



ANNUAL REPORT
of the Board of Directors of
TRANSILVANIA BROKER DE ASIGURARE S.A.
for the financial year ending December 31, 2022

in compliance with the provisions of FSA Regulation no.5/2018 on issuers of financial instruments and market operations, with subsequent amendments



1. Analysis of the Company's activity

1.1. Overview on the main activity of the Company

TRANSILVANIA BROKER de ASIGURARE S.A is an insurance brokerage company set up and registered in 2006. The Company operates in accordance with the provisions of the Companies' Law no. 31/1990 and of the Law no. 236/2018 on Insurance Distribution. The Company is subject to the regulations issued by the Financial Supervisory Authority regarding the distribution of insurance. The Company is publicly listed on the Bucharest Stock Exchange as of November 2nd, 2017.

1.1.1. Significant merger or reorganisation of the Company, its subsidiaries or any controlled company during the financial year

Within the reporting period, there were no merger, split- off, acquisition or any other changes to the assets and liabilities of the Company.

1.1.2. Acquisition and / or sale of Assets

Within 2022, the accounting value of the tangible assets decreased by 6%. Investments in equipment, technical installations and furniture amounted to 66,538 lei and the value of depreciation recognized by the Company in 2022 for tangible fixed assets was of 340,233 lei. In 2022, there were no disposals or write-offs of tangible fixed assets. As of 31 December 2022, the Company registered no impairment adjustments for tangible fixed assets.

1.1.3. Overview of the main results of the Company

Transilvania Broker reports, for the year 2022, a turnover by 31.3% above the level reported on 31.12.2021, while the positive net result, amounting to 11.5 million lei, exceeded by 67.5% the profit in the reference period (2021).

This dynamic was driven by a 34.1% increase in the volume of underwritten premiums, as compared to 2021, with a commission level adjusted to the particular conditions of the insurance market in 2022, of 16.3%, and a net profit margin of 8.9%, by 28% higher than the previous year.

The values of all indicators assessing the financial position, i.e. current liquidity, financial solvency and debt ratio, in the reporting period (2022), are outside the risk ranges and reflect a sound financial position in both the short and long term. The company dispose of the resources and capital it needs to meet all its obligations

to third parties without constraint, regardless of their due dates, and to fuel the budget required to implement its investment and dividend policies.

During the reporting period, Transilvania Broker recorded increases in the volume of premiums written for 78% of the insurance classes. Among these, class A13 (General Liability, excluding MTPL) stands out, where the volume of premiums written increased from MDL 10.6 million to MDL 17.9 million (+69.3%), as well as the classes of health insurance, life insurance and annuities, where the increases recorded were 52.5% (A2 - health), 100.2% (C3 - Life insurance and annuities related to investment funds) and 57.3% (C1 - Life insurance, annuities and supplementary life insurance).

1.1.4. General assessment on economic-financial operations

The annual individual financial statements were prepared by the Company in compliance with the provisions of the Accounting Law no. 82/199, republished with further amendments and with the FSA Norm 36/2015 for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements applicable to the insurance and/or reinsurance brokers in force on the reporting date 31.12.2018 ("FSA Norm 36/2015").

The management of the Company expressly and unconditionally declares the compliance of the annual financial statements with all the applicable provisions under FSA Norm 36/2015. In terms of taxes, the Company's approach is in compliance with the provisions of the Fiscal Code Law no. 227/2015.

In accounting for the financial effects of the Company's operations, the bookkeeping principles and rules regarding the *recognition and valuation the patrimonial elements* were observed. The methods and rules of accounting and presentation of the elements of assets, liabilities and equity, respectively of the results obtained, were applied consistently, in order to ensure the *comparability over time of the accounting information*.

Clearance operations between assets and liabilities, between registered revenues and expenditures *were not performed*. The *assumption of business continuity is confirmed*, as there were no reasons or causes found to hinder then normal activity of the Company for a predictable time period.

The economic and financial operations and transactions carried out by the Company were registered in the accounting records of the Company on the basis of the supporting documents, in compliance with the legal provisions in force, and the results obtained are:

1. Net Profit: 11,529,337 lei

2. Net turnover: 129,892,569 lei

3. Liquidity and solvency indicators:

Indicators	Calculation formula	31.12.2021	31.12.2022	Benchmark
Current ratio / Quick ratio	Current assets/Current debts	1.847	1.811	>2
Cash ratio	Cash/Current debts	1.02	0.58	>0.8
Leverage ratio	Total Assets /Total debts	1.891	1.832	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	81.1%	85.6%	>30%

The company's liquidity ratios highlight values inside the comfort range, with the mention that that these indicators reflect the specifics of the insurance intermediation activity, where the due terms for receivables and debts in relation to insurers, on the one hand, and brokerage agents, on the other hand, are regulated by law and internal procedures. In this context, the relevance of current and quick ratios are relatively low, while the cash ratio indicator confirms that the Company dispose of cash volumes exceeding current debt.

