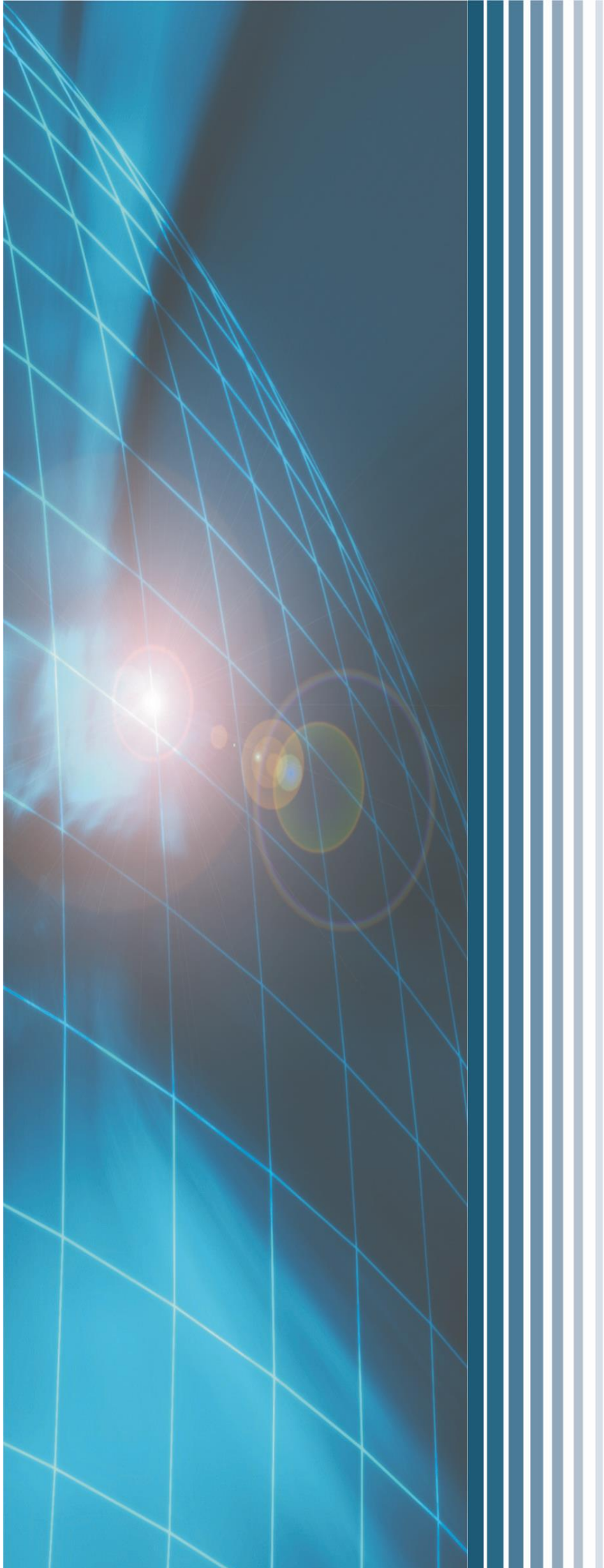


Individual Report of the Board of Directors for 2017

1. Chairman of the Board's message to the shareholders

Dear shareholders,

The past year has been one of transformation for BRK Financial Group, a period in which we have resolved to change mentalities, cover all operational shortfalls, while redefining our attitude toward our client`s needs. This transformation must continue in 2018 with greater force, the results to become noticeable.

In this regard, the Board of Directors ask shareholders to approve our 2018-2020 strategy, on the assumption that only a vision of the future can provide the reasons for decisions in the present. We have defined three pillars for growth: **customer satisfaction, professionalism of our employees and intelligent investments**. These are the objectives of our strategy, each supported by a series of measures that need to be implemented in order to achieve success.

With regard to customer satisfaction, in addition to measures already taken (transition to a new trading platform for PC and mobile devices), we feel it is necessary to set ambitious goals that meet our customers present needs: consulting services and portfolio management, the implementation of a document management system – switching over from paper support and reduce effort utilized on opening accounts, and offering products suited to their risk profile and investment objectives.

Our employee's professional qualities derive from their professional education, as well as from discipline and dedication. In this respect, we have three undergoing internal projects:

- A process for evaluating and subsequent training aimed to improve employee performance,
- Implementation of a CRM system in partnership with Salesforce and OSF Global (with benefits both for increasing employees' rigor, but also for improving customer experience in compliance with MIFID II regulations,
- Stock Option Plan, proposed for approval by the General Shareholders' Meeting.

Intelligent investment has always been an ongoing goal for us, as we have gained our reputation and capital, by means of profitable investments. In a dynamic market, the strategic and tactical allocation of our capital is essential for achieving profitability superior to certain predefined benchmarks. In BRK's 2020 strategy, we have proposed for approval certain guideline values aimed at supporting our profit targets, the effective investments to be decided upon by our internal committee of professionals.

The Board of Directors recognizes the importance of continually strengthening good practices in regards to compliance and risk management and is fully committed to meet the expectations of regulatory bodies, safeguarding and serving our shareholders, customers, employees and the community`s best interests. Although we are in a process of transformation, we will be focusing on financial performance, aiming at achieving such profitability levels so as to place us in the top percentile in the financial sector.

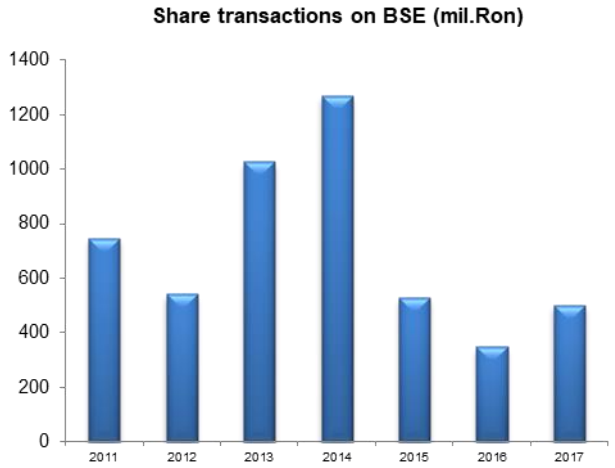
With gratitude and consideration for the trust you provide us,

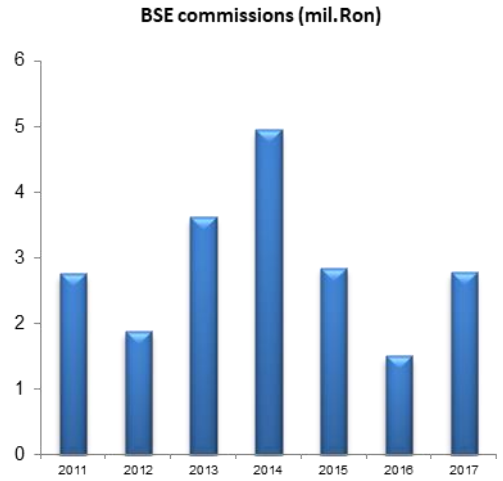
Darie Moldovan, PhD

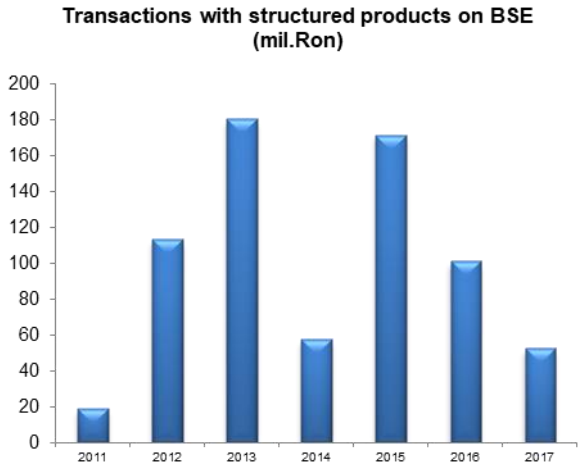
Chairman of the Board of Directors

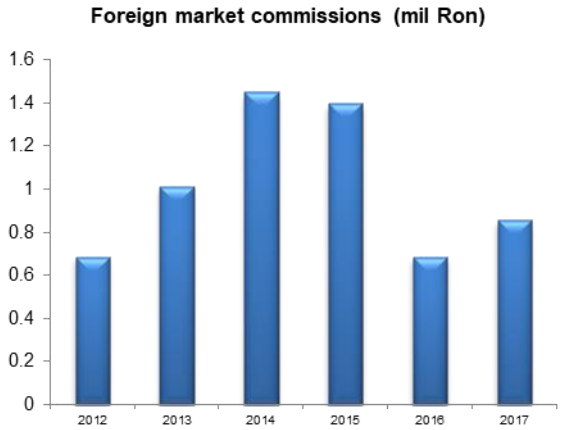
2. Key indicators

Indicators	31-Dec-17	31 Dec 2016 restated	Evolution
Profit and loss account and other comprehensive income (RON)			
Income from continuing operations	10.205.674	10.302.506	-0,94%
Operational income/loss	(4.654.398)	(1.804.707)	157,90%
Income/loss for the period	(4.654.398)	(1.804.707)	157,90%
Total comprehensive income for the period	(3.603.628)	1.009.227	N.A.
Individual balance (RON)			
Ownership equity	59.296.533	62.826.576	-5,62%
Total ownership equity and debts	99.024.275	104.637.442	-5,36%
Performance indicators			
Net profit per share (Ron/share)	-0,0138	-0,0053	N.A.
Accounting net asset (Ron/share)	0,1756	0,1860	-5,59%
Income/loss by segments (RON)			
Income/loss from brokerage activity	849.348	49.960	1.600,06%
Income/loss from own portfolio management	(3.493.373)	3.251.624	N.A.
Undistributed general administrative costs	2.010.373	5.106.291	-60,63%
Price of BRK share (Ron/share)			**Evolution**
Opening price (closing price of the previous year)	0,0684	0,0780	-12,31%
Maximum (intraday price)	0,1070	0,0796	34,42%
Minimum (intraday price)	0,0700	0,0680	2,94%
Closing price (on 31 December)	0,0754	0,0684	10,23%









3. Company profile

Legal name	SSIF BRK FINANCIAL GROUP S.A.
Field of activity	Financial brokerage activity
NACE Code	6612
Tax identification number	6738423
Registered in the Trade Register under no: J12/3038/1994	
Address Headquarters:	119 Moților Street, Cluj-Napoca
Telephone, Fax	0364-401709, 0364-401710
Email	secretariat@brkfinancialgroup.ro
Webpage	www.brkfinancialgroup.ro
Symbol	BRK
ISIN	ROBRKOACNOR0

Established in 1994, SSIF BRK Financial Group SA was incorporated under the name of SIVM Broker SA, then SSIF Broker SA until late 2015. As it expanded its business scope into other financial services through strategic acquisitions, as well as a consequence of its organic growth, it was decided to rebrand the company under the name of BRK Financial Group. The Extraordinary Shareholder Meeting held on December 16th 2015 was published in the January 15th 2016 Official Journal of Romania, no. 226, part 4. The Financial Supervisory Authority (FSA) authorized the proposed change on February 24th 2016 and the rebranding was completed on March 21st 2016.

SSIF BRK Financial Group is among the founding members of the Bucharest Stock Exchange, the Romanian Mercantile Exchange and of the Investors Compensation Fund.

The main business segment is financial investment services, the Group is one of the leading independent investment firms in Romania, offering a wide range of financial services aimed at both retail, as well as institutional investors. Brokerage on the Bucharest Stock Exchange (BSE) and other international financial markets generate a great part of revenue.

In the past, the company was involved in of some of the most prestigious and well known IPO`s and SPO`s – listing 11 out of the 12 initial publically traded companies on the BSE. In total, we have brought 45 companies to the trading ring, among others: Antibiotice Iași, Azomureș Târgu-Mureș, Terapia Cluj-Napoca, Artrom Slatina, Astra Vagoane Arad and others.

Together with services offered to our clients, the other great source of revenues comes from actively managing its financial asset portfolio. BRK invests nationally as well as internationally in both publically traded securities and private companies. Thus, the Group has acquired significant stakes in a number of Romanian companies, being actively involved in their development.

In 2005, BRK Financial Group has become the first, and until now, the only financial investments services company listed on the Bucharest Stock Exchange Market, at the Premium category. BRK Financial Group's shares were listed on the main market of Bucharest Stock Exchange in 5th of February 2005, under the symbol: BRK. Now, the shares are listed in the Premium category of the Bucharest Stock Exchange and are included in the BET Plus Index. The headquarters of the company is in Cluj-Napoca, while the national presence is ensured through the agencies in Bucharest, Timisoara, Iasi and Suceava.

