

March 1, 2024

Preliminary results of SSIF BRK FINANCIAL GROUP S.A. for 31.12.2023 (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 March 1, 2024, starting at 15:00, regarding the preliminary unaudited financial results as of 31.12.2023.

Presenters:

- *Monica Ivan - CEO*
- *DI Alexandru Paul Stiopei - Chief Operating Officer and Deputy CEO - pending authorization at ASF*
- *Sandu Pali - CFO*

So, the conference was divided into three sections, namely:

- A. Presentation of the preliminary unaudited financial statements as of 31.12.2023**
- B. Presentation of answers to the questions asked by email, according to the announcement**
- C. Q&A section**

- A. Presentation of the preliminary unaudited financial statements as of 31.12.2023 - Monica Ivan, Paul Stiopei, Sandu Pali**
Key aspects

Presentation of the preliminary unaudited financial statements as of 31.12.2023

Hello and welcome back. Today we present the preliminary results of BRK Financial Group for 2023. These were published on 28 February.

Disclaimer

We would like to mention that this conference is registered, so your continued participation in it is your consent. A transcript of the conference will be posted on the BRK website in the coming days. The financial statements are projected to be presented as per Annex 1.

Individual situation of the comprehensive result

Regarding the individual statement of the preliminary comprehensive result, at the end of 2023, we managed to return to profit, so for 2023 we report a profit of 376,155 lei, compared to a loss of 15.1 million lei in 2022. At the core activity level, we marked a plus of 6.3 million lei, and from the investment activity (house account management) we have a minus of 5.3 million lei. Here we will go into a bit more detail at sub-segment level in the next slides.

BRK model

This is the picture of BRK Financial Group's business model. You can see the major segment - brokerage with the sub-segments "transaction brokerage" and listing brokerage, as well as the major segment of market making activities and in-house portfolio management. Here we have trading in structured products, where the gain comes from the trading spread and operations are carried out on a full heading basis. Then we have the Issuer Market Making segment - where we record income from the contracts we have with issuers and finally, in-house portfolio management.

Brokerage activity

As for the brokerage activity, for the preliminary financial statements of 2023, we have a positive result of 8.7 million lei, an increase of 78% compared to 2022, when the gain on this segment was 4.8 million lei. All 3 segments of the brokerage business (internal market trading, international market trading, issuer services) generated total revenues of 15.12 million lei, an increase compared to 2022. The increase in intermediation revenues was largely due to the increasing liquidity of the domestic capital market as well as due to investors " engaged" in the Hidroelectrica IPO. Brokerage fee income was higher than in 2022. An increase in client assets can also be observed (+20.47% in 2023 compared to 2022) seen both in the increase of their account amounts and the increase in the number of investors. This is a welcome development, including for the capital market in general, not just for BRK. BRK brokered transactions worth a total of 2.23 billion lei on the BVB in 2023 and in terms of market positioning, BRK was ranked 6th in the top of intermediaries on the BVB.

Strong market position

In terms of market share, the total turnover in 2023 was 2.23 billion lei, with a market share of 4.5%, taking into account all segments. The market share for equities and fund units was 4.23% at the end of 2023. It can therefore be seen in the graph on the left-hand side the constancy of BRK's activity in terms of value traded. The market share achieved was slightly distorted in Q3 2023 due to the high volumes traded in the market with the Hidroelectrica IPO. In the AeRO market (graph on the right), we managed to maintain the value traded in each of the 4 quarters of 2023, compared to Q4 2022, and our market share stands at 16.05% of the market at the end of 2023.

Market making activity

We move on to the second productive segment, the market making segment, where we have a slight increase in total revenues from 8.17 million lei in 2022 to 8.37 million lei in 2023, mainly due to the increase in revenues from market making services provided to issuers, from 4.8 million lei in 2022 to almost 6 million lei in 2023. Net gains from transactions in structured products decreased to RON 2.37 million in 2023 from RON 3.37 million in 2022.

Regarding progress:

- The issuer's market making - see also on the graph on the top right the evolution of revenues at quarter level - peaked at around 1.8 million lei/quarter 3 of 2023, based on the contracts in issue. We did not have large variations in the number of clients - we attracted two new clients in the first half of the year (MET and DN), and in Q4 we added another new client (LIH).
- In terms of structured products we had to reduce our trading spread slightly, and somewhere in the middle of 2023 we see a downward trend in revenues - as turnover and absolute declined. As you can see in this chart, it's a segment with a higher volatility of revenues, it depends on the volatility of the market, we assume the cyclical nature of this business segment which still brings us important and constant revenues in conditions of 0 market risk - as you know we do full hedging on these exposures.