During the reporting period, the increase in the value of total assets was higher than the increase in the total debt of the Company. The difference was mainly fueled by the increase in the value of current assets. For this reason, the leverage ratio decreases in value, but remains well above the benchmark.

At the same time, the share of equity in total permanent capital increased from 81.1% to 85.6%, confirming, once again, the high self-financing capacity of the Issuer and its ability to meet payment obligations.

4. Debt ratio indicators

Risk indicators	Calculation formula	31.12.2021	31.12.2022	Benchmark
Indebtedness Ratio	Borrowed capital/ Permanent capital *100	19%	14.4%	<50%
Debt ratio	Total Debt/ Total Assets*100	53%	54.5%	<80%

In 2022, the equity value increased by 3,904.3 thousand lei, while the absolute value of long-term debt decreased slightly (-4.6 thousand lei). As a result, the debt ratio indicator, expressed as ratio between the borrowed and permanent capital, decreases its value, expressing a low level of financial risk with high financial balance. Moreover, the debt ratio as compared to the maximum reference threshold confirms a high capacity to honour the company's commitments towards partners, an adequate credit risk management, as well as easy access to funding on the money markets.

5. Margin and profit ratios

Profit ratios	Calculation formula	31.12.2021	31.12.2022
Operating profit margin	Operating profit / Sales *100	8.30%	10.2%
Net profit margin	Net profit / Sales *100	6.96%	8.9%
Return on equity ratio	Net profit / Equity *100	67.9%	82.1%
Return on long-term capital ratio	Net profit / Long-term capital *100	55%	70.3%

In 2022 , the profitability of Transilvania Broker de Asigurare's business increased at a higher rate than ever before, with profit margins by 23% (gross operating margin) and 28% (net profit margin) higher than the previous year. The increase in shareholders' equity to a significantly lesser extent than the increase in net profit, against the backdrop of a decrease in retained earnings following the payment of a substantial dividend, led to significant increases in the financial return margin and the return on permanent capital, to the direct benefit of the company's shareholders.

6. Cash - flow: changes that occurred in terms of cash flows pertaining to the main activity, financial investment and operations, cash equivalents at the beginning and end of reporting period

Indicator	Results pertaining to the reporting period	
	31.12.2021	31.12.2022
NET CASH FROM OPERATING ACTIVITIES	4,771,765	4,847,262
NET CASH FROM INVESTMENT ACTIVITIES	1,809,373	-5,947,745
NET CASH FROM FINANCING ACTIVITIES	-579,274	-658,283
CASH AND CASH EQUIVALENTS ON JANUARY 1ST	4,576,429	10,578,292
NET INCREASE/ DECREASE OF CASH AND CASH EQUIVALENTS	6,001,864	-1,758,766
CASH AND CASH EQUIVALENTS ON DECEMBER 31ST	10,578,293	8,819,527

The available cash flow supports the economic development and the financial capacity to support the equity and borrowed capital as well.

The cash and cash equivalents of the Company on December 31st, 2022 dropped by 16.63% as compared to the previous year, a dynamic explained by the constitution of the bank term deposit, as presented in the balance sheet position *short term investment*, amounting to 6,000 thous. lei.

Out of the *Operating Activities* the Company registered a positive cash flow of 4,847,262 lei. The amplitude of the dynamics of the cashflow generated in the operating activity depicts the capacity of the Company to provide for the adequate cashflow needed for maintaining operating activities, issue dividends and reimburse loans with no need to address other external financing resources.

The *Investment Activity* generated a negativ cash flow in 2022, of (- 5,947,745 lei), mainly as the result of the establishment of the term deposit of 6 mil. lei. In 2022, the Company earned bank interest in amount of 132,814 lei.

The *financial activity* of the Company generated a negativ cash flow of (-658,283 lei), out of the payment of due installments of the bank loans in total amount of 433,419 lei, of the stock buy-back operation in total value of 125,000 lei, as well as out of the payments related to financial leasing contracts, amounting to 99,864 lei.

1.3. Assessment of technical operations of the Company

1.3.1. Description of main products/ services and their distribution channels

TRANSILVANIA BROKER de ASIGURARE S.A carries out its activities and provides professional services in the Romanian insurance market.

The main insurance products that are intermediated by the Company are:

- Life insurance;
- Health sănătate;
- Accident insurance;
- Insurance of land transport means;
- Insurance of railway means of transport;
- Insurance of air transportation;
- Insurance of sea, lake and river transport means;
- Insurance of goods in transit;
- Home insurance;
- Insurance of buildings and property belonging to legal entities;
- Third liability insurance for motor vehicles.