4. Corporate Governance

Corporate governance of the SSIF BRK Financial Group is the set of principles underlying the management framework by which the company is managed and controlled. Provided in internal regulations and procedures, these principles determine the effectiveness of the control mechanisms adopted to protect and harmonize the interests of all categories of participants in the company's activities - shareholders, directors, managers of various company structures, employees, customers, third-party business partners and collaborators, central and local authorities, etc.

4.1. Shareholders

In accordance with corporate governance principles, SSIF BRK Financial Group respects the rights of its shareholders, in the sense of conducting the activities of the company in their best interest. The company is constantly concerned with improving communication and relationship with shareholders, aiming at ensuring fair treatment. Through the company's Articles of Incorporation, the rights of shareholders with regard to the shares held and their exercise through participation in the General and Extraordinary Shareholders Meeting are regulated. Also, the company's Articles of Incorporation regulates the company's governing body and the way it is managed.

The relationship with shareholders is ensured at the level of executive management and the Board of Directors. The company's website provides complete and detailed information on the organization of the company, the conduct of business (products and services offered), financial statements in accordance with applicable standards, Ordinary and

Extraordinary General Meetings, disputes involving the company and other relevant events for shareholders and investors, as well as for collaborators and / or clients. The company's website also includes information about Board members, audit reports, and company presentation documents. Most of the information for shareholders and investors is available in the sections "Investing Relationships" and "Why BRK Financial Group", which are also available in English. The company also made available to its shareholders an email address (actionariat@brkfinancialgroup.ro), to which they can submit questions, suggestions or opinions to the representatives of the company.

Along with the information available on the company's website, shareholders and investors can also view the reports and reports provided by the BRK Financial Group, the Bucharest Stock Exchange. The company provides the BSE annual financial reporting and reporting schedule, the OGMS and EGMS convocation and their decisions, current reports according to the BSE code and in accordance with the corporate governance principles applicable to listed companies on the BSE regulated market.

4.2. The Board of Directors

The management of BRK Financial Group was ensured in 2017 for most of the time by a Board of Directors consisting of four members (their normal number being 5), elected at the General Meeting of Shareholders.

Following the elections held at the Ordinary General Shareholder Meeting (OGMS) on December 19, 2016, a new Board of Directors was elected, consisting of five members: Mr. Laurentiu-Paul Baranga, Mr. Darie Moldovan, Mr. Catalin Mancaş, Mr. Dan Nicolae Gherghelas, Aurelian Madem, for which the necessary documents for authorization were sent to the Financial Supervisory Authority. They received the Financial Supervisory Authority approval in March 2017.

On April 28, 2017, Mr. Laurentiu-Paul Baranga presented his resignation as Administrator of BRK Financial Group, in his stead, as provisional administrator, Mr. Cristian Vasile But was appointed on 5 July 2017. In the OGMS held on 5/6 October 2017, Mr. But Cristian Vasile received the vote from the shareholders as an administrator, for a term equal to the other members. Currently, the number of independent members of the Board is 4.

During 2017, the Board of Directors of BRK Financial Group SA met 23 times, either through participation in the company's headquarters or by means of remote communication, and its activity complied with statutory and statutory provisions. Discussions were held on important topics and projects relevant to the company's activity, and decisions were made which looked at the many functional aspects of society. Among the subjects found in the Board of Directors' agenda, with a particular impact on current activity, were the approvals of internal rules and procedures that were updated to reflect changes made at the company.

The Board of Directors operates under its own operating regulation, which sets out how the Board works, how they convene and meet and the staff of the company that has to provide activity reports (leaders, representatives of the internal control, internal auditor, and economic director). In order to avoid any potential conflicts of interest, members of the Board of Directors through their published CVs, inform both the Board and shareholders and prospective investors about any professional engagements, including executive and non-executive positions in the Board of Companies and / or non-profit institutions, and all the information relating to direct or indirect holdings, individual holdings or as a result of the concerted action with third parties are disclosed by the statements provided to the Financial Supervisory Authority.

The remuneration of the members of the Board of Directors is approved by the General Meeting of Shareholders. The members of the Board of Directors do not carry out related activities that are directly or indirectly influenced by the activity of BRK Financial Group SA.

4.3. Board of Directors Committees

There are four committees in the Board of Directors of the BRK Financial Group: the Nomination Committee, the Audit Committee, the Risk Committee and the Remuneration Committee. Committees set up at the level of the Board of Directors function as Board working groups, their role being determined and established in accordance with the applicable legal provisions and to meet the needs of the company. The composition of the Council's committees has been based on the expertise of its members and the need to make the most of the experience they have gained in different areas of activity. According to the OGMS Resolution of December 2016, the members of the BOD revoked on the OGMS, were mandated to complete the Company's management documents until the Validity of the new Board of Directors by the Financial Supervisory Authority. As a result, the composition of the committees was ensured by the date of authorization of the new Board of Directors by the revoked members.

In 2017, the Risk Committee consisted of: Laurentiu-Paul Baranga, Mr. Darie Moldovan and Mr. Cătălin Mancaş, its role is mainly to monitor the risks that may impact society and to analyze and evaluate the reports sent by the designated person with risk management at the company level. The Risk Committee is informed on a monthly basis by the risk manager by a full activity report, the company's situation with respect to liquidity indicators and other risk indicators that are calculated in accordance with the Financial Supervisory Authority's regulations. After the resignation of Mr. Laurenţiu-Paul Baranga, in the Risk Committee, the position was taken over by Mr. Cristian Vasile.

The Audit Committee was composed of three members of the Board of Directors: Darie Moldovan, Mr. Laurentiu-Paul Baranga and Mr. Catalin Mancaş, its role being to analyze and audit the financial statements of the company. The Audit Committee evaluates the company's periodic financial statements, the fairness of their preparation and the auditors' views on the financial statements. After the resignation of Mr. Laurenţiu-Paul Baranga, the position was taken over by But Cristian Vasile within the Audit Committee.

The Remuneration Committee consists of: Darie Moldovan, Mr. Aurelian Madem and Mr. Dan-Nicolae Gherghelas, who is responsible for evaluating remuneration policies within the company, and proposes to the Board of Directors any update on these policies.

The Nomination Committee consists of: Aurelian Madem, Mr. Dan-Nicolae Gherghelas and Mr. Catalin Mancaş, and it’s role consists of evaluating the persons proposed for the management functions and key functions within the company, and also to analyze the proposals for persons who can represent the company on the Board of Directors of other entities.

4.4. External Auditor

According to the legal provisions, the financial statements and the operations of the BRK Financial Group are audited by an independent financial auditor who meets both the criteria established by the Financial Supervisory Authority and the Financial Audit Chamber of Romania.

At the beginning of August, the company was noticed by BDO Romania that, following the recruitment of a BRK Financial Group employee, the financial auditor's independence could not be ensured.

The election of the financial auditor Deloitte Audit SRL for the years 2017 and 2018 was approved on the OGMS held on 05.10.2017.

4.5. Internal Auditor

Throughout 2017, internal audit was provided by MBO Audit & Accounting SRL, which operates independently, in line with corporate governance recommendations. The internal audit reports were submitted to the Board of Directors of the company and the measures proposed in the audit reports were implemented by decisions of the Board of Directors. Internal audit reports aim at verifying the correlation of customer balances with analytical records, verifying capital adequacy reports, verifying the cash availability of customers and other relevant aspects of the company's activity.

4.6. Internal Control and Compliance

In accordance with the legal provisions, the Company has organized an Internal Control and Compliance Compartment (CCI) composed, throughout 2017, of personnel authorized by the Financial Supervisory Authority. The company also took steps to authorize additional staff within this compartment.

The Internal Control and Compliance Compartment reports monthly to the Board of Directors of the company, its directors and the internal auditor on the work carried out and the issues observed, if any. The CCI proposes to the management of the company measures to remedy the problematic issues, and the decision on the application of the proposed measures will be taken by the members of the Board of Directors and / or the executive management. The decision is to be brought to the attention of those involved by the representatives of the executive management.

Also, the CCI verifies the transmission to the capital market institutions of mandatory reporting according to the legislation in force, including the current reports deriving from the obligations assumed as an issuer traded on the Bucharest Stock Exchange - the Premium category. During 2017, the Internal Control and Compliance Compartment compiled 46 control reports that were conducted in accordance with the Annual Control Plan or at the request of the management. Control reports developed by the Internal Control and Compliance Compartment of BRK Financial Group S.A. were brought to the attention of the Board of Directors, executive management and internal auditor. As a result of the proposals made in the control reports drawn up in 2017, the management of the company took remedial measures by modifying certain procedures, adopting decisions.

4.7. Risk Management

Within the BRK Financial Group, in accordance with the legal provisions in force, a risk manager, employee with specific responsibilities for risk monitoring at the company level, was appointed. Activity-specific risk monitoring is conducted in accordance with the Risk Management Policies - Risk Assessment and Risk Management Rules and Mechanisms, approved by the Board of Directors.

In the process of identifying and assessing the financial risks, as well as the indicators used in risk management, the EU Regulation no. 575/2013 on prudential requirements for credit institutions and investment firms was taken into consideration, as required by the European legislator, as well as the regulations and legislation of the Financial Supervisory Authority.

Regarding the evaluation of the operational risks generated by the IT systems, it was taken into consideration aspects stipulated in the FSA Norm no. 6/2015 on the management of operational risks generated by computer systems used by regulated entities, authorized / approved and / or supervised by the Financial Supervisory Authority.

The risk management system, built according to the above regulations, includes a set of appropriate risk analysis and risk management mechanisms and procedures, as well as the presentation of the results of the financial risk identification and evaluation activity, as well as proposals for appropriate management and the diminishing of the effects of the risks related to the investment and general activity of the company.

In this respect, the following categories of potential or existing risks to which SSIF BRK Financial Group SA is exposed, are analyzed and evaluated:

1. Liquidity risks, with the following sub-categories: the risk of not meeting the current liquidity requirement, the risk of long-term assets financing from non-permanent resources and the liquidity risk of the financial asset portfolio held by SSIF BRK Financial Group SA;

2. Market risks, with the following sub-categories: position risk, foreign exchange risk, commodity risk and long-term interest rate risk;

3. Credit risks, with the following sub-categories: credit risk (related to the financial soundness dynamics of issuers of the financial assets held by SSIF BRK Financial Group SA and equity and debt securities), the counterparty credit risk from the loans granted by the company as a creditor, to the companies in which it holds qualifying holdings, the legal risk.

4. Operational risks analyzed from the perspective of the quantitative approach. Within this category are analyzed all the operational risks generated by the processes, systems and human resources that SSIF BRK Financial Group SA uses in the current activity;

5. The concentration risk, with the following sub-categories: high exposures to a debtor / issuer and high exposures to an economic sector. At the same time, the concentration risk is analyzed also by the exposures registered by the BRK Financial Group on different categories of financial assets and operations in the light of the requirements of the legislation in force;

6. Currency Risks, dealing with the positions held by the BRK Financial Group on cash and foreign currency deposits, foreign currency financial instruments, derivatives with foreign currency assets;

7. Position valuation and inclusion of BRK Financial Group's portfolio instruments.

In addition to these categories of financial and operational risks, the following risks / vulnerabilities are also analyzed in this risk report, to which the SSIF BRK Financial Group SA is exposed:

8. The actuarial risk (the possibility of occurrence of human error in the calculations and the quantification of the risk levels) to which SSIF BRK Financial Group SA is exposed. The materialization of this risk leads to the emergence of different vulnerabilities in the risk management policy and implicitly to the emergence of different residual risks that may have implications for the financial stability of the company;

9 The business risk, which takes into account the economic aspects that may affect the financial results of SSIF BRK Financial Group SA, set in the Income and Expense Budget. This risk category takes into account the risk associated with a low-interest business environment and the possibility of the economy entering a deflationary cycle.

10. The risk related to the political factor, considering the potential negative effects due to the modifications of the normative acts regulating the activity of the investment firms;

At SSIF BRK Financial Group SA, the financial, investment and operational risks were evaluated / quantified, monitored and treated in order to reduce their impact according to the above classification. When establishing this risk classification structure, the size of the impact of that risk was taken into account when it materialized on the levels of own funds held by SSIF BRK Financial Group SA.

The following principles and issues have been taken into account when establishing the quantitative limits for financial risks:

- Principles:
  - As a general principle, the risk profile of SSIF BRK Financial Group SA, the current structure of the portfolio, the possible dynamic of the assets, as well as the prudent liquidity and adequacy levels were taken into account in establishing the current quantitative levels of financial risks of the capital so as to include shock absorbers for possible crisis situations established by the European regulator;
- Aspects to be considered:
  - The level of liquidity needs, has been set so as to be prudent and able to cope at any time with any net cash outflow in the event of a crisis situation;
  - The liquidity level of the assets in the portfolio has been set according to the characteristics of the portfolio, as well as ensuring a minimum level of liquidity to meet any need to reorient business policy;
  - In determining the levels for market, credit, counterparty and operational risk, the solvency ratio determined as a ratio between the capital requirements of these financial risks and the equity (financial resources) of SSIF BRK Financial Group SA was at least three times the minimum required (existence of reserves), as stipulated in the EU Regulation no. 575/2013);
  - The level of leverage was taken into account when establishing the current quantitative limits.

