

Press release

Financial Statements

SEPTEMBER 30, 2022

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Dear shareholders,

BRK Financial Group publishes today the financial results for the first 9 months of 2022 and reports **profit from the core activity in the amount of +3.75M RON**, a **negative result of the investment activity in value of 12.1M RON**, **value adjustments of intangible and tangible assets (expenses with depreciation) in the amount of -0.7M RON** and **expenses with other long-term employee benefits in the amount of -1.3M**, these elements leading to a total loss of **10.39M RON**. In what follows, we will briefly explain the main developments at the business segment level

The total operating revenues activities decreased by 27% from 20.77M RON (Q3 2021) to 15.2M RON, the **evolution being influenced exclusively by the revenues of the corporate segment**, where we have a relative decrease in revenues of 89%, and in absolute terms a decrease of 6.42M RON. BRK remained competitive in this segment, being the market leader (6 listings out of 15 in the first 9 months at the BVB were carried out by BRK), but the value of the concluded transactions is incomparably lower than the similar values brokered in 2021. In fact, this contraction of the segment is in line with the global market, where in the first 9 months of the year we could see a 57% decrease in revenues, according to a public press release of the consulting company Ernst & Young. The same source indicates that the intermediate volumes in 2022 globally are below those recorded in any of the last 18 years.

The other three operating segments had a generally good development and in line with expectations:

- **Intermediation segment: intermediation of 1.54 billion RON (market share 7.34%)** lower compared to the same period last year (market share 11.87%, intermediation of 2.04 billion lei), but it should be taken into account that in the figures of 2021, a significant intermediated corporate transaction (~60 million euros) has had a high incidence in the figures of the previous year. To remove from the discussion the favorable context of the year 2021, we can take the year 2020 as a basis for comparison, where in the first months we brokered transactions worth 630M RON and had a market share of 3.21%. We thus appreciate that we are on the desired trajectory through the lens of the strategic objective of organic growth.
- In the segment of transactions with structured products, we have a **12% increase in intermediated volumes** (from 469M RON in Q3 2021 to 529M RON in Q3 2022), a **stable market share (38%)** and a **decrease in revenues by 13.4%** explained by the fact that we found an appetite of investors for more expensive products correlated with the business policy of maintaining trading spreads (expressed in absolute values) at a constant level in order to maintain the competitiveness of our products. In fact, BRK Financial Group issues different series of products, some are more expensive, others are cheaper (due to the different leverage effect), quoted with fixed spreads, and BRK positions itself neutrally in relation to investors' appetite for the structured products issued.
- On the issuer's market making segment (shares listed on the BVB), we report a **doubling of revenues** compared to the same period last year (from 1.7M to 3.5M RON) explained by a number of factors: (i) new contracts concluded during of 2021 and which in 2022 generated income every month, whereas in 2021 they generated income only after the conclusion of the contract (ii) BRK's commercial policies towards this segment.

The operating expenses decreased by 13.4%, especially due to the fact that some expenses are directly tied to the intermediated volume (for example the commissions paid to the Stock Exchange) or the fact that in 2021 external resources were contracted (suppliers, legal services) related to the Corporate segment. Salary expenses increased by 7.92%, but we would like to underline the fact that in the previous report (S1 2022) in salary expenses were also included the expenses related to the non-cash allocation of the Stock Option Plan programs approved by AGEA Decisions no. 5/ 26.04.2021 and 2/26.04.2022. On the occasion of this report, we decided to segregate the salary expenses on 2 separate lines, namely Salary expenses and employee benefits represent the usual salary expenses, and in the section Expenses with other long-term employee benefits represent the expenses incurred with the redemption of shares to implement the effects of the 2 decisions mentioned above. A second change that we want to highlight on the presentation of the financial statements (compared to the previous reporting, S1 2022) consists in moving the expenses with Value Adjustments of intangible and tangible assets (in other words Depreciation Expenses) outside of operating expenses.

The result of the investment activity consists of a loss of 12.1M RON (Q3 2021: +13.5M RON) composed of the marked profit (-615k RON), revaluation of holdings (-9M RON) and interest paid (-2.25M RON). The approximate value of financial assets measured at fair value through profit and loss is 50M RON, but we emphasize that the structure of the portfolio does not have the same composition as that of the local indices; the tradable portfolio is composed predominantly (over 2/3) of the issuers' shares for which BRK provides the issuer's market making services.

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