 31.440 | 5.681 | - | - | 31.440 | 5.681 |
| Other operating income | 272.612 | 517.698 | - | - | 272.612 | 517.698 |
| **Total revenues** | **3.946.660** | **1.794.486** | **-** | **-** | **3.946.660** | **1.794.486** |
|  |  |  |  |  |  |  |

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.

### 26. OTHER REVENUES

As of July 2018, the Company chose to charge an additional commission to clients that did not register turnover in the last 3 months. Such amounts are registered as *Other operating income* in the table above.

### 27. EMPLOYEE-RELATED EXPENSES

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **June-19** |
|  |  |  |
| Employees and contractors | (1.394.065) | (1.716.722) |
| Mandatory social contributions and insurance | (708.572) | (935.064) |
| Employee’s profit sharing | - | - |
| Remunerations for BoA members | (138.730) | (33.920) |
| BoA members profit sharing | - | - |
| **Total employee expenses in comprehensive income** | **(2.241.367)** | **(2.685.706)** |

The remuneration of the general managers is established by the Decision of the Board of Directors of the Company.

During the first semester of 2020, the management of the company was ensured by the general manager in the person of Monica Ivan and by the deputy general manager in the person of Razvan Rat.

### 28. OTHER OPERATING EXPENSES

### Other operating expenses include raw materials and consumables, water and energy and taxes and levies:

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **June-19** |
|  |  |  |
| Expenses with raw materials and consumables | (85.893) | (51.733) |
| Expenses with energy and water | (79.982) | (75.264) |
| Expenses with taxes and levies | (94.152) | (76.836) |
| **Total** | **(260.028)** | **(203.833)** |

### 29. OTHER EXPENSES

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **June-19** |
|  |  |  |
| Expenses with compensations, fines and penalties | (5.382) | (1.673) |
| Expenses with donations granted | - | - |
| Net expenses with tangible and intangible assets disposed | (88.389) | - |
| Other operating expenses | (23.711) | (5.116) |
|  |  |  |
| **Total** | **(117.481)** | **(6.789)** |

Within the Expenses with compensations and fines during the year 2020, an insignificant amount was registered in the amount of 5,382 lei.

### 30. FINANCIAL REVENUES AND EXPENSES

|  |  |  |
| --- | --- | --- |
| in RON | **June-20** | **June-19** |
|  |  |  |
| Net gains on transactions with financial assets at fair value through profit or loss | (7.890.603) | 7.655.007 |
| Net gains on the valuation of financial assets at fair value through profit or loss | (1.145.298) | 2.309.121 |
| Net gains on transactions with derivatives - Futures | - | - |
| Net gains on transactions with derivatives – international markets | - | - |
| Net gains on transactions with Turbo products | 1.758.564 | 363.558 |
| Dividend revenues: | 1.808.844 | 888.556 |
| Related to available-for-sale financial assets | - | - |
| Related to financial assets at fair value through profit or loss | 1.808.844 | 888.556 |
|  |  |  |
| **Total trading revenues** | **(5.468.492)** | **11.216.241** |
|  |  |  |
| Total net changes in the fair value of financial assets at fair value through profit or loss, of which: | - | - |
| Revenues from interest on deposits | 565.250 | 316.841 |
| Revenues from interest on margin contracts and loan contracts | 423.140 | 362.490 |
| Net gains on interest/coupons related to bonds | 124 | 332.935 |
| Net gains on foreign exchange differences | - | - |
| Other net financial revenues | - | - |
|  |  |  |
| **Total financial revenues** | **(4.479.979)** | **12.228.508** |
|  |  |  |
| Losses on transactions with derivatives – international markets | - | - |
| **Total trading expenses** | **-** | - |
| Expenses with definitive impairment of available-for-sale securities | - | - |
| Expenses with interest on financial liabilities carried at amortized cost | (171.509) | (151.135) |
| **Total** **financial expenses** | **(171.509)** | **(151.135)** |
|  |  |  |
|  |  |  |
| **Net financial result carried to profit or loss** | **(4.651.487)** | **12.077.373** |
|  |  |  |
| **Recognized to other comprehensive income** |  |  |
| *In RON* |  |  |
| Detailed on the following page | - | - |
|  |  |  |
| **Recognized to other comprehensive income** |  |  |
| in RON |  |  |
|  |  |  |
| Net changes in the fair value of available-for-sale financial assets transferred to profit or loss | - | - |
| related to outstanding securities at the end of the period | - | - |
| **Financial revenues recognized in other comprehensive income, after tax** | **-** | **-** |