Thus, on 31.12.2017 the level of own funds of SSIF BRK Financial Group registered the value of 53.844.125,36 lei. Also, the value of the risk-weighted exposures at 31.12.2017 amounted to 124.941.330,56 lei.

4.8. Transparency and Financial Reporting

In order to ensure transparency of the activity and the financial statements, the SSIF BRK Financial Group makes available to all interested persons, by means of statements sent to BSE and through its own website, the annual, half-yearly and quarterly reports prepared in accordance with the applicable accounting standards (IFRS). The annual financial reports are presented both individually and consolidated, both preliminary and audited, together with the explanatory notes. Quarterly and semi-annual results are only presented in individual and unaudited reports. The company also publishes other current reports on all major events that have or may have an impact on society's image and activity. The company has published on its website the company's articles of incorporation and the CVs of the members of the Board of Directors.

4.9. Avoiding conflicts of interest

In order to avoid conflicts of interest, the company applies clear procedures that regulate the execution of client orders, priority in relation to the company's own orders. The priority of executing orders is contained in the company's internal procedures.

The Company reports all transactions made by individuals initiated with the BRK Financial Group to the Bucharest Stock Exchange in order to inform shareholders and other stakeholders. Under the regulations and rules in force, the Company reports the necessary transactions to the Financial Supervisory Authority.

BRK Financial Group has taken the necessary measures to avoid conflicts of interest and to segregate and separate operational activities where appropriate.

4.10. Social Responsibility

BRK Financial Group, through its Board of Directors and executive management, contributes to financial education among students in Cluj-Napoca, giving them the opportunity to conduct free of charge internships and documentation in the Romanian capital market.

4.11. Financial Calendar

February 15th 2018	Preliminary Annual Financial Reports for 2017
April 24-25th 2018	General Meeting of Shareholders for the approval of the Individual Financial Results for 2017
April 25th 2018	Annual Activity Report and Individual Financial Results for 2017
May 15th 2018	Financial Results for Q1 2018
August 14th 2018	Financial Results for H1 2018
October 4-5th 2018	General Meeting of Shareholders for approval of Consolidated Financial Results for 2017
October 5th 2018	Report and Consolidated Financial Results for 2017
November 15th 2018	Financial Results for Q3 2018

5. The BRK stock

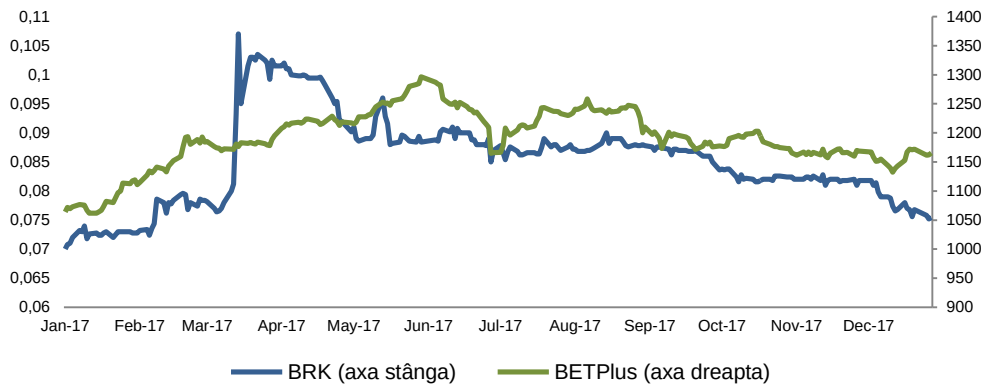
BRK Financial Group's shares are issued in dematerialized, ordinary, indivisible and freely negotiable from the date of admission to trading on the Bucharest Stock Exchange (BSE). BRK Financial Group shares were admitted to trading on the principal market administered by the Bucharest Stock Exchange on 5 February 2005 under the BRK symbol. BRK shares are listed in the Premium category of the Bucharest Stock Exchange and are included in the BET Plus index.

The company is subject to the capital market legislation, namely Law no. 297/2004 on the capital market and the secondary regulations issued by the Financial Supervisory Authority (FSA) and BSE.

The records of the shares are kept by the Central Depository, an independent registry company, authorized by the Financial Supervisory Authority. The total number of shares issued by BRK is 337.749.919 and the nominal value of one share is 0,16 Ron.

During 2017, **the average price** of the BRK share was 0,0852 RON / share, up 18,87% compared to the average price recorded in 2016 (0,0717 RON / share). The closing price of the BRK share on December 29, 2017, the last trading day of the year, was 0,0754 RON / share, up 10,23% as compared to the previous year's closing.

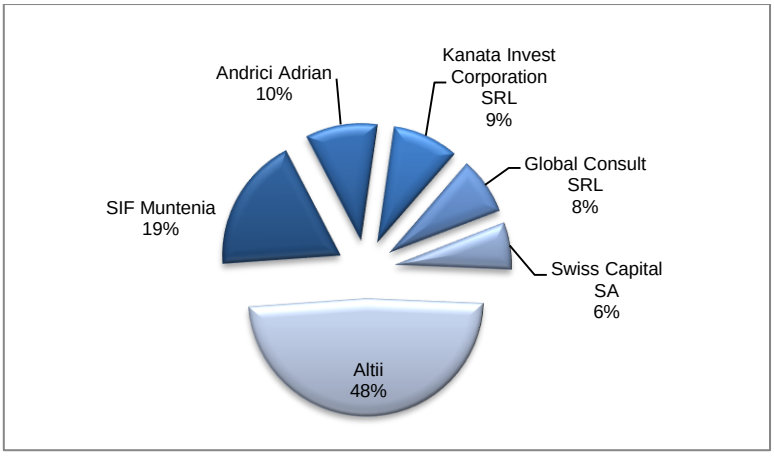
Evolution of the BRK share vs. BETPlus in 2017



Source: Bloomberg

Ownership structure

On 31 December 2017, the structure of the BRK Financial Group shareholders was as follows:



Source: Shareholder Registry of financial instruments issued by SSIF BRK Financial Group SA, on 31st December 2017.

6. The stock market context

6.1. Retrospective of global stock market developments

In 2017, financial markets around the world have had positive developments. The enthusiasm in international markets was the result of the synchronized relaxation of central banks' monetary policies and the return of global economic growth.

The Dow Jones Industrial Average index of the US stock market marked a substantial increase of just over 25% in 2017, while the stock exchanges in Europe posted somewhat moderate appreciation. Of these, the Austrian stock exchange (ATX) had an appreciation of 30,62% in 2017. The French and British stock markets have grown below 10%.

Index	Country	% 17/16	(%) 16/15	(%) 15/14
Dow Jones	USA	25,08%	13,42%	-2,23%
S&P 500	USA	19,42%	9,54%	-0,73%
DAX-30	Germany	12,51%	6,87%	9,56%
CAC-40	France	9,26%	4,86%	8,53%
FTSE-100	England	7,63%	14,43%	-4,93%
NIKKEI-225	Japan	19,10%	0,42%	9,07%
ATX	Austria	30,62%	9,24%	10,97%
Shanghai Composite	China	6,56%	-12,31%	9,41%
WIG-20	Poland	26,35%	4,77%	-19,72%
PX	Czech Republic	16,98%	-3,63%	1,01%
RTS	Rusia	18,00%	52,21%	-4,25%
SOFIX	Bulgaria	15,52%	27,23%	-11,72%
BUX	Hungary	23,04%	33,78%	43,80%

Source: www.1stock1.com, Bloomberg

Much of the growth in US stock markets in 2017 has been linked to the more friendly business environment. This was the result of the proposal to adopt the new tax reform initiated by the Trump Administration. In December, this reform was voted in the Senate and began to take effect in early 2018.

The constructive political initiatives and the strong growth of the European economy have led to sustained growth in European capital markets. Investors welcomed the news in May that Emmanuel Macron, the pro-European candidate, won the presidential election in France. The European Central Bank also took steps to phase out stimulus measures, while the European currency benefited from the improvement of the economic environment and marked an increase of 14,82% against the US dollar in 2017.

Brexit continued to easily complicate the growth prospects of some companies, which could have been seen as a fall in revenues or a decline in investor confidence of these companies. Negotiations related to Brexit have advanced in December, with some issues already resolved, but investors are aware of many issues to be clarified. London Stock Exchange Index (FTSE 100) registered the smallest appreciation in 2017, slightly above 7,6%, compared to other representative international indices.

Shares of Japanese listed companies registered sustained growth, with much of their performance being gained in the last four months of the year. The strong growth coincided with the victory of Prime Minister Shinzo Abe following the October early elections.

6.2. Retrospective of the local stock market developments

The Romanian capital market registered substantial increases in 2017. By far the best performance was recorded by the BET-FI index, which added a 33,43% increase compared to the end of 2016. The official stock exchange index of Bucharest Stock Exchange - BET posted an increase of 9,44% in 2017, reaching 7.753 points at the end of the year. In fact, all the Bucharest Stock Exchange indices marked important increases in 2017.

Index	Q1	Q2	Q3	Q4	'17/'16
BET	13,89%	-2,65%	0,29%	-1,58%	9,44%
BETPlus	13,54%	-2,46%	0,85%	-0,87%	10,72%
BET-FI	7,46%	1,74%	15,18%	5,96%	33,43%
BET-XT	12,98%	-1,60%	2,93%	0,04%	14,48%
BET-NG	18,68%	-6,15%	3,08%	-3,51%	10,79%
BET-TR	15,15%	1,48%	2,14%	-0,22%	19,09%
BET-XT-TR	13,91%	2,13%	4,78%	1,57%	23,80%
ROTX	12,82%	-0,33%	0,88%	-0,58%	12,78%

Sursa: Bloomberg

The main macroeconomic indicators have had positive developments, thus continuing the favorable trend in 2016. In the first quarter of the year, BSE indices recorded significant increases. A factor of influence was represented by the dynamics and trends of international financial markets, as well as the fall in oil prices on international markets in the first quarter of 2017. Thus, in the first quarter, the largest increase was recorded by the BET-NG index reflecting the evolution of shares of companies active in the energy sector (+18,68%). The average daily trading value in the first quarter of 2017 reached 11.5 million euros, double the value recorded in the first quarter of March 2016. The first quarter was therefore the best evolution in the last 5 years, large number of stock exchanges concluded on the plus.

The first half of 2017 was marked by dividends (most in June) and political uncertainties in our country. The average daily trading volume in the first half of the year increased by over 30%, to almost 9.7 million euros, compared to the similar period of 2016. Both the Romanian capital market and the international markets were marked in the second quarter of 2017 by a fairly high volatility. The BET index of the BSE marked a minus of 2.65% between April and June 2017 compared to the first quarter, while the BET-NG index declined by 6.15% over the same period.

With the announcement of additional dividends being distributed by companies in which the state is a majority shareholder, the market resumed its growth in July-September 2017 (Q3) over the previous quarter. The average daily trading value reached 15 million euros in the first 9 months of 2017. Financial investment companies dominated the market to some extent, as investors could see that they were oriented to them between July and September 2017, with the BET-FI index marking an increase of 15.18% over this period.

Last quarter of 2017 saw slight corrections to the BET (-1.58% from the previous quarter), but its full year gain was 9.44%.c

The capitalization of all listed companies on the BSE's main market reached the record level of 35 billion euros at the end of 2017. The daily average of the traded values on all types of financial instruments reached 20.17 million euros, 25% of the average daily trading value of 2016.

In 2017, the Romanian capital market was marked by the four initial public offerings from the private sector, summing up 250 million euros. The DIGI Communications listing was the first major listing of 2017, targeting the sale of 25.6% of the company's shares for 207 million euros, being the largest private listed company on the Bucharest Stock Exchange. AAGES sold 15% of its shares for 1.2 million euros and Transilvania Broker de Asigurare sold 25% of its shares for 2 million euros. The fourth listing came from the Sphera Franchise Group, which sold 25% of its shares for 62 million euros.

On the corporate bond segment, 9 listings were made in 2017: Globalworth (550 million), NE Property Cooperatief (500 million), UniCredit Bank (610 million lei), International Investment Bank (300 million lei and EUR 60 million), Impact Developer & Contractor (12.52 million), Vrancart (38.25 million lei), Superbet Betting & Gaming (9.7 million lei), Bittnet Systems (4.5 million) of Lei) and Investia Finance (1 million lei) respectively.

