

16 March, 2023

Preliminary results of SSIF BRK FINANCIAL GROUP S.A. for 31.03.2023 (unaudited)  
Conference call for analysts and investors

**Presentation of results and main points of the speech**

The management team of SSIF BRK Financial Group SA held a conference call with investors on 16 May 2023, starting at 14:00, regarding the financial results as at 31.03.2023.

*Presenters:*

- *Monica Ivan-Director General*
- *Razvan Rat-Deputy Director General*
- *Sandu Pali-Economic Director*

The conference was divided into three sections, namely:

- A. Presentation of unaudited financial statements as at 31.03.2023-** *Monica Ivan, Sandu Pali*
- B. Presentation of the answers to the questions asked by email, according to the announcement -** *Monica Ivan*
- C. Q&A section -** *Monica Ivan, Razvan Rat, Sandu Pali*

- A. Presentation of unaudited financial statements as at 31.03.2023 -** *Monica Ivan, Sandu Pali*  
**Key aspects**

Dear Shareholders,

BRK Financial Group published on 15.05.2023 the results for the first quarter of 2023 and reported a net profit of 1.95 million lei (Q1-2022: -2.8 million lei), with both components of the business achieving positive results, i.e. the result of the core business is 560 thousand lei (Q1-2022: 1.1 million lei) and the result of the investment business is +1.65 million lei (Q1-2022: -3.93 million lei).

In the following we will briefly explain the main developments in the business segments. Total revenues of the core business, amounting to 4.9 million lei, are down 17% compared to the first quarter of 2022(5.76 million lei) and at segment level we report a 30% decrease in intermediation revenues (from 5.76 million lei in Q1-2022 to 4.8 million lei in Q1-2023) on the back of decreasing intermediated volumes, in line with the evolution of market turnover, BRK's market share remaining constant, around 6.5 - 7%, above the organic target set at 5%.

In the first quarter of 2023 we achieved total revenues of 2.4 million lei from market making activity, the same amount as in the first quarter of last year, and at the sub-segment level we have divergent evolutions. We report a 50% increase in revenues from market making services provided to issuers (from 1.1 million lei in Q1-2022, to 1.7 million lei in Q1-2023) on the back of revenues generated by newly concluded contracts in 2022, and in terms of revenues from transactions with structured products, we report a decrease of 43% (from 1.29 million in Q1-2022, to 731 thousand lei in Q1-2023), amid a decrease in investor appetite for these products (the turnover in Q1-2022 was 246 million lei, and in Q1-2023 it was 123 million lei). In addition to this decrease, we also add the fact that the market share remained constant (40%), but also the fact that the revenues from transactions with structured products recorded in the first quarter of 2022 represented an all-time high, as investor appetite for these products was higher in the context of volatility induced by geopolitical tensions in Ukraine. For comparison, the amount reported in Q1-2023 (731 thousand lei) is above the average of the last three quarters (average Q2-Q4 2022 = 695 thousand lei).

Regarding the core activity expenses, it totalled 3.8 million lei, up by 5.3% compared to 2022 (3.6 million lei), and by type of expenditure, salaries costs increased by 14%, while others (with the market, external services, suppliers, depreciation, etc.) seen in aggregate, decreased by 3%, from 1.84 million lei in Q1-2022 to 1.79 million lei in Q1-2023.

The result of the investment activity is +1.65 million lei (Q1-2022: -3.93 million lei) and is mainly composed of a marked profit of +280 thousand lei (Q1-2022: -816 thousand lei), the result of the revaluation of portfolio positions +2.29 million lei (Q1-2022: -2.7 million lei), interest and exchange rate expenses of 1.01 million lei (Q1-2022: -472 thousand lei).

### *Presentation of the financial statements - Annex 1*

#### **B. Submission of answers to the questions asked by email, according to the announcement**

| <b>Investor Question</b>  | <b>Answer BRK</b>   |
|---|---|
| First of all congratulations on the results, you are back in profit. What has changed from previous quarters? | Thank you for your appreciation in the first place. We report a net profit of 1.95 million lei (Q1-2022: -2.8 million lei), with both components of the business recording positive results, i.e. the result of the core business is 560 thousand lei (Q1-2022: 1.1 million lei) and the result of the investment business is +1.65 million lei (Q1-2022: -3.93 million lei). The change in trend comes from the result of the investment activity, which is positive, while in previous quarters it was negative, and the incidence of this result in the total erased the profit from the core activity. Regarding the core business, we believe that we are on track, even if from the point of view of some segments, in the first quarter of 2023 we recorded some decreases compared to previous quarters |
| How do you explain the decline in intermediation revenues, both intermediation and corporate?                 | In terms of corporate activity, we did not close any placements in the first quarter of 2023. Investors are waiting for the Hidroelectrica IPO; this would be the first reason. At the same time, the issuers we are talking to would not list before Hidroelectrica or at the same time as Hidroelectrica. In terms of bond placements, as long as interest rates are very high it is difficult for us to identify potential issuers who would be willing to pay a coupon in line with current   |