### 30. FINANCIAL REVENUES AND EXPENSES (continued)

Following the adoption of IFRS 9 as of January 1, 2018, BRK Financial Group changed its accounting policy, classifying all investments in the portfolio at fair value through profit or loss, as a result, in 2018, all changes in fair value were recorded in the income statement. profit or loss. Prior to January 1, 2018, only financial instruments held for trading, as well as investments in subsidiaries and associates, were classified and measured as fair value financial assets through profit or loss, the remaining investments were classified as available-for-sale financial assets and measured at fair value through other equity items. Unrealized net gains / (losses) from the measurement of investments at fair value through profit or loss for the financial year ended June 30, 2019 were mainly generated by the net change in the fair value of financial instruments that are part of the trading portfolio for which The company analyzed the sales opportunities.

Gains/(Losses) on *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.

Dividend income is registered to profit or loss at net value.

|  |  |  |
| --- | --- | --- |
| ***In RON*** | **June-20** | **June-19** |
|  |  |  |
| **TOTAL** | **1.808.844** | **888.556** |

### 31. INCOME TAX EXPENSES

**Reconciliation of effective tax rate**

|  |  |  |
| --- | --- | --- |
| *In RON* | **June-20** | **June-19** |
|  |  |  |
| **Profit for the period** | **(6.424.942)** | **8.153.016** |
| Total income tax expenses | 0 | 0 |
| **Profit before tax (including from discontinued operations)** | **(6.424.942)** | **8.153.016** |
| Tax rate | 16% | 16% |
| Income tax calculated by applying the tax rate to book profit | (1.027.991) | 1.304.483 |
| Impact of non-deductible expenses | 313.880 | 543.255 |
| Impact of non-taxable revenues | (678.924) | (260.493) |
| Impact of expenses from IFRS restatement not accounted in the calculation of income tax | - | - |
| Accumulated tax loss | 8.706.464 | 18.892.944 |
| Impact of tax losses from previous years | (1.393.034) | (3.022.871) |
| Total income tax expenses calculated as per the tax rate | 5.920.395 | 17.457.318 |
| **Income tax expenses not registered for negative amounts** | **(5.920.395)** | **(17.457.318)** |
| Final income tax expenses | - | - |
| Final tax rate | - | - |

### 32. EARNINGS PER SHARE

**Basic earnings per share**

The calculation of earnings per share as at June 30, 2020 is based on the profit attributable to shareholders (all ordinary shareholders) and the average number of outstanding ordinary shares of 337,749,919. As at June 30, 2020, the average number of outstanding ordinary shares was the same 337,749,919.

**Profit attributable to ordinary shareholders**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **June-20** | **June-19** |
| **Profit attributable to:** |  |  |  |
| Company’s owners |  | **(6.424.942)** | **8.675.816** |
| Non-controlling interests |  | **0** | **0** |
| **Profit for the period** |  | **(6.424.942)** | **8.675.816** |
|  |  |  |  |
| **Total comprehensive income attributable to:** |  |  |  |
| Company’s owners |  | (6.424.942) | 8.675.816 |
| Non-controlling interests |  | 0 | 0 |
| **Total comprehensive income for the period** |  | (6.424.942) | 8.675.816 |
| **Earnings per share** |  |  |  |
| Basic earnings per share (lei) | 24 | (0,0190) | 0,0257 |
|  |  |  |  |
| Continuous activities |  |  |  |
| Basic earnings per share (lei) |  | (0,0190) | 0,0257 |
| Diluted earnings per share (lei) |  | (0,0190) | 0,0257 |

### 32. EARNINGS PER SHARE (continued)

The result presented follows the calculation of income tax.

|  |  |  |
| --- | --- | --- |
|  | **June- 2020** | **June- 2019** |
| **Profit attributable to:** |  |  |
| Company’s owners | (6.424.942) | 8.675.816 |
| Non-controlling interests | - | - |
| **Profit for the period** | **(6.424.942)** | **8.675.816** |
|  |  |  |
| **Total comprehensive income attributable to:** |  |  |
| Company’s owners | (6.424.942) | 8.675.816 |
| Non-controlling interests | - | - |
| **Total comprehensive income for the period** | **(6.424.942)** | **8.675.816** |
| **Earnings per share** |  |  |
| Basic earnings per share (lei) | (0,0190) | 0,0257 |
| Diluted earnings per share (lei) | (0,0190) | 0,0257 |
|  |  |  |
| **Continued operations** |  |  |
| Basic earnings per share (lei) | (0,0190) | 0,0257 |
| Diluted earnings per share (lei) | (0,0190) | 0,0257 |

**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.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **2020** | **2019** | **2018** | **2017** | **2016** |
|  |  |  |  |  |  |
| Number of shares | 337.749.919 | 337.749.919 | 337.749.919 | 337.749.919 | 337.749.919 |

**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
* **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.
* **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.