The Company provides professional services to clients or prospects with regards to:

- Distribution of insurance through maintaining a fair treatment of all clients, in compliance with the legal provisions in force pertaining to insurance and reinsurance distribution and avoidance of unfair, fraudulent or abusive practices;



- Identification of risks that may be the subject of insurance policies, their analysis, assessment and management;
- Recommending solutions to minimise or transfer the risks that may be insured;
- In terms of products and services' offer, the sales staff of the Company's agent provide clients with comprehensive, coherent, accurate, objective and realistic insight on the insurance recommended, so that the latter may take an informed decision;
- Consultancy to clients and prospects on the basis of thorough assessment of their needs and requirements, so that insurance contracts meet their expectations;
- Analysis of current insurance policies;
- Setting up of adequate insurance programme;
- Negotiation of insurance terms and conditions, analysis of opportunities of the market related to quality: price ratio and choosing of the most adequate insurance solution, in compliance with the clients' interests;
- Sound management of insurance contracts within their validity period and tailor making to the dynamics of clients' businesses;
- Support in the process of damages' settlement and receipt of insurance compensation;
- Provision of insight on the insurance market in Romania.

The following information is rendered to all clients before signing their in-surance contracts:

- Definition of each event that can be covered by the insurance, the compensation in case of occurrence of the insured event, each additional/ optional benefit or provision;
- Events that are not covered by the insurance;
- Commencement and termination of the insurance contract;
- Provisions for performance, suspension or termination of the insurance contract;
- Insight on any rights that the parties may have to early termination or by unilateral decision, as well as penalties provided for by the contract for such cases;
- Payment of insurance premiums- means and payment terms;
- Payment of insurance compensation, redemption or insured amounts- means and payment terms;
- Insight on the premiums afferent to each type of benefit, main or additional, as the case;
- Insight on the grace period offered;
- Bonuses- calculation and distribution;
- Total redemption amount, discounted insured amounts, as well as the threshold up to which these are guaranteed for each year of insurance contract;
- Highlighting on the cases when redemption value of the insurance policy is null;



- Legal proceedings for sorting out potential litigations arising from execution of the contract, as well as insight on the means for amiable settlement of claims submitted by clients or by the contracts' beneficiaries, as the case, while the latter do not represent a constraint to waive to the legal proceedings in force;
- General insight on the fiscal legislation in force related to deductions that are possible to be made in the case of insurance contracts;
- The legislation that is governing the insurance contract;
- Existence of the Policyholders' Guarantee Fund.

1.3.2. Assessment of sales activity

1.3.2.1. Split of sales between domestic and/ or external market and forecast of sales for medium and long term

TRANSILVANIA BROKER de ASIGURARE S.A. carries out its activities and provides professional services only on the Romanian insurance market. The evolution of sales accomplished by the Company is as follows:

Indicator	As of 31.12.2021	As of 31.12.2022	Dynamic	
Turnover	98,905,785	129,892,569	30,986,784	31.33%

1.3.2.2. Competition. Market share of main competitors and of the Company

The market share of the Company is over 5%, being the fourth largest insurance intermediary in Romania. At the same time, the Company has a network of over 1000 collaborating agents, with a presence in 39 counties, respectively a portfolio of over 1 million customers.

The Company's main competitors are:

- SAFETY BROKER de ASIGURARE S.R.L.
- MARSH-BROKER de ASIGURARE-REASIGURARE S.R.L.

1.3.2.3. Acknowledgement of any dependence of the Company on a single client or on a group of clients whose loss would have a negative impact on the Company's revenues

The Company has a varied clients' portfolio, hence it does not depend on a single client, which renders more certainty for business continuity and reduced commercial risks.



1.4. Assessment of the Company's personnel

1.4.1. Number and educational level of the Company's personnel

The relevant information on the evolution of the Company's personnel in 2021 – 2022 is contained in the table below:

Number of employees (end of year)	2021	2022
Economists	22	22
IT Experts	1	1
Legal advisors	4	5
Other professions - long-term higher education	12	11
Other professions - short-term higher education	2	2
Secondary education (technical profile)	1	1
TOTAL	42	42

Throughout the year 2022 the Company organised events for informing and training of employees and collaborating agents with regards to the trends of the market and the news on legal and organisational issues.

1.4.2. Working relationship between manager and employees, identification of any conflicts pertaining these work relations

There have not been reported any conflicts between managers and employees within the Company.

1.5. On-ward perspectives

1.5.1. Expected trends on the internal environment

For the year 2023, Transilvania Broker will carry on its projects to digitise sales and promote its products online. The development of the online issuing platform will absorb the necessary resources so that, **by the end of 2023, it will accommodate, fully functional, a new insurance class in the platform (home insurance), together with insurance-related services (roadside assistance and home technical assistance).**

A new priority direction for the company's management will be investment in education: education of the public on the importance of insurance but also the ongoing training of the company's key human resource, brokerage assistants. In this respect, the Academia Transilvania project will take the form of a stand-alone e-learning platform, which will allow the entire network of assistants access to the courses and materials they need to respond promptly and professionally to all the needs of the insurance market. The same platform will provide information materials for the general public in a section dedicated to Transilvania Broker clients.