According to the National Institute of Statistics, Romania's Gross Domestic Product (provisional data 1) increased by 7% in 2017 compared to 2016 in real terms at current prices. All branches of the economy contributed to this growth, as follows:

- Industry (+ 1.9%), with a share of 24.2% in GDP formation (volume of activity increased by 8%),
- Wholesale and retail trade (+ 1.6%), with a share of 18.7% in the formation of GDP (volume of activity increased by 8.4%),
- Agriculture (+ 0.7%), with a share of 4.4% in the formation of GDP (volume of activity increased by 18.3%),
- Professional, scientific and technical activities (+ 0.7%), with a share of 6.9% in the formation of GDP (volume of activity increased by 9.9%),
- Net taxes on product (+ 0.7%), with a share of 9.7% in GDP formation (6.5% increase in volume of activity).

On the other hand, GDP growth was mainly driven by household final consumption expenditure, which increased by 10.3%, contributing 6.4% to GDP growth and gross capital formation fixed, with a contribution of 1.2%, as a consequence of the 5.4% increase in its volume. A significant negative contribution to GDP growth was recorded in net exports (-0.8%), due to the 9.5% increase in exports and 11.1% in imports of goods and services respectively.

The National Bank of Romania's monetary policy rate stood at 1.75% throughout the year 2017. Only at the beginning of 2018, the NBR changed the reference rate twice as follows: on January 9, 2018, it fixed the reference rate at 2%, and in its meeting on 8 February 2018, it was increased to 2.25%.

7. Presentation of the company's core business

BRK Financial Group's core business is structured on two business lines, namely the brokerage segment and the trading segment. On the trading segment, the company operates transactions on its own account, market-making operations and operations with structured products, and in the brokerage segment, the company operates customer transactions and corporate operations, respectively.

7.1 The brokerage segment

The financial intermediation activity (brokerage activity) refers to all the intermediation services of the transactions offered to the individual investors and the companies, as well as to the specialized services offered to the institutional clients.

Intermediation services refer to the following:

A. Brokerage Services for Investors:

- Intermediation of transactions for sale and purchase of securities traded on the Bucharest Stock Exchange (BSE). For this type of services, customers can choose to be assisted by a broker in making transactions, or they can choose the option of online trading, on their own. Within this segment, BRK also offers customers

the possibility to trade in margin (based on a credit line granted by the company to the client), liquid shares listed on the Bucharest Stock Exchange.

- Intermediation of transactions on international markets, with clients of the company having access to more than 100 foreign markets in Europe, North America and Asia. The range of financial instruments is very diversified (shares, bonds, structured products, ETFs, CFDs, futures, etc.), and the costs involved in trading on international markets through the BRK Financial Group are among the most attractive in the market.
- Intermediation of transactions with corporate, municipal and state bonds on BSE and OTC, respectively the intermediation of transactions with products structured on the dedicated market segment of the Bucharest Stock Exchange.

Over the past 5 years, BRK Financial Group has been ranked annually among the top SSIFs of the BSE, customer and self-traded transactions generating a market share of 2 - 5% of the annual total share trades.

In 2017 BRK Financial Group ranked 11th in the top of BSE intermediaries, the value of the intermediated transactions on the main segment / shares and fund units rising to over 475.05 million lei, increasing compared to the level of 321 million lei traded in 2016. The market share reached 1.99% after the total value traded in 2017 (1.74% market share in 2016).

Trading on international markets is one of the future directions for the development of the company's activity, aimed to increase revenues from international markets, by increasing the number of active retail and institutional clients.

B. Corporate investors specialized services:

- Funding on the capital market through public issues of shares and bonds.
- Intermediation of IPO's and M&A for companies trading on the BSE
- Listing of companies and investment funds on the capital market through initial public offerings or listing admissions to trading.
- Consultancy for financing by shares and bonds issues or promotion on the capital market.

The department for institutional clients of BRK, located at the headquarters in Bucharest until 2015, was transferred to the headquarters in Cluj-Napoca with the change of the Bucharest headquarters in the agency, in order to streamline operations.

7.1.2. Market-making and liquidity providing operations

Starting with 2010, the company carries out market-maker activities (displaying and maintaining firm buying / selling quotations) on various financial instruments. The benefit of this kind of operations is the spread (difference) of purchase and sale quotations.

Market-making operations are of a continuous nature and are specific to foreign brokerage firms so it is justified to consider that these operations are the operational branch of the BRK Financial Group's business.

In 2017, the company acted as a market-maker for BTF fund units and as a liquidity provider for all issued certificates.

7.1.3. Structured products issuance

Since May 2012, the first structured products have been launched, in the form of Turbo certificates, on the basis of US Dow Jones Industrial Average index, and another series of turbo certificates has been launched, this time the support asset being the EuroStoxx 50 index. The structured products issued by BRK Financial Group are the first of the Bucharest Stock Exchange developed exclusively in Romania. BRK Financial Group is a liquidity provider for these products, which means that the company provides liquidity by displaying firm quotes on the market for issued certificates.

In 2014, BRK Financial Group brought a new innovative product to the Bucharest Stock Exchange: the protected capital certificates. Throughout 2016, 5 such products matured, using Adidas, Allianz, McDonnald's, Nestle and Royal Dutch Shell as support assets.

The BRK Financial Group issued a number of 26 turbo certificates with Dow Jones Industrial Average, 4 gold-backed certificates and 3 product series with protected capital, on the basis of Royal Dutch Shell, Johnson & Johnson and SAP, as support assets.

In 2017, the total value traded by the company in the structured products market reached 55.5 million Ron, down from the value of 101.2 million Ron traded in 2016, with BRK Financial Group ranked third on this market segment.

7.2. Managing our own asset portfolio

Together with the brokerage segment, managing our own portfolio is another important branch of the BRK Financial Group's activity, which contributes significantly to the company's results. On the other hand, this is also a major risk factor, given that BRK Financial Group is required to reassess all positions in its own portfolio at the end of each year, and the value adjustments of the securities affect the outcome of the exercise and may change the image of the company's financial performance. At the end of each month, the company adjusts the value of the listed companies in the portfolio by mark to market.

According to the internal procedures approved by the Board of Directors, the shares held in the company's own portfolio were classified into three main categories:

- **Strategic placements**: shares held at affiliated entities and participating interests. Participation interests are: rights in the capital of other entities, whether or not represented by certificates, which, by creating a lasting relationship with these entities, are intended to contribute to the activities of the entity. Ownership of a share in the capital of another entity is presumed to be an interest in participation where it exceeds 20% and 10% respectively if the significant influence is formed by the involvement of BRK in the management of the company in which investments are held. Holdings of shares may be held both in closed companies and listed companies.
- **Portfolio placements**: shares of companies to which BRK cannot / does not wish to exercise significant influence in the management of the company. Shares are held for a longer period of 365 days, in line with the intention to hold these long-term securities. Also included in this category are placements held in closed-end (non-listed) companies that do not meet the conditions to be incorporated in "Strategic Placements", regardless of the size of the stake or the holding in the issuer's share capital.
- **Short-term financial investments**: Financial instruments that are subject to current sales and purchases by the company. This section does not include the shares of closed or unlisted companies.

8. 2017 Achievements

8.1. Structure and dynamics of total income and global result

Dynamics and structure of total income (Ron)	31-Dec-17	31 Dec 2016 restated	Percentage (%) 31-Dec-17	Percentage (%) 31-Dec-16
Total income	**10.205.674**	**10.302.505**	**100,00%**	**100,00%**
Income from commissions	**4.564.637**	**2.528.561**	**44,73%**	**24,54%**
Income from commissions on domestic market	1.903.717	1.521.103	18,65%	14,76%
Income from commissions on foreign markets	862.569	751.765	8,45%	7,30%
Income from commissions on structured products	0	0	0,00%	0,00%
Income from related activities	1.798.351	255.693	17,62%	2,48%
Other operating income	**32.584**	**59.925**	**0,32%**	**0,58%**
Income from rental activities	16.543	32.576	0,16%	0,32%
Income from insurance brokerage	10.317	26.407	0,10%	0,26%
Income from fund unit distribution	5.724	942	0,06%	0,01%
Other operating income	0	0	0,00%	0,00%
Financial income	**5.493.001**	**7.483.581**	**53,72%**	**72,64%**
Income from dividends	318.222	145.203	3,11%	1,41%
Net financial gains other than dividends	5.174.779	7.338.378	50,61%	71,23%
Other income	**115.452**	**230.438**	**1,13%**	**2,24%**
Income from cancellation of provisions for risks and expenses	0	0	0,00%	0,00%
Income from assessment of real-estate investments	0	0	0,00%	0,00%
Income from adjustments for impairment of current assets	115.452	230.438	1,13%	2,24%
Other income	0	0	0,00%	0,00%

At the end of 2017 BRK Financial Group's total income declined by 0.94% compared to the previous year, mainly due to a decrease of 26.6% of financial income. The percentage of financial income as part of total income has declined from 72.64% in 2016 to 53.82% in 2017, due to the fact that net financial gains other than dividends decreased by 29.48% last year. Income from commissions increased last year by 80.52% compared to 2016, mainly due to an increase in income from related activities. Moreover, the percentage of income from commissions as part of total income increased in 2017 to 44.73%, from 24.54% in 2016.

Comprehensive income evolution (Ron)	31-Dec-17	31 Dec 2016 restated
Income from brokerage activities	849.348	49.960
Gross income from proprietary portfolio management	(3.493.373)	3.251.624
Non – distributed general-administrative expenses	(1.010.373)	(5.106.291)
Basic recurrent gain/loss (1+2+3)	**(4.654.398)**	**(1.804.707)**
Other elements of comprehensive income	1.050.770	2.813.934
Global result for the period	**(3.603.628)**	**1.009.227**
Earnings per share for the period	**(0,0138)**	**(0,0053)**

For the year 2017 the result from brokerage activities was a positive one, but taking into account the loss from the management of the firms propriatary portfolio (-3.49 milion RON) the core activity of the firm faced a loss of 4.65 milion RON.

The present financial result present a restatement of the 2016 balances, because for some financial assets deemed available for sale financial assets there were some impairments by the end of 31.12.2016, impairments not included in the 2016 income statement. The impairments were included in the restated 2016 results. Moreover, in light of the assessment report made in the second semester of 2017, the shares owned by the company at Facos saw depreciation. This depreciation was recognized in the income statement for 2017, and had a negative impact of 4.369.721 RON.

8.2. Analysis of results by activity segments

8.2.1. Ongoing Operations

Included in the ongoing operations are two segments: the brokerage and trading activities.

Ongoing operations (Ron)	31-Dec-17	31 Dec 2016 restated	Evolution
Total income from brokerage activity	4.566.717	2.528.427	80,61%
Total expenses from brokerage activity	3.717.369	2.478.467	49,99%
Income from brokerage activity	**849.348**	**49.960**	**1.600,06%**
Total income from trading activity	5.503.478	7.394.991	-25,58%
Total expenses form trading activity	8.996.851	4.143.367	117,14%
Income from trading activity	**(3.493.373)**	**3.251.624**	**N.A.**
Income from ongoing operations	**(2.644.025)**	**3.301.584**	**N.A.**

For the brokerage activity segment, the company saw a positive result (0.85 million RON), but for the trading activity there was a loss of 3.49 million RON in 2017, because of the costs incurred and decrease in total income on this segment. The income from ongoing operations saw a loss of 2.64 million RON.

The trading activity saw an income of 876.348 RON, but given the depreciation recognized on financial assets (reevaluation of Facos shares) the final result was a negative one.

Evolution of the income from brokerage activity

The brokerage activity is comprised of trading at Bucharest Stock Exchange and on international markets, and the income derives from the commissions collected from clients involved in trading activities on these markets.

Brokerage activity (Ron)	31-Dec-17	31 Dec 2016 restated	Evolution
Income from trading commissions	4.550.676	2.501.078	81,95%
Other income	16.041	27.349	-41,35%
Total income from brokerage activity	**4.566.717**	**2.528.427**	**80,61%**
Cheltuieli privind comisioanele	998.425	1.112.661	-10,27%
Other costs	2.718.944	1.365.806	99,07%
Total variable costs from brokerage activity	**3.717.369**	**2.478.467**	**49,99%**
INCOME FROM BROKERAGE ACTIVITIES	**849.348**	**49.960**	**1.600,06%**

Total income from brokerage activities increased in 2017 by 80.61%, to 4.56 million RON, seeing an increase of 81.95% of income from trading commissions. Other income includes income from margin trading at Bucharest Stock Exchange.

Cost associated with brokerage activities increased in 2017 by approximately 50%. The costs seen in 2017 for this segment rose at a much slower pace that the increase in income registered, resulting in a positive outcome. The income from brokerage activities in 2017 was approximately 0.85 million RON , compared to the 0.049 million RON outcome of 2016.