**33. FAIR VALUE HIERARCHY (continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *In RON* | **Level 1 A** | **Level 2 A** | **Level 3 A** | **Total** |
| **30 June 2020** | **Level 1 B** | **Level 2** | **Level 3** |  |
| **Available-for-sale financial assets, of which:** | **10.594.296** | **9.869.048** | **24.302.547** | **44.765.891** |
| quoted shares | 8.794.329 | 5.297.389 | - | **14.091.718** |
| quoted fund units | 431.300 | - | - | **431.300** |
| unquoted fund units | 1.368.500 | 4.571.659 | 2.601.976 | **8.542.135** |
| quoted bonds | - | - | - | **-** |
| unquoted bonds | - | - | 6.138 | **6.138** |
| unquoted shares | - | - | 14.430.201 | **14.430.201** |
| structured products | - | - | - | **-** |
| loans and advances granted | 167 | - | 7.264.232 | **7.264.398** |
| derivative financial instruments, such as financial assets | 3.392 | - | - | **3.392** |
| other financial instruments | 29.397 | - | - | **29.397** |
| **TOTAL** | **10.627.085** | **9.869.048** | **24.302.547** | **44.798.680** |
|  |  |  |  |  |
| *În RON* | **Level 1 A** | **Level 2 A** | **Level 3 A** | **Total** |
| **31 December 2019** | **Level 1 B** | **Level 2** | **Level 3** |  |
| **Financial assets at fair value through profit or loss, of which** | **20.278.444** | **10.869.391** | **23.854.358** | **55.002.193** |
| quoted shares | 18.316.139 | 6.120.536 | - | **24.436.675** |
| quoted fund units | 566.500 | - | - | **566.500** |
| unquoted fund units | 1.346.552 | 4.748.855 | 2.716.064 | **8.811.471** |
| quoted bonds | 49.253 | - | - | **49.253** |
| unquoted bonds | - | - | 6.138 | **6.138** |
| unquoted shares | - | - | 9.020.671 | **9.020.671** |
| structured products | - | - | - | **-** |
| loans and advances granted | - | - | 12.111.485 | **12.111.485** |
| derivative financial instruments, such as financial assets | 0 | - | - | **0** |
| other financial instruments | 1.754.174 | - | - | **1.754.174** |
| **TOTAL** | **22.032.618** | **10.869.391** | **23.854.358** | **56.756.367** |

**33. FAIR VALUE HIERARCHY (continued)**

The table below presents changes in the book value of investments classified to Level 3 of the fair value hierarchy in June 2020 and 2019:

|  |  |  |
| --- | --- | --- |
| **Changes in Level 3 fair value** |  |  |
| *in RON* |  |  |
|  | **June-20** | **December-19** |
| **As at January 1** | **23.834.175** | **16.479.090** |
| Total gain/loss carried to profit or loss | 468.372 | 3.205.416 |
| Total gain/loss carried to other comprehensive income | - | - |
| Acquisitions during the period(\*) | - | 30.000 |
| Sales during the period(\*\*) | - | (2.984.054) |
| Transfers to Level 3 in the fair value hierarchy(\*\*\*) |  | 7.103.723 |
| **As at December 31** | **24.302.547** | **23.834.175** |

(\*) Represents the acquisition of shares in Firebyte SA.

(\*\*\*) In the level 3 of the fair value hierarchy were assigned the Credits granted to the affiliated parties and to the clients who have loans in the margin, their value at 30.06.2020 was RON 7,264,232.