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|   | <p>interest rate levels (obviously there must be a risk premium above interest rate levels) and at the same time have profitability margins that would support a high coupon.</p> <p>As far as the intermediation activity is concerned, we have a decrease, but we want to make two important mentions:</p> <ol style="list-style-type: none"> <li>1. Comparison with the first quarter of 2022 can be a trap. Q1 2022 was exceptional in terms of the market context (high volatility caused by geopolitical tensions in Ukraine), and we were helped by this in terms of intermediary turnover and higher than expected fee income.</li> <li>2. On the other hand, the results of the transaction intermediation segment are in line with the budget projection.</li> </ol> |
| What impact do you think Hidroelectrica's listing will have on BRK's results in 2023? | <p>Certainly, a large IPO has a positive impact, so we look forward to it with great interest. According to publicly available information, this IPO is likely to take place by the end of the second quarter. We expect to open new accounts, have significant inflows of money from customers, and after the IPO, these customers will generate transactions. In addition, the listing of Hidroelectrica is also an important step for the relaxation of the market in the short term, and the development in the long term, we expect some emulation after this event. All in all, we look forward to this moment with a lot of optimism.</p>   |
| See the achievable budget approved at the AGM   | <p>We have budgeted a net profit of 5 million lei. At the moment we are in line, at the level of each business segment (less the corporate segment), but also at the aggregate level we are in line, maybe slightly above if we look at the first quarter result. But more comments we can't make, we refrain from forecasts/projections. However, the market context and the volatile component have traditionally affected our achievements, both in a positive and negative sense.</p>  |

**D. Q&A section - Monica Ivan, Razvan Rat, Sandu Pali**

**Question 1**

I am a BRK shareholder, I would also like to congratulate you on your return to profitability and hope that you will keep up the momentum and I have a few questions, respectively:

-on page 7 of the financial statements presented is the item "other comprehensive income". Can you explain what it is?

**BRK's answer, Monica Ivan**

Yes, we have certain portfolio holdings that are valued through this account, some listed and some not in our own trading portfolio and given that there may be moments of volatility in certain securities and we do not want shareholders to be impacted by price movements through marking to market. Basically, it is an IFRS accounting of the securities held. Strictly for accounting purposes, it is the 1035 account.

**Question 2**

I looked at the market making activity and I saw that the revenues are about the same although the number of customers has increased and the profit has decreased because there are expenses with salaries, commissions, external expenses. Can you give me some data?

**BRK's answer, Monica Ivan:** Of course, I would make the following clarifications regarding market making contracts. Some contracts have been terminated and new ones have been signed. Concerning salary costs, the increases are related to inflation and to certain allocations on payment deferrals. We have specialized staff for this business in which we have invested in terms of their specialization, they are experienced people and it is not easy to replace specialized staff in this industry, basically the cost of replacement would take our figures in an undesirable direction and this is one of the reasons. Regarding the expenditure on external services, I would like to say that we are working on a project but we cannot give details at the moment.

**Question no. 3** I would like to ask you about BRK's investment in Romlogic. I saw that you granted a loan of 1,000,000 lei in March this year and I don't understand what the situation is because you invested a lot and it is still a company that loses money. What is the point of BRK supporting this company if it does not produce and only loses? Mr. Danila mentioned at one point that the company owns machines and you could better recover the money from their value.

**BRK's answer, Monica Ivan:** We did not grant the loan you mentioned this year but at the beginning of the previous year. There is public information about this loan.

What I can tell you is this: we have a shareholder-approved strategy. This was reconfirmed at the AGM on 28.04.2023 for the period 2023-2028. In the strategy it is stated that we will continue to try to provide support with regard to financing for subsidiaries and not necessarily from BRK and to support them in finding solutions. We have a number of portfolio holdings in our own portfolio and some of them certify that they have been a successful start-up sooner or later and others confirm later or do not confirm. It goes without saying that start-ups by definition are not guaranteed successes. It is true that Romlogic can be said to be beyond the start-up stage but we are still paying attention to these aspects. I repeat, the last loan was granted at the beginning of 2022. Regarding the machines, I know that we are trying to sell the machines on the Kosovo market.

**Question no. 4** How do you see the BRK and the market in general evolving if the futures market starts on the BVB?

**BRK's answer, Razvan Rat:** Normally we expect trading volumes to increase based on the fact that if trading is done on the futures market we usually see a counterparty on the spot market and then we will have to increase liquidity in the market and this would help BRK in the sense that we can come up with new products. We can do arbitrage in the futures market, i.e. we can increase the range of products that we have listed at the moment on the exchange. It would also help us on the issuer's market making side.

**Question no. 5** Do you perceive interest from investors for Hidroelectrica?

**BRK's answer, Razvan Rat:** Yes, we see very high interest from investors. Basically those who call us ask a first question, namely when Hidroelectrica is listed and if we have additional details and we see that there

are quite a lot of clients ready, they have money in their accounts and they are waiting for Hidroelectrica to be listed. We also see new accounts being opened precisely to be ready for Hidroelectrica. So there is interestis from the retail side, we are waiting to see new data, concrete data.

**Question no. 6** What's new about electronic voting?

**BRK's answer, Monica Ivan:** Yes, we tried to access the electronic voting for the general meetings on 28.04.2023 but the only available time offered by the only electronic voting service provider was 9.00 AM, a bit inconvenient for all BRK shareholders. We will try to organise ourselves better at the next general meeting.

**Question no. 7** What do you think of the course of action? Do you have any buyback programmes this year? I understand that the dividend is out of the question.

**BRK's answer, Monica Ivan:** I would like to make a clarification - we do not have any ongoing or approved buyback programs and we will not make any further clarification on the evolution of BRK share price. Shareholders are in a position to assess the share price as well as the components that are incorporated.