Evolution and structure of the income from commissions

Income from commissions (Ron)	31-Dec-17	31 Dec 2016 restated	Evolution
Income from commissions on BSE	1.899.694	1.499.314	26,70%
Income from commissions on foreign markets	857.327	744.101	15,22%
Income from commissions on Sibex	4.023	21.789	-81,54%
Income from other commissions	1.789.632	235.874	658,72%
Total income from commissions	**4.550.676**	**2.501.078**	**81,95%**

Income from commissions rose by 81.95% in 2017. The largest loss incurred in this segment was from income generated by commission on Sibex exchange (-81.54%), given that in 2017 Sibex exchange was closed. Revenues generated from trading on the BSE increased by 26.70%, from approximately 1.5 million Ron to approximately 1.9 million Ron. The increase was determined by rising trading values and by the company's strategy to get closer to its clients.

The income from international markets saw an increase as well due to the continuously higher interest seen on this segment and a much higher knowledge on product on these markets displayed by the company's clients

Evolution of income from trading activities

Trading Activity (Ron)	31-Dec-17	31 Dec 2016 restated	Evolution
Income from trading activity	5.151.841	7.187.297	-28,32%
Other income	351.637	207.694	69,31%
Total income from trading activity	**5.503.478**	**7.394.991**	**-25,58%**
Loss from trading activity	4.516.946	2.915.451	54,93%
Other variable costs	4.479.905	1.227.916	264,84%
Total cost from trading activity	**8.996.851**	**4.143.367**	**117,14%**
INCOME FROM TRADING ACTIVITIES	**(3.493.373)**	**3.251.624**	**N.A.**

Total income from trading activity saw a decline of 25.58% in 2017, compared with 2016. Income from trading activities declined by 28.32% to 5.15 million RON, but still making up large part of total income from trading activities (over 93%).

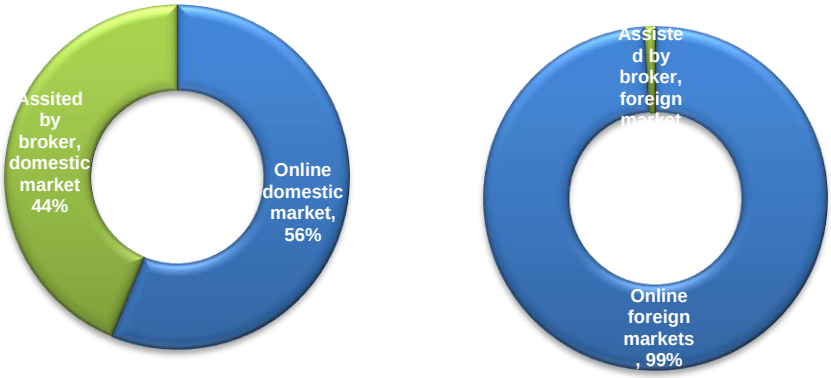
The Market Making and distribution of structured products activity was integrated in the trading segment. In 2017, BRK Financial Group issued 26 structured products having the underlying asset the Dow and Jones Industrial Average Index, 4 products having gold as the underlying asset, and 3 protected notes having the underlying assets shares of Royal Dutch Shell, Johnson & Johnson and SAP.

8.3. The Structure and dynamic of the company clients

BRK Financial Group offers its services at national and international levels, to both natural and legal persons, on the retail and institutional segments.

In 2017 a number of 2.455 clients were active on BSE, representing a decline from 2016 when the number saw a total of 2.617 active clients. Approximately 56% of these are online clients, the rest benefiting from the assistance of a broker. The trading value generated by retail clients on the domestic market was 421.38 million RON.

Clients structure in 2017 by account type



On the foreign market segment, the number of clients declined compared with the year 2016, to 93 clients form 114. From the total number of active clients, 99% of these have online trading accounts. Trading values on foreign markets saw a decline of 9.25% in 2017 compared with 2016, from 3.5 billion RON to 3.2 Billion RON.

To note is that a number of 41 clients of the company have both domestic and foreign markets accounts.

In the segment of institutional clients, their domestic business expanded, with turnover rising to 36.5 million lei in 2017, from 18.5 million in 2016, while turnover driven by the work of institutional clients on international markets through BRK Financial Group amounted to 10.5 million lei in 2017, from 13.5 million lei in 2016.

8.4. Managing our own asset portfolio

Evolution of results from the management of our own financial assets portfolio

The gross result of the management of our own asset portfolio recorded a loss of almost 3.5 billion lei, due to the depreciation recorded in the profit and loss account of the holding in Facos SA (-4.369.721 RON).

The decrease in revenue is also due to the fact that in 2016 the value of these transactions was influenced by the exits from the companies Napochim Imobiliare, Napochim SA, Boromir and Moara Cibin. Thus, revenue from these transactions contributed to their growth by 44% in 2016.

Strategic goals of portfolio management activity in 2018

The investment strategy adopted in 2017 aimed to continue the process of restructuring of the portfolio of financial assets started in 2015: restructuring of the equity portfolio by selling nonperforming holdings and the use of the amounts obtained for financing the core business (market-making, the issuance of new structured products, placements on own account and margin loans), respectively supporting and promoting projects developed by SAI Broker SA, to which BRK Financial Group holds 99.98%, in order to provide clients with fund management services.

Analysis of the structure of our asset portfolio

In line with the objectives stated in the investment strategy approved by the Board of Directors, in 2017 the management's efforts were directed towards continuing the process of restructuring its own financial assets portfolio, which focused on the following: quantitative and qualitative portfolio adjustment and portfolio diversification classes of financial assets, the alienation of holdings due to either too small size or the lack of growth prospects and the use of the amounts obtained in support of the working capital of brokerage activities that bring high value added.

The structure and evolution of assets on the Romanian market	Number of issuers		Market value	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Listed companies	8	29	3.079.495	13.960.924
Unlisted companies	20	14	12.633.866	13.421.759
Investment fund units	9	10	11.319.254	9.052.398
Other instruments	2	5	12.892.050	342.408
Total portfolio	**39**	**58**	**39.924.665**	**36.777.489**

BRK Financial Group's asset portfolio includes both listed companies on the Bucharest Stock Exchange and unlisted companies. The portfolio also includes strategic holdings in which BRK is actively involved, respectively long-term investments where BRK does not exercise control and influence, but also short-term investments that are part of the speculative portfolio.

At 31 December 2017, BRK's listed shares were valued at approximately ROL 3.08 million, down 78% from the end of 2016. This is due to the fact that during 2017 the portfolio of the quoted shares, considerable sales were made, and the liquidities obtained from the capitalization of the stock packages were used only partially in making new acquisitions. As a result, a considerable part of these liquidities was directed towards supporting the working capital in the case of other activities carried out on the core business line.

Under the listed stock portfolio, substantial holdings of strategic or long-term investments were sold throughout the year, in line with the Board of Directors' strategy. The stake held by Cemacon (CEON) in the company was sold on 7 February 2017, the transaction exceeding the value of 5 million lei. Following this transaction, BRK Financial Group has completely liquidated its ownership of Cemacon.

Regarding the portfolio of assets quoted on the BSE, held for the short term, during 2017, it was predominantly exposed to the financial-banking sector and the energy sector, somewhat specific to the Romanian capital market.

The largest short-term purchases (> 100,000 Ron) in the energy sector were made on the following headings:

- OMV Petrom S.A. (SNP 3.6 million cumulative / year),
- Romgaz S.A. (SNG 1 million cumulated annually / year),
- Transgaz S.A. (TGN 1.8 million Ron cumulated / year).
- Electrica (EL 1,3 million Ron cumulated / year),
- Nuclearelectrica (SNN 0.5 million Ron cumulated / year),

Exposures to the banking financial sector were due to the following acquisitions (> 100,000 Ron):

- BRD (BRD 2,1 million cumulated / year),
- Banca Transilvania (TLV 6,3 million Ron cumulative / year),
- SIF Moldova (SIF2 3.1 million Ron cumulated / year),
- SIF Banat-Crişana (SIF 1 1.2 million Ron cumulated / year)
- SIF Muntenia (SIF4 0,6 million Ron cumulated / year),
- STK Emergent (STK 0.3 million Ron cumulated / year),

Exposures to other business sectors were given by the following acquisitions (> 100,000 Ron):

- Antibiotice (ATB 0.6 million Ron cumulated / year)
- Compa (CMP 1 million Ron cumulated / year),
- Digi Communications (DIGI 0.5 million Ron cumulated / year)

The sale of shares during the year 2017 also produced significant changes in the structure of placements in the tradable portfolio by activity sectors. Compared to 2016, exposure to the financial and banking sector has declined considerably, from 28% to 15.8% as a result of the reorientation to other sectors of activity.

Exposure by sector, as of December 31st 2017

Consumer goods	Construction	Financial	Others	Comerce	Industry
33.97%	33.49%	15.80%	6.49%	5.74%	4.51%

At the end of 2017, the value of non-listed companies in our own portfolio stood at 12.63 million lei, slightly lower than in the previous year. As far as the portfolio of fund units of the company is concerned, it recorded a 25% increase in 2017, with their numbers decreasing.

Other bonds included underwriting bonds issued by Impact Developer & Contractor (IMP) and Chronostyle International, their value rising at the end of 2017 to 12.9 million Ron.

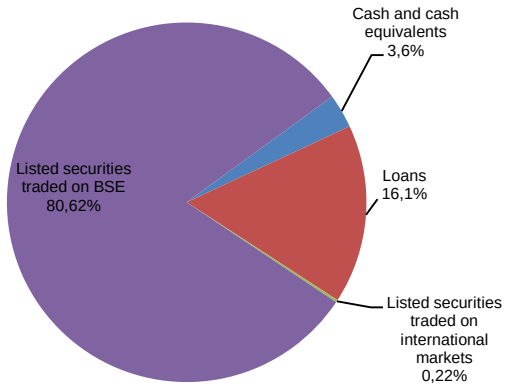
In addition to financial investments in listed companies, closed-end companies, fund units or other securities, the company's portfolio of financial assets also includes cash, loans, market and structured financial assets, and tradable securities on international markets.

Thus, at the end of 2017, the total assets portfolio of BRK Financial Group amounted to RON 49.52 million, down by 5.4% compared to the level recorded in 2016. The portfolio valuation was made by marking to market[1] of all positions in the trading book market[2] - the fair value determined in accordance with international valuation standards for all holdings classified as long-term investments and the non-tradable portfolio.

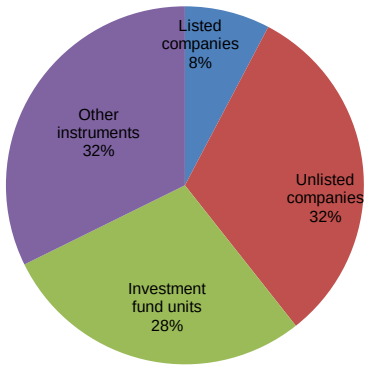
Evolution of financial assets in portfolio (RON)	Structure		Absolute values	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Cash and cash equivalents	3,06%	9,62%	1.515.211	5.037.084
Loans, from which:	16,10%	15,42%	7.971.985	8.072.400
Credit offered to clients	*12,65%*	*15,14%*	*6.265.408*	*7.925.611*
Loans offered to companies	*3,45%*	*0,28%*	*1.706.577*	*146.789*
Listed securities traded on international markets	0,22%	1,15%	107.642	599.899
Listed securities traded on the BSE	80,62%	73,82%	39.924.665	38.646.949
Total	**100,00%**	**100,00%**	**49.519.503**	**52.356.332**

Loans granted by the BRK Financial Group, totalizing RON 7.9 million, include both loans to clients for margin trading on BSE and loans provided to companies. Loans to clients for margin trading amounted to nearly $ 6.3 million at the end of 2017, down from 2016. This decrease was due to net customer repayments. Borrowings to companies by BRK Financial Group increased from 2017 to RON 1.7 million from RON 0.15 million in 2016.

The structure of the financial assets portfolio, 2017



The structure of the financial assets portfolio on the internal market, 2017



[1] At closing price

[2] The category of short term investment – Securities available for trading

Regarding the changes in the structure of the total portfolio of financial assets of the company, it is noted the increase in the value of our own portfolio of shares on the domestic market, respectively of the loans granted to third parties.

Money holdings declined significantly in 2017 as a result of large amounts of investment in bonds. The company brokered the two issues of bonds mentioned, while considering the investment in such financial instruments due to the attractive yield offered by them.

9. Operational infrastructure

9.1. Territorial network of subunits

In 2017, the territorial network of SSIF BRK Financial Group SA did not change, including a number of 4 agencies: Bucharest, Iasi, Suceava and Timisoara. The Bucharest Agency was relocated to Bocşa Street, number 7. Along with these agencies, a number of 19 BRK Financial Group (Delegated Agents) employees ensure the presence of the company and its services at national level.

The head office of BRK Financial Group is located in Cluj-Napoca, Calea Moţilor no. 119.