Strong market position

In terms of market share position, we have a market share of 60.71% on issuer market making, and we aim to add more clients to our portfolio if we can. In other words, 17 out of a total of 28 issuer market making contracts in the market are signed with BRK. On structured products, we maintain our market leadership position with a share of 37.81%, down slightly from 38.7% in Q4 2022. This segment is hardly influenced by our shares, we depend on investor appetite for structured products in general, and as a personal note - I think their appetite depends on volatility. We position ourselves neutrally, we issue structured products both ways (long and short), we try to make them symmetrical, and then it's up to investors to decide.

Individual statement of financial position

In terms of the financial position, we have an atypical balance sheet structure - probably comparable to a bank's - as some of the client assets (cash, amounts in the process of settlement and international market assets) pass through BRK's balance sheet. In short, for a more accurate picture of the segregated balance sheet to put it this way - about 107 million lei should be removed from the balance sheet - amounts that relate to client assets that are strictly segregated from an accounting and banking point of view.

Q&A

Thank you. We look forward to your questions.

B. Presentation of answers to the questions asked by email, according to the announcement

No.	Investor question	Answer BRK
1	<p>TechVenture Bank</p> <ul style="list-style-type: none"> - BRK bought 9.86% in August 2021 - BRK sold 5% in November 2023 - In the list of holdings prepared for the GSM, TechVenture Bank does not appear. Where is the missing 4.86%? And if you sold them, what did the money go for? 	<p>In the list of shareholdings prepared for the GSM, only qualified shareholdings, i.e. shareholdings of more than 10% of a company's share capital, were submitted. As such, Techventures Bank would not have appeared on the list of qualified shareholdings even if we held 9.86%. And yes, in November we sold part of our holding in Techventures Bank as reported in our current report no.5322/20.11.2023.</p> <p>I would like to clarify that today's discussion is focused around the presentation of the preliminary results and not the GSM of 13-14.03.2024.</p>

2	<p>The list of BRK holdings, except for Axionet IOT and probably SAI BROKER, is a list of failed investments managed to look good for the GSM. For example the FRB capital increase attempt clearly shows that its value is far below what was estimated in the document. Who takes responsibility for this multiple failure in front of shareholders?</p>	<p>We accept criticism that some investments have not performed as expected. I would like to look back a bit and say that BRK has always had significant holdings in its portfolio, i.e. used capital for such placements. Some have generated significant profits, others losses. These investments in start-up companies, were approved by shareholders at the GSM in 2019, and subsequently re-approved individually annually. We again have the strategy for shareholder approval.</p>
3	<p>Referring to the "Own Portfolio" paragraph of the BRK 2028 Strategy. It appears that all companies in which BRK has a "controlling position" have not been successful. The money BRK makes from the core business (where it has expertise) goes on unsuccessful investments (where it is seen to have no expertise). Do you not see a problem here? When will you reassess this point in the 2028 strategy?</p>	<p>I explained earlier that the GSM on 13-14 March is a time to assess this situation, shareholders can vote in full knowledge of the facts. The Board of Directors and Executive Management have carried out the GSM resolutions, including the strategy, as defined.</p>
4	<p>What position does Mr Grigore Chis still hold in BRK?</p>	<p>Mr Chis is now Director of Client Operations Department.</p>
5.	<p>Why did another GSM pass without e-voting? At the last vote on 28.07.2023, only 12% of shareholders voted. Without encouraging wider participation in voting, the company is only governed by the votes of a small group of shareholders who practically control the company with only 12%. Don't you see a problem here?</p>	<p>First of all, there is the option of voting by mail. Secondly, I want to add that there are costs in the order of thousands of euros. As for attendance at the GSM, you have mentioned the minimum attendance point in the recent history of the BRK GSM. I would look at the average—not an extreme in a summer period. We held that GSM because it was mandatory to have the financial audit elected and the contract signed for the 2024 financial year (<i>these deadlines are very clearly mentioned in the regulations</i>).</p>
6.	<p>After a good year for the stock market, a year in which BRK is just barely above water, what's the point of discussing "Strategy 2028"? It's clearly not working. How satisfied is the BRK management, including the board, with the failure of 2023?</p>	<p>From our point of view, we ended the year honourably and we are looking at the core business result of RON 6.3M, comparable to the one achieved in 2021 (RON 7.9M) - the best year in BRK's last 15 years. Of course, the result on own portfolio cancels the result of the core business - here we have to work massively more, it is a much more volatile segment, we admitted that some investments did not perform according to our expectations.</p>
7.	<p>In 2023 we had stock-option-plan with the intention to motivate staff to perform for the good of the company and shareholders. The shares were bought at 0,21 and those to be motivated sold at 0,17 on the first day.</p> <p>How can a financial investment company design such a stock-option-plan from which the beneficiaries can sell at any price and without bringing a benefit to the shareholders?</p>	<p>Beneficiaries had a legally imposed restriction period until the date of transfer. Once the shares were transferred, we could not control their decisions in any way (no restrictions were imposed), let alone the price. I would also like to add that this Stock Options Plan component was also the equivalent of a "variable component" on the 2021 results, so individual decisions to "convert" them to cash I cannot comment on. I believe that they were individual decisions that may have been based on certain personal needs of the beneficiary in question. As you have seen, the reporting of the transactions does not require mentioning the motivation, even less as it can enter the personal area of the beneficiaries.</p>
8.	<p>The sellers, seeing BRK's 2023 results, what do they have to communicate to shareholders? Why did they take our money without giving us anything back?</p>	<p>I would like to say that the tone of the questions is tough, I tried to answer directly, but to these last 2 questions we refuse to answer. Thank you.</p>
9.	<p>First of all let me congratulate you on your operational result and operational growth, and criticize you for your performance in the investment</p>	<p>Thank you for your appreciation, and we accept criticism. Yes, the operational result is even above our expectations; at our maximum, we had 8 million in 2021, but it was an exceptional year. Otherwise, we are talking about a 140% increase, with increasing revenues and expenses maintained at the 2022 level. As for the financial result, we have a less flexible portfolio structure, which does not allow</p>