**33. FAIR VALUE HIERARCHY (continued)**

The valuation methods for Level 3 financial assets are presented below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Financial assets** | **Fair value as at June 30, 2020** | **Valuation technique** | **Unobservable inputs range** | **Relationship of unobservable inputs to fair value** |
| 1 | Unquoted majority interests | 6.105.300 | Income approach - discounted cash flow method | Weighted average cost of capital: 11,39 % | The lower the weighted average cost of capital, the higher the fair value |
| Long-term income growth rate: 2,6% | The higher the long-term income growth rate, the higher the fair value |
| 2 | Unquoted majority interests | - | Income approach - discounted cash flow method | Weighted average cost of capital: 12,75% | The lower the weighted average cost of capital, the higher the fair value |
| Discount for lack of liquidity: 15,60% | The lower the discount for the lack of liquidity, the higher the fair value |
| Long-term income growth rate: 1,30% | The higher the long-term income growth rate, the higher the fair value |
| 3 | Unquoted minority interests | 539.393 | Cost method -adjusted net asset method | Market value of equity by reference to their book value: | In the balance sheet, the book value is identified by equity. The lower the resulting price/accounting value, the lower the fair value |
| 4 | Unquoted minority interests | 7.785.508 | Income approach - discounted cash flow method | Weighted average cost of capital: 10,50% | The lower the weighted average cost of capital, the higher the fair value |
| Discount for lack of control: 10% | The lower the discount for the lack of control, the higher the fair value |
| Long-term income growth rate: 2% | The higher the long-term income growth rate, the higher the fair value |
| 5 | Unqoted bonds | 6.138 | Amortised cost – fair value estimates | Annual cash flow discount rate (IRR): 8,23% | The lower the cash flow discount rate, the higher the fair value |
| 6 | Loans and advances granted | 7.264.232 | Income approach - discounted cash flow method |  |  |
| 7 | Unquoted fund units - Smart Money | 2.601.976 | Cost approach - adjusted net asset method |  |  |
|  | **Total** | **24.302.547** |  |  |  |

**33. FAIR VALUE HIERARCHY (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Financial assets** | **Fair value as at December 31, 2019** | **Valuation technique** | **Unobservable inputs range** | **Relationship of unobservable inputs to fair value** |
| 1 | Unquoted majority interests | 6.105.300 | Income approach - discounted cash flow method | Weighted average cost of capital: 11,39 % | The lower the weighted average cost of capital, the higher the fair value |
| Long-term income growth rate: 2,6% | The higher the long-term income growth rate, the higher the fair value |
| 2 | Unquoted majority interests | - | Income approach - discounted cash flow method | Weighted average cost of capital:: 12,75% | The lower the weighted average cost of capital, the higher the fair value |
| Discount for lack of liquidity: 15,60% | The lower the discount for the lack of liquidity, the higher the fair value |
| Long-term income growth rate: 1,3% | The higher the long-term income growth rate, the higher the fair value |
| 3 | Unquoted minority interests | 539.393 | Cost method -adjusted net asset method | Market value of equity by reference to their book value: | In the balance sheet, the book value is identified by equity. The lower the resulting price/accounting value, the lower the fair value. |
| 4 | Unquoted minority interests | 2.375.978 | Income approach - discounted cash flow method | Weighted average cost of capital: 10,50% | The lower the weighted average cost of capital, the higher the fair value |
| Discount for lack of control: 10% | The lower the discount for the lack of control, the higher the fair value |
| Long-term income growth rate: 2% | The higher the long-term income growth rate, the higher the fair value |
| 5 | Unqoted bonds | 6.138 | Amortised cost – fair value estimates | Annual cash flow discount rate (IRR): 8,23% | The lower the cash flow discount rate, the higher the fair value |
| 6 | Loans and advances granted | 12.111.428 | Income approach - discounted cash flow method |  |  |
| 7 | Unquoted fund units - Smart Money | 2.716.064 | Cost approach - adjusted net asset method |  |  |
|  |  |  |  |  |  |
|  | **Total** | **23.854.302** |  |  |  |

**33. FAIR VALUE HIERARCHY (continued)**

***Price / Book value multiple***: often expressed simply as "price-to-book", this multiple measures a company's market price based on its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price / Book value ratio multiple varies significantly based on the industry.

A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a significantly lower price-to-book than a company whose earnings result from rendering services (e.g. a consulting firm).

***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.

***Discount for lack of control***: represents the discount applied to reflect the absence of the power of control and it is used within the discounted cash flow method, in order to determine the value of a minority interest in the equity of the revalued company.

***Discount for lack of liquidity***: represents the discount applied to the comparable market multiples, in order to reflect the liquidity differences between the revalued company from the portfolio and its comparable peer group. Valuators estimate the discount for lack of marketability based on their professional judgement after considering market liquidity conditions and company-specific factors.

To assess the unquoted majority equity instruments held in Facos SA in amount of RON 4,785. Evaluare si a metodologiei de lucru recomandate de catre ANEVAR. The valuation report for Facos was prepared by Darian DRS, and the one for Minesa by Mr. Marius Sufana.

### 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.

These financial statements were approved today, August 14, 2020.

**General Manager Economic Director**

**Monica Ivan Sandu Pali**

****

**BRK Financial Group**

**Calea Moților 119, Cluj-Napoca, Romania**

**+(40) 0364 401 709**

**office@brk.ro**

**www.brk.ro**

****

1. fp- The company's own funds since the last quarterly reporting to ASF [↑](#footnote-ref-1)