9.2. The staff of the company

In 2017, the average number of employees in the company was maintained at 42 people, as in 2016. At the end of 2017, the company's actual number of employees was 42, slightly decreasing compared to 2016 when it totalized 44 people.

The number of employees in the category of financial investment services agents increased in 2017 to 27, compared to 24 in 2016. Administrative staff dropped to 15 in 2017, compared to 2016 when they were 17 such employees. In 2017, the number of mandate contracts was maintained, the company having concluded 19 contracts with delegated agents.

The company's development strategy implies the expansion of the activity, respectively the increase of the number of employees in the future, both in administrative and support roles, as well as in direct productive segments (expansion of sales force). The company continuously encourages and supports the professional development and specialization of the personnel employed in the area of competence specific to each of them through participation in vocational training programs and continuous professional training.

9.3. Research & Development activity

R & D activities of the company are aimed at improving IT and developing new investment products, such as structured products. BRK Financial Group has taken steps to implement a new trading platform so that it can provide customers with easier access to portfolio management. The new platform (Arena XT) provides customers with multiple reachability (web connection, smartphone application).

At the beginning of 2018, the new platform will be presented to customers, and will be available to them starting from April 2018.

In order to align to Mifid II regulations, the company has made a sustained effort in 2017 to update its internal IT programs (CRMs) so that it can effectively monitor the company's operational activity at all levels. At the same time, the level of risk at each client can be easily established with the help of these.

10. Objectives for 2018

According to the development strategy of the BRK Financial Group for the period 2018-2020, the most important aspects considered by the company are:

- Principles of sustainable development
- Improving customer service and experience in dealing with BRK
- BRK employees
- Investments and sustainable growth policy
- Corporate governance
- Key indicators

With regard to the principles of sustainable development, consideration is given to:

- Transforming the company through long-term vision - the need for a strategy by 2020
- The ambition to generate superior performance and sustainable growth
- BRK Development Pillars: Customer Satisfaction, Employee Professionality, Smart Investments
- Policies of modern corporate governance and maintaining an attractive climate for investors.

In order to improve customer service and experience in relation to BRK, it is worth considering:

- Guidance to online services
- Introducing digital documents in customer relationship
- Significant reduction of time for onboarding
- Moving agents to the client's headquarters / home / workplace
- Products dedicated to clients and appropriate to their risk tolerance profile
- Portfolio management consultancy services
- Portfolio management services
- Using Customer Data (Analytics).

In relation to the employees of the company, we are considering:

- Professionalism models (investments in specialization and continuous training)
- Responsibility to the company, customers, institutions and society
- Ensure a stable but competitive environment
- Motivation through balanced remuneration policies that stimulate both performance and accountability
- Variable stock option plan for employees, executives and directors.

Investing and sustainable growth policy refers to:

- Targeting services to current market demands and anticipating customer needs
- Transforming MIFID II provisions into competitive advantage
- Portfolio investment:
    - Promoting innovation - investing in companies in early stages of development (Max 1.5 million EUR) and establishing strategic partnerships with other companies with similar investment policies
    - Diversification and risk management by investing in corporate bonds
    - Participation in high and sustainable investment funds
    - Portfolio diversification through investments in the international market
    - Investments in the local market (BSE)
- Diversifying the range of structured products issued and offered to customers and investors
- Strict control of costs
- Compliance - Ensuring high standards in compliance with applicable regulations.

Regarding the principles of corporate governance, the company considers:

- Ensuring transparency towards investors through a proactive attitude (newsletters, releases)
- Implementing an electronic voting system for general meetings
- Active presence in the media

Long-term profit-sharing policy by dividing 50% of profit in the form of dividends or free shares.

11. Important events after the end of the financial year

- January 4th 2018 – The company informed the public that the loan repayment term (30.12.2017) granted to Romlogic Technology SA on 20.01.2017 and 05.05.2017 was extended until 29.01.2018.
- January 25th 2018 – The proposal of the Audit Committee, the Board of Directors has validated the selection of Business Aliance Spot SRL as internal auditor for 2018.
- January 26th 2018 – The board of directors of the company approved the structured product issue program and the base prospectus that includes the range of products that could be the subject of future issue of turbo certificates and certificates with protected capital.
- January 29th 2018 – The company announced its financial calendar for 2018.
- February 15th 2018 – The Company published the individual IFRS preliminary financial results as at 31 December 2017.
- February 15th 2018 – The company announced the general public that the Financial Supervisory Authority has rejected the appointment of Chiş Grigore as CEO.
- February 19th 2018 – The Auditor's Report was published.
- February 21st 2018 – The Board of Directors of the company appointed Deputy General Manager Mr. Cătălin Mancaş, and he will work at the company's headquarters in Bucharest. He holds the position of administrator of BRK Financial Group SA, and will discontinue this position after receiving the FSA opinion for the new position.
- February 23rd 2018 – The company informed the general public about the conclusion of an addendum to the contract dated 20.11.2017 through which it finances SC Facos SA, a company to which BRK Financial Group SA has participations. Loan amount granted: 360,000 lei, annual interest: 6%, repayment term of the loan 19.11.2018.
- February 28th 2018 – The Board of Directors of the Company appointed Mr. Răzvan Raţ as Deputy General Manager.
- March 8th 2018 – The Society announced the general public about the decision of Ms Monica Ivan to resign from the post of Deputy General Manager.
- March 16th 2018 – The Company convened the Ordinary General Meeting of Shareholders, respectively the Extraordinary General Meeting of Shareholders for 24.04.2018, 12.00 and 12.30, at the registered office of the Company. In case of non-fulfillment of the statutory conditions or any other conditions of validity, they shall be held on 25.04.2018, 12.00 and 12.30 respectively.

12. The financial situation

12.1. Financial position

Separate statement of the financial position as at 31 December 2017

In lei		2017	2016 restated
Assets			
Intangible assets	8	2.494.273	2.947.844
Tangible assets	9	6.190.220	4.343.040
Investment property	10	1.030.143	1.435.525
Available for sale financial investments	11	21.998.949	29.053.597
Other long-term financial investments	12	1.980.075	482.468
Total fixed assets		**33.693.660**	**38.262.474**
Short-term financial investments	11	18.033.358	10.193.251
Other short-term financial investments	12	6.265.408	7.925.611
Trade and other receivables	15	12.620.117	15.565.227
Bank account for customers	17	26.351.801	27.096.728
Cash and cash equivalents	17	1.515.211	5.037.084
Total current assets		**64.785.894**	**65.817.900**
Assets classified as held for sale	14	544.721	557.067
Total assets		**99.024.275**	**104.637.441**
Equity			
Share capital	18	54.039.987	54.039.987
Share capital adjustment	18	4.071.591	4.071.591
Own shares	18	-24.047	-24.047
Share premium	18	5.355	5.355
Reserves from revaluation of available-for-sale financial assets		3.623.734	3.799.682
Other reserves		10.860.687	9.633.968
Profit/loss carried forward	20	(13.280.773)	(8.699.961)
Total equity attributable to the Company's shareholders		**59.296.533**	**62.826.576**
Liabilities			
Obligations under finance leases	22	74.234	23.601
Total long-term liabilities		**74.234**	**23.601**
Short-term bank debts	22	5.006.087	0
Current portion of obligations under finance lease	22	48.087	23.433
Amounts owed to customers (customers' funds)	22	30.938.001	32.573.663
Trade and other payables	21	3.211.150	8.798.690
Provisions	23	450.182	391.480
Total current liabilities		**39.653.507**	**41.787.266**
Total liabilities		**39.727.742**	**41.810.867**
Total equity and liabilities		**99.024.275**	**104.637.442**

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

Chairman,
Darie Moldovan, PhD

CFO,
Dora Diaconescu

12.2. Financial performance

Separate statement of comprehensive income

As at 31.12.2017

In lei		**2017**	**2016 restated**
Continuing operations			
Income from commissions and related activities	25	4.566.717	2.528.427
Net financial gains from share and bond transactions	29	4.073.935	681.928
Net financial gains from Turbo certificates transactions	29	478.902	5.946.011
Financial income from dividends	29	318.222	145.203
Financial income from interest	29	621.943	710.440
Rental income	25	16.543	32.576
Income from assessment of investment property and available-for-sale assets		96.301	0
Other income	26	13.961	27.483
Income from adjustment for impairment of current assets		19.151	230.438
Total income from continuing operations		**10.205.674**	**10.302.506**
Changes in inventories			
Raw materials, materials		(134.534)	(151.883)
Electricity and water		(110.627)	(97.348)
Expenses related to personnel and collaborators	28	(4.666.621)	(4.220.019)
Taxes and duties		(167.291)	(154.707)
Expenses related to external services	27	(3.131.667)	(3.055.666)
Value adjustment of intangible and tangible assets, exclusive of goodwill		(1.115.327)	(946.524)
Expenses related to provisions for risks and charges		(58.702)	(265.925)
Interest expenses		(14.430)	(5.825)
Net financial loss	29	(172.296)	0
Reclassification of the net loss recognized in the comprehensive income account under the income account, relating to available-for-sale financial assets		(4.539.884)	(3.066.375)
Net loss on disposal of fixed assets		(180.393)	0
Other expenses	29	(568.300)	(142.940)
Sales-related costs		**(14.860.073)**	**(12.107.213)**
Operating loss		**(4.654.398)**	**(1.804.707)**
Profit before tax		**(4.654.398)**	**(1.804.707)**
Expenses related to corporate tax	30	0	0
Profit from continuing operations		**(4.654.398)**	**(1.804.707)**
Discontinued operation			
Loss from discontinued operation (net of tax)		0	0
Loss for the year		**(4.654.398)**	**(1.804.707)**

Separate statement of the comprehensive income (continued)

As at 31.12.2017

In lei		**2017**	**2016 restated**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets transferred into the profit or loss account		2.515.206	(1.404.435)
Positions that may be reclassified to profit and loss			
Net change in fair value of available-for-sale financial assets		(2.691.154)	4.218.368
Changes in value of used assets		1.226.718	
Total other comprehensive income for the year		**1.050.770**	**2.813.934**
Total profit and loss account and other comprehensive income for the year		**(3.603.628)**	**1.009.227**
Profit attributable to:			
Shareholders of the Company		(4.654.398)	(1.581.315)
Non-controlling interests		0	0
Profit of the year		(4.654.398))	(1.581.315)
Total comprehensive income attributable to:			
Shareholders of the Company		(3.603.628)	1.009.227
Non-controlling interests		0	0
Total comprehensive income for the year		(3.531.886)	1.009.227
Earnings per share			
Basic earnings per share (RON)	24	(0.0138)	(0.0053)
Diluted earnings per share (RON)	24	(0.0138)	(0.0053)
Continuing operations			
Basic earnings per share (RON)		(0.0138)	(0.0053)
Diluted earnings per share (RON)		(0.0138)	(0.0053)

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12.3. State of cash flows

	2017 RON	2016 restated RON
Operating activities:		
Gross Loss	(4.654.398)	(1.804.707)
Adjustments for reconciliation of net profit/loss with the net cash used for operational activities:		
Adjustment of value of tangible and intangible assets	1.008.757	946.524
Adjustment of value of financial assets	4.497.682	2.915.294
Adjustment of value of short-term investments	(4.280.517)	180.161
Provisions for current and fixed assets	10.072	(230.438)
Provisions for risks and charges	58.702	265.925
Interest-related expenses	14.430	5.825
Interest income	(621.943)	(710.440)
Income from dividends	(318.222)	(145.203)
Profit/(loss) from sale of tangible assets	180.393	(3.177)
Income from exchange rate differences	172.296	(22.359)
Operational cash increase/(decrease) before changes in the working capital	**(3.932.748)**	**1.397.404**
Changes in the working capital:		
(Increase)/Decrease in other receivables balances	4.594.080	(8.254.664)
Increase/(Decrease) in trade and other payables balances	(6.819.275)	17.636.266
Increase/(Decrease) in available-for-sale asset balances	0	244.323
Net cash flow generated by operational activities	**(6.157.943)**	**11.023.329**
Cash flow from operation:		
Paid corporate tax		
Proceeds from interest	704.154	710.440
Paid interests	(3)	(5.825)
Net cash flow generated by operational activities	**(5.453.793)**	**11.727.943**
Cash flow generated by investments:		
Cash payment for purchase of tangible and intangible assets and investment property	(889.661)	(6.618.963)
Cash payment/collection for purchase of financial assets	(3.783.184)	8.887.407
Cash collections from sale of land and buildings, installations and equipment, intangible assets and other long-term assets	19.454	0
Collected dividends	270.207	145.203
Loans granted/repaid	(1.699.620)	920.901
Proceeds on loans granted	0	1.295.959
Income from sale of turbo certificates	2.333.106	842.235
Effect of exchange rate fluctuations on loans and liabilities		