	business. How do you comment on this discrepancy?	us to perform in line with the market while interest rates are rising. We are trying to change our approach in 2024 to liquidate the portfolio more.
10.	Are we seeing a decline in revenue from structured product transactions? How do you explain it?	First of all, the market turnover decreased 610M in 2023 vs 821M in 2022. We as a positioning remained market leader. But I would point out something here: in 2022 the turnover was very high, and then the "decrease" in 2023 should be seen in relation to the fact that the turnover was very high in 2022, especially in the first quarter, when, in the context of the war in Ukraine, we had this growth. Otherwise, 200k RON/month, is our average revenue from this line of business, so we appreciate they were in line.
11.	To what extent does the appearance of a new competitor on the market affect you?	In our view, competition is beneficial and leads to progress. The emergence of a competitor with an experienced team is positive for the market in general. Given the potential of the market, i.e. the number of investors coming to the market, I think there is room for new entrants and leaves room for existing ones to grow.
12.	How do you see the listing segment in 2024?	Expected interest rate decreases could generate an increase in this segment, i.e. the interest of both parties (both investors and issuers) to increase towards such operations. At the moment, investors are demanding high yields, sometimes difficult to bear or uncompetitive for potential issuers - and I refer in particular to bonds.
13	I am a BRK shareholder. I have a few questions about the company's performance and dividend expectations for the coming year: How do you anticipate BRK's stock performance in 2024? Are dividends expected for fiscal year 2024 based on management decisions in 2023?	As a general rule, we do not comment on share price developments. Normally, the share price should reflect the performance and the financial situation of the company, but let's not forget that on the Stock Exchange the price is determined exclusively by the supply/demand ratio. Of course, the application of the policy is conditional on profitability as well as an approval decision to distribute dividends.

C. Q&A section

Question 1

If you could include the number of active accounts per year as part of the reporting from now on. Let's say an account is active if it has 6 transactions per year - for example.

Answer

We will consider your suggestion. Thank you!

Question 2

Don't you think we should focus more on clients for brokerage services? Don't you think it would be good to have a BRK specific app, like others.

Answer

Each brokerage firm has its own characteristics. We look closely at existing lines of business and try to remove what doesn't work, innovate and test new ones. Of course, we take the best from our competitors.

Thank you very much for your participation, for the questions you asked, and we hope that the answers were clarifying and also for the trust you offered!