Net cash flow generated by investments		**(3.749.697)**	**5.472.742**
Net cash flow generated by funding:			
Payment for lease-purchases		(69.397)	(41.633)
Collection / payment of short-term bank loans		5.006.087	0
Net cash flow generated by funding		**4.936.690**	**(41.633)**
Cash flow – total		**(4.266.800)**	**17.159.053**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		32.133.811	14.974.758
Increase/(decrease) of cash and cash equivalents		(4.266.800)	17.159.053
Effect of exchange rate fluctuations on the opening balance of cash and cash equivalents			
Cash and cash equivalents at the end of the year		**27.867.012**	**32.133.811**
Of which unavailable (seized)	24	4.980.780	4.980.780
Of which:			
Customer cash deposits		26.351.801	27.096.728
Company's cash		1.515.211	5.037.084

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STATEMENT ON IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

	Provisions in the Corporate Governance Code	**In Accord**	**In disaccord**	**Partially in accord**	The reason for nonconformity
A1	The company must have an internal Council regulation that includes terms of reference / responsibilities of the Board and the key management functions of the company and which applies, inter alia, the General Principles of Section A.	X			
A2	Provisions for managing conflicts of interest should be included in the Council Regulation. Members of the Council must notify the Council of any conflicts of interest that have arisen or may arise and refrain from attending the discussion (including by not presenting, unless the failure to attend would hamper the formation of the quorum) and the vote for adoption a ruling on the issue giving rise to the conflict of interest concerned.	X			
A3	The Board of Directors or the Supervisory Board must be composed of at least 5 members.	X			
A4	Most members of the Board of Directors should not have executive functions. At least one member of the Board of Directors or the Supervisory Board should be independent of Standard Category companies. In the case of Premium Category companies, not less than two non-executive members of the Board of Directors or the Supervisory Board must be independent. Each independent member of the Board of Directors or the Supervisory Board, as the case may be, must file a statement at the time of his nomination for election or re-election, and when any change of his status occurs, indicating the elements on the basis of which he is declared independent in terms of character and judgment.	X			
A5	Other relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of Nonprofit Companies and Companies, should be disclosed to potential shareholders and investors prior to nomination and during their term in the office.	X			
A6	Any member of the Board of Directors should report to him / her on any report with a shareholder holding directly or indirectly shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the position of the member on matters decided by the Board.	X			

A7	The company must designate a Council Secretary responsible for supporting the work of the Council.	X			
A8	The Corporate Governance Statement will inform whether an evaluation of the Council has taken place under the chairmanship of the President or the nomination committee and, if so, will summarize the key measures and the resulting changes. The company must have a policy / guidance on the Committee's assessment of the purpose, criteria and frequency of the evaluation process.			X	The company does not have a policy / guide for evaluating the activity of the Board of Directors, instead the assessment is being made on the basis of performance criteria. The company is considering implementing such a policy on evaluation of the committees, ths being in the process of updating.
A9	The corporate governance statement should contain information on the number of meetings of the Council and committees over the past year, the participation of administrators (in person and in absentia) and a report by the Council and committees on their activities.	X			Information on the participation of administrators in person and in absentia in Council meetings was not included in the annual report.
A10	The corporate governance statement should include information on the exact number of independent members of the Board of Directors or the Supervisory Board.	X			
A11	The Board of Premium Companies should set up a nomination committee made up of non-executive members to lead the nomination process of new members in the Board and make recommendations to the Board. Most members of the nomination committee must be independent.	X			
B1	The Board should set up an audit committee in which at least one member should be a non-executive independent member. Most members, including the Chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. In the case of Premium Category companies, the audit committee must be composed of at least three members and the majority of the members of the audit committee must be independent.	X			
B2	The chair of the audit committee shall be an independent non-executive member.	X			
B3	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X			
B4	The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which executive management	X			

	addresses the deficiencies or weaknesses identified in the audit internal and the submission of relevant reports to the Board.				
B5	The audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	X			
B6	The audit committee must assess the effectiveness of the internal control system and the risk management system.	X			
B7	The Audit Committee should monitor the application of generally accepted legal standards and the internal audit standards. The audit committee must receive and evaluate internal audit team reports.	X			
B8	Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or ad hoc reports to be submitted to the Council.	X			
B9	No shareholder may be granted preferential treatment to other shareholders in connection with transactions and agreements between company and shareholders and their affiliates.	X			
B10	The Council must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships with a value equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved By the Council following a obligatory opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.	X			
B11	Internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party.	X			
B12	In order to ensure the main functions of the internal audit department, it must report functionally to the Board via the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the General Director.	X			
C1	The company must publish the remuneration policy on its website and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.	X			
C1	The remuneration policy should be formulated in such a way as to enable shareholders to understand the principles and arguments underpinning the remuneration of the members of the Board and of the General Director as well as the directors in the dualist system. It should describe	X			The remuneration policy is established and approved by the Board for the trading department to

	how to process the process and make decisions on remuneration, detail the components of executive management's remuneration (such as salaries, annual bonuses, long-term incentives related to shareholder value, benefits in kind, pensions, etc.) and describe the purpose, principles and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract of the executive director and the period of notice stipulated in the contract, as well as any compensation for unjustified revocation.				ensure effective management that does not allow conflicts of interest to occur. For staff, salary is applied based on the decision of the executive management. For executive management, salary is set and approved by the Board and the annual bonus is granted according to the performance registered by the company. The Board's remuneration is set by the General Meeting of Shareholders, this being made public by the full publication of the General Shareholders' Meeting decisions of the Company.
C1	The remuneration report should present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review.	X			
C1	Any essential change in remuneration policy must be published in a timely manner on the company's website.	X			
D1	The company must organize an Investor Relations Service - made known to the general public through the responsible person (s) or organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	X			
D1.1	The main corporate regulations: the constitutive act, the procedures regarding the general meetings of the shareholders;			X	The manner of shareholders participation at the General Meetings and the procedure regarding voting within them, is presented in the Companies on Incorporation.
D1.2	The professional CV's of members of the company's governing bodies, other professional engagements of Board members, including executive and non-executive positions in boards of directors in companies or non-profit institutions;	X			
D1.3	Current reports and periodic reports (quarterly, semestrial and annualy) - at least those set out in point D.8 - including current reports with detailed information on non-compliance with this Code;	X			

D1.4	Information on general shareholders' meetings: agenda and information materials; The procedure for electing the members of the Council; The arguments supporting the candidates' proposals for election to the Council, together with their professional CVs; Shareholders' questions about agenda items and company responses, including decisions taken;	X			
D1.5	Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of the rights of a shareholder, including deadlines and principles applied to such operations. Such information will be applied within a timeframe that will allow investors to make investment decisions.	X			
D1.6	The names and contact details of a person who will be able to provide relevant information upon request;	X			
D1.7	Company presentations (e.g., investor presentations, quarterly results, etc.), financial statements (quarterly, semestrial, annualy), audit reports, and annual reports.	X			
D2	The company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the General Director or the Board and adopted by the Council in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	X			
D3	The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refers to quantified conclusions of studies aimed at determining the overall impact of a number of factors for a future period (the so-called hypotheses): by its nature, this projection has a high level of uncertainty, the actual results may differ materially from Forecasts originally presented. The forecast policy will determine the frequency, timing and content of the forecasts. If published, forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.		X		This criteria is not applicable.
D4	The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. Changes to the rules will enter into force at the earliest, starting with the next shareholders meeting.	X			
D5	External auditors will be present at the general shareholders' meeting when their reports are presented at these meetings.	X			

D6	The Board will provide the Annual General Meeting of Shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.	X			
D7	Any specialist, consultant, expert, or financial analyst may attend the shareholders' meeting on the basis of a prior invitation from the Board. Accredited journalists may also attend the general meeting	X			
D8	The quarterly and half-yearly financial reports will include both Romanian and English information on the key factors influencing changes in sales, operating profit, net profit and other relevant financial ratios from quarter to quarter, as well as from one year to another.	X			
D9	A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the dates of the meetings / teleconferences		X		The company did not organize teleconferences with analysts and investors, so they were not announced via the financial calendar, but is considering in the future the possibility of organizing such teleconferences.
D10	If a society supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities and considers that their impact on the innovative character and the competitiveness of society is part of its mission and development strategy, it will publish the activity policy in this area.	X			At society level, there is no express policy regarding the support of various forms of artistic and cultural expression. However, current reports were transmitted whenever the company was involved in such activities.

Chairman of the Board
Darie MOLDOVAN

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

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This is a free translation from the original Romanian version.

SSIF BRK FINANCIAL GROUP SA
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as at December 31, 2017

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Financial lease liabilities	22	74,234	23,601
Total long-term liabilities		**74,234**	**23,601**
Short-term bank liabilities	22	5,006,087	0
Current portion of finance lease liabilities	22	48,087	23,433
Amounts payable to clients (clients' available funds)	22	30,938,001	32,573,663
Trade and other payables	21	3,211,150	8,798,690
Provisions	23	450,182	391,480
Total current liabilities		**39,653,507**	**41,787,266**
Total liabilities		**39,727,742**	**41,810,867**
Total liabilities and equity		**99,024,275**	**104,637,442**

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

Chairman of the BoA,
Darie Moldovan, PhD

Economic Manager,
Dora Diaconescu

SSIF BRK FINANCIAL GROUP SA
Separate statement of comprehensive income
as at December 31, 2017

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

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

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

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

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

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

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

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

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

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

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

Chairman of the BoA,
Darie Moldovan, PhD

Economic Manager,
Dora Diaconescu

1. REPORTING ENTITY

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

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

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

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

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

b) Basis of measurement

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

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

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

2. BASIS OF PREPARATION (continued)

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

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

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

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

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

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

Fair value

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

i. Equity investments

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

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

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

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

3. 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.

2. BASIS OF PREPARATION (continued)

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

ii. Trade and other receivables

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

iii. Derivatives

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

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

iv. Non-derivative liabilities

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

c) Functional and presentation currency

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

d) Foreign currency

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

e) Use of estimates and professional judgments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Financial assets and liabilities

(i) Classification

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

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

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

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

Loans and receivables

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

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

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

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

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

(ii) Recognition

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

(iii) Offset

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(iv) Measurement at amortized cost

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

(v) Measurement at fair value

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

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

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

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

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

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

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

(vi) Identification and evaluation of impairment

Financial assets carried at amortized cost

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

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

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

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

Available-for-sale financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(vii) Derecognition

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

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

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

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

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

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

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

- the carrying amount; and

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

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

The difference between:

- the carrying amount allocated to the part derecognized; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets and liabilities (continued)

(vii) Derecognition (continued)

Loans and receivables

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

b) Property, plant and equipment

i. Recognition and measurement

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

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

ii. Reclassification as investment property

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

iii. Subsequent costs

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

iv. Depreciation of property, plant and equipment

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Intangible assets

i. Goodwill

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

ii. Subsequent expenses

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

iii. Amortization of intangible assets

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

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

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

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

d) Investment property

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

e) Leased assets

Leases by which the entity substantially assumes the risks and rewards of ownership are classified as finance leases. At the time of initial recognition, the asset subject to the lease is measured at the minimum of the fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leasing contracts are classified as operating leases.

f) Lease payments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment

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

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

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

h) Discontinued operations

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

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

m) Non-derivative financial liabilities

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

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

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

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

n) Share capital

Ordinary shares

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

Buy-back of shares (treasury shares)

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employee benefits

i. Short-term benefits

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

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

ii. Share-based transactions

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

p) Provisions

A provision is recognized if, as a result of a prior event, the entity has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and debt-specific risks. The amortized discount is recognized as financial expense.

q) Sale of goods and provision of services

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

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

r) Rental income

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

s) Financial revenues and expenses

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Income tax

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

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

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

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

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

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

u) Earnings per share

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

v) Segment reporting

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

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

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

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealized Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT

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

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

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

General risk management setting

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

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

Categories of risk

Credit risk

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

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

Exposure to credit risk

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

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

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

b) the bad faith of the debtor (the counterparty with which the company carries out certain types of financial transactions) also called counterparty credit risk (short-term credit risk). The financial operations to which this type of risk relates are the following:

    1. derivatives traded on OTC and credit derivatives;
    2. repurchase agreements, reverse repurchase agreements, securities/commodities lending or borrowing based on securities or commodities included in the trading portfolio;
    3. margin lending transactions in relation to securities or commodities; and
    4. long-term settlement transactions.

Determination

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

The types of exposures are as follows:

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

Liquidity risk

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

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

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

The risk of liquidity takes two forms:

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

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

Determination:

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

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

Market risk

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

Operational risk

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

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

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

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

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

Interest rate risk

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

Interest rates used to determine fair value

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

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

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

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

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

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

Exposures to foreign exchange risk comprise the following elements:

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

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

5. Capital Management

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

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

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

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

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

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

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

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

6. OPERATING SEGMENTS

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

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

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

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

6. OPERATING SEGMENTS (continued)

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

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

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

6. OPERATING SEGMENTS (continued)

Information on reported segments

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

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

Reconciliation

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

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

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

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

Detailed description of financial statements lines

8. INTANGIBLE ASSETS

Intangible assets

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

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

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

8. INTANGIBLE ASSETS (continued)

The balance of intangible assets comprises software and software licenses.

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Pledged or mortgaged property, plant and equipment

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

Revaluation

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

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

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

10. INVESTMENT PROPERTY

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

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

10. INVESTMENT PROPERTY (continued)

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

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

Pledged or mortgaged property, plant and equipment

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

Revaluation

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

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

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

11. FINANCIAL INVESTMENTS

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

11. FINANCIAL INVESTMENTS (continued)

Non-quoted shares classified as available for sale are recorded at cost when it is not possible to apply valuation methods. This category includes shares held by the company in the capital market institutions (Romanian Clearing House, Bucharest Compensation House, Romanian Commodities Exchange Bucharest) and other non-quoted companies (e.g. Confident Broker etc.).

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

Impairment losses

Available-for-sale financial assets carried at cost

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

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

Available-for-sale financial assets at fair value

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

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

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

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

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

12. OTHER FINANCIAL INVESTMENTS

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

13. INVESTMENTS IN ASSOCIATES

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

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

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

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

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

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

13. INVESTMENTS IN ASSOCIATES (continued)

During 2017, transactions with affiliated entities are as follows:

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

Related party transactions were conducted at arm's length.

13. INVESTMENTS IN ASSOCIATES (continued)

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

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

14. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

15. TRADE AND OTHER RECEIVABLES

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

15. TRADE AND OTHER RECEIVABLES (continued)

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

Margin loans

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

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

Debtors' gross balances and impairments are as follows:

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

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

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

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

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets not recognized

The deferred tax assets were not recognized for the following:

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

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

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

Deferred income tax liabilities not recognized

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

Deferred income tax assets and liabilities recognized

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

17. CASH AND CASH EQUIVALENTS

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

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

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

18. CAPITAL AND RESERVES

The share capital and shares issued are as follows:

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

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

18. CAPITAL AND RESERVES (continued)

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

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

19. RESERVES AND REVALUATION DIFFERENCES

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

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

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

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

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

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

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

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

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

20. RETAINED EARNINGS

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

Retained earnings by transition to IFRS

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

Retained earnings IAS 29

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

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

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

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

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

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

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

21. TRADE AND OTHER PAYABLES

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

21. TRADE AND OTHER PAYABLES (continued)

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

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

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

22. BORROWINGS

The loans contracted by the Company are as follows:

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

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

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

The amounts owed to clients originate in:

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

23. PROVISIONS

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

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

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

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

24. CONTINGENT ASSETS AND LIABILITIES

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

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

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

25. OPERATING REVENUES

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

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

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

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

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

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

26. OTHER REVENUES

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

27. EMPLOYEE-RELATED EXPENSES

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

27. EMPLOYEE-RELATED EXPENSES (continued)

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

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

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

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

28. OTHER OPERATING EXPENSES

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

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

29. OTHER EXPENSES

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

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

30. FINANCIAL REVENUES AND EXPENSES

Recognized in profit or loss

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

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

Recognized in other comprehensive income

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

30. FINANCIAL REVENUES AND EXPENSES (continued)

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

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

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

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

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

31. INCOME TAX EXPENSES

Reconciliation of effective tax rate

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

32. EARNINGS PER SHARE

Basic earnings per share

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

Loss attributable to ordinary shareholders

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

The profit presented follows the calculation of income tax.

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

Weighted average number of ordinary shares

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

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

33. FAIR VALUE HIERARCHY

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

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

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

33. FAIR VALUE HIERARCHY (continued)

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

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

33. FAIR VALUE HIERARCHY (continued)

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

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

33. FAIR VALUE HIERARCHY (continued)

The main unobservable inputs are:

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

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

Changes in level 3 fair value:

The main changes in 2017 refer to:

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

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

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

34. AFFILIATES

Benefits of key management personnel

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

Investments in Associates

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

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS

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

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

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

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

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

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

35. RESTATEMENTS OF THE 2016 FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

37. SUBSEQUENT EVENTS

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

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

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

Chairman of the BoA,
Dr. Darie Moldovan

Economic Manager,
Dora Diaconescu

Translation from Romanian

STATEMENT OF RESPONSIBILITY

We, the undersigned
Darie Moldovan, Chairman
Dora Diaconescu, Economic Manager

Do hereby declare on our own responsibility that, to the best of our knowledge, the individual financial statements as at 31.12.2017, prepared in accordance with the International Financial Reporting Standards, provide a fair and accurate image of the assets, liabilities, financial position, profit and loss account of SSIF BRK Financial Group SA, and the report of the Board of Directors, prepared in accordance with ASF regulations, contains a correct analysis of the development and performance of the Company and a description of the main risks and uncertainties specific to the company's activity.

Chairmain of the Board,
Darie Moldovan

Economic Manager,
Dora Diaconescu

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
SSIF BRK Financial Group S.A.

Report on the Audit of the Separate Financial Statements

Qualified Opinion

1. We have audited the separate financial statements of SSIF BRK Financial Group S.A. (the "Company"), with registered office in Str. Motilor nr. 119, Cluj-Napoca, identified by unique tax registration code 6738423, which comprise the separate statement of financial position as at December 31, 2017, the separate statement of comprehensive income, separate changes in shareholders' equity and separate cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

2. The separate financial statements as at December 31, 2017 are identified as follows:

   - Net assets / Total equity RON 59,296,533
   - Net loss for the financial year RON 4,654,398

3. In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2017, and its separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and Financial Supervisory Authority ("FSA") Norm no. 39/2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorized, regulated and supervised by the FSA – Financial Investments and Instruments Sector, as amended (referred to herein as "FSA Norm no. 39/2015").

Basis for Qualified Opinion

4. The prior year auditor has issued a qualified audit opinion on the separate financial statements for the year ended December 31, 2016. The prior year auditor was not able to determine the possible impairments of the fair value of the Company's participation in FACOS SA reported in "Available-for-sale financial assets" presented in the separate statement of financial position. The estimated fair value of FACOS SA participation as of December 31, 2016, as presented in note 13 to the separate financial statements was in amount of RON 9.2 million. Since the opening balance of investments classified as available-for-sale enter into the determination of the financial performance and cash flows for the current year, we were unable to determine whether adjustments might have been necessary in respect of the profit or loss for the year reported in the separate statement of comprehensive income, statement of changes in equity and cash flows. Our opinion is also qualified because of the possible effect of this matter on the comparability of the current year financial information presented in the separate statement of comprehensive income and changes in shareholders' equity.

5. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 regarding the statutory audit of the annual financial statements and annual consolidated financial statements and the amendment of certain acts of legislation ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the separate financial statements section of this report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

6. We draw attention to Note 35 to the separate financial statements, which describes restatements made in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* by the management to correct misstatements in the separate financial statements of the Company as at December 31, 2016. Our opinion does not express other matters in this respect.

Key Audit Matters

7. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters. In addition to the matters described in paragraph 4 above, we have determined the matters described below as the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the matter
Fair value valuation of equity investments classified as available-for-sale ("AFS") financial assets on Level 3 We refer to note 32 to the separate financial statements, which presents the Fair Value Hierarchy of financial assets. As at December 31, 2017, investments in available-for-sale financial assets of RON 22.2 mil represent 55% of the Company's total financial investments of RON 40.1 mil. A significant part of the Company's total available-for-sale financial assets is represented by equity investments. These investments represent participations held by the Company in unlisted Romanian companies, with a significant part of them being controlled by the Company. Equity investments as AFS with a fair value presented to Level 3 in amount of RON 12.8 mil represent 32% of the Company's total financial investments in amount of RON 40.1 mil. The fair value valuation of equity investments with a fair value presented to Level 3 has been performed based on valuation models which used financial information of the companies subject to valuation, available as at June 30, 2017 and December 31, 2017. A significant part of such valuations was performed by authorized external independent valuers.	In order to address the key audit matter, our audit focus was to test in detail a sample of unquoted equity investments, for which we have involved our own expert valuers, who analyzed the valuation methodology, the assumptions used, the inputs used by external valuers and their professional competence. We have also assessed the compliance of the valuation methods with the relevant standards and the Company's accounting policies. For the equity investment as AFS with a fair value presented to Level 3 valued based on financial information available as at June 30, 2017, we have assessed the management's analyses for the period following the date of the valuation reports (until December 31, 2017), in order to identify significant events which may have a significant impact on the fair value of equity investments. We have also assessed the accuracy of the changes in fair value that have been reflected in the separate statement of financial position, separate statement of comprehensive income, separate statement of changes in shareholders' equity and disclosures in the notes to separate financial statements, by comparing year-on-year fair value variation for selected investments.

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Key audit matter	How our audit addressed the matter
Fair value valuation of equity investments classified as available-for-sale financial assets on Level 3 was a key area of focus in our audit due to the complexity involved in valuing these investments, the significance of the judgments and estimates included in the valuation, as well as the reflection of the changes in fair value in the separate financial statements.	We have considered whether the separate financial statements appropriately reflect all material disclosures in relation to equity investments, in accordance with the IFRS disclosure requirements.
Evaluation of impairment for AFS equity investments and restatement in comparatives As required by IFRS, in the situation where a decrease in the fair value of equity investments classified as available for sale occurs, management is required to make an assessment regarding whether the valuation decrease is temporary or is an impairment in nature. In assessing whether there has been a significant or prolonged decline in fair value, the management considered several factors including the length of time and extent to which the fair value has been less than cost. Depending on this assessment, the change in fair value of this equity investments category is reflected either in profit or loss or in other comprehensive income in accordance with the Company's accounting policies. As presented in note 34 to the separate financial statements, the Company has restated the 2016 comparatives after having identified impairments estimated at RON 2.8 million for AFS equity investments, which had to be reflected in the current result of 2016 instead of an equity decrease, as it was disclosed in the separate financial statements approved as at December 31, 2016. This restatement has been performed to ensure the comparability of the disclosure of this type of financial assets in the separate financial statements as at December 31, 2017. The presentation of the estimated impairment of AFS equity investments requires exercise of professional judgment in determining where such impairment related to this type of financial assets shall be presented. As a result, we considered it a key audit matter. In addition, presenting the restatement of the required impairments of AFS equity investments for the financial year ended December 31, 2016 in the separate financial statements of the current year requires a thorough analysis regarding the sufficiency of the information needed to present the restated financial information of 2016 and their impact, in order for the users of the separate financial statements to understand the effects.	We have analyzed where a decrease in the value of the portfolio of AFS financial investments occurred as at the date of the financial statements and we have assessed whether this has been properly accounted for in accordance with the IFRS requirements and the Company's accounting policies. From the portfolio of AFS financial assets we have selected a sample on which decrease in fair value occurred and we have evaluated the management assessment regarding significant or prolonged decline in fair value below its initial cost, in accordance with the Company's accounting policies. For the fair value impairments that we have identified, we have assessed whether they were disclosed in the separate financial statements in accordance with IFRS and the Company's accounting policies. We have also analyzed the restated comparatives regarding the impairment of AFS financial assets, as presented in the notes to the separate financial statements according to the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Other Matters

8. The financial statements of the Company for the year ended December 31, 2016 were audited by another auditor which expressed a qualified opinion on those statements on March 28, 2017.

9. We draw attention to note 1 to the separate financial statements, according to which the Company's consolidated financial statements prepared in accordance with IFRS have not been issued yet. Note 1 to the separate financial statements provides clarification on the date of publication of the consolidated financial statements. Our opinion is not modified in this respect.

Other information – Administrators' Separate Report

10. The Administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' separate report ("Administrators' report"), but does not include the separate financial statements and our auditors' report thereon.

    Our opinion on the separate financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

    In connection with our audit of the separate financial statements for the year ended December 31, 2017 our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

    With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of FSA Norm no. 39/2015 articles no. 8-13.

    On the sole basis of the procedures performed within the audit of the separate financial statements, in our opinion:

    a) the information included in the Administrators' report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;

    b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of FSA Norm no. 39/2015 articles no. 8-13.

    Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2017 we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

11. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and applying FSA Norm no. 39/2015 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

13. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

14. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

15. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SIF to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

16. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

17. We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

18. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

19. We have been appointed by the General Assembly of Shareholders on October 5, 2017 to audit the separate financial statements of SSIF BRK Financial Group S.A. for the financial year ended December 31, 2017, following the tender organized by the Company during 2017. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2017.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company any non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Director

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 3344/11.06.2010

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 25/25.06.2001

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April 11, 2018