In terms of marketing and promotion concerns, the management of Transilvania Broker de Asigurare intends to launch a pilot office branding programme, which aims at a unified brand message for a first selection of Transilvania Broker locations.

1.5.2. Trends and factors of the external environment

Main trends in the global market of insurance intermediaries.

The digitisation of the sector, the integration of artificial intelligence into operational processes and strategic sales tools have required the adoption of paradigms focused on leveraging opportunities from technological advances in business models, growth and product portfolio, not just operational processes. Thus, for intermediaries, digitalisation, technology and artificial intelligence elements have opened the way to new markets and new opportunities - a trend that Transilvania Broker's management understood, anticipated and promptly aligned its strategic and managerial vision to.

The accelerated diversification of (secondary) insurance products as an effect of an innovative approach in the area of insurance products for increasingly diverse needs is another direct effect of digitalisation that supports and facilitates this trend. Digital marketing tools identify untapped insurance needs, customise products and distribute them with minimal time and resource costs in high volumes. In turn, the market easily absorbs products such as rented premises or property, pet or cyber-attack insurance - products tailored to today's dynamic behavioural and consumer trends. At the same time, this palette of new insurance by-products becomes a lever for customer loyalty and longevity of the customer relationship.

Increased competition in the intermediary market, as barriers to market entry are decreasing in importance and number, mainly due to virtually unlimited opportunities and digitalisation: geographical boundaries are blurring, agent-insurer collaboration is becoming more fluid and dynamic, and attracting new customers through digital marketing is within everyone's reach.

The emerging intermediation model, which is increasingly independent of a specific insurer, has started to penetrate the brokerage market, with new business and partnership opportunities. The consumer profile encourages this trend, as consumers are looking for advice, guidance and alternatives - elements that are specific to the independent broker, and by extension, Transilvania Broker.

1.6. Assessment of the impact of the Issuer's activity on the environment

The Company is not aware of any potential negative impact of its activity on the environment, which should be accounted for. The potential result of such impact is doubtful and the Company does not see it necessary to make provisions for such amounts for the environment.

As of December 31st, 2022 the Company complies with all conditions necessary for operating its activities as provided for by the legislation in force pertaining to environmental protection. It has been granted the environmental license by the Romanian Environmental Agency.



1.7. Assessment of research and development activity

1.7.1. Expenditures undertaken within the reported period and forecasted for the next financial year with regards to research and development activity:

During the reported period, as per the data extracted from the Company's financial statement, there were no fixed intangible assets representing expenses incurred from the research - development activity of the Company.

1.8. Assessment of the Company's risk management

1.8.1. The Company's internal control system

The Company's internal controlling system consists of policies and procedures to confer the management a reasonable assurance that the Company accomplishes its targets:

- *The Code of Ethical Conduct* with insights on the business scope of the Company as well as with provisions for compliance with legislation in force and specific methodologies; it also reflects the mechanisms created for personnel to be able to alert the Executive Management or the Board of Directors in case of violation of the business conduct or other defaults, with no reservations due to potential consequences;
- *Operational policies and work procedures* that ensure the functionality of all compartments, formalized in a Manual of Operational Procedures;
- *A risk management system* covering also the necessary and sufficient resources for permanent identification, assessment, checking and supervision of risks;
- *Internal control procedures*, formalized in a Manual of internal control policies and procedures, which ensures the implementation of an internal control system which controls significant risks and offers a reasonable assurance to the Management, on the following aspects: compliance with the legal and regulatory framework; ensuring that all operations are registered in a correct manner and that the financial statements and reports are accurate; protection of goods and information; prevention and detection of frauds and errors; quality of bookkeeping and provision in due time of trustful and reliable data with regards to financial and management departments.

1.8.2. The Company's exposure to the market, credit and liquidity risk

The activity of financial risk management is an integral part of the process of financial planning and controlling, it is subject to strategic and tactical decisions of continuous adaptation to the inside and outside conditions and environment, which are constantly changing. Financial decisions are made based on the cash flows provided for in future contracts, which are par excellence uncertain. Risk is therefore an inherent component of financial decisions.

Unpredictable changes in the evolution of *interest rate, currency exchange rates or prices* do have an impact on the financial results of any company:

➤ *Exchange rate risk*

The Company is not exposed to this risk, as the Company's activities are carried out almost entirely on the domestic market. The concluded economic relations, liable to record losses due to the variation in the exchange rate of the currency during the period between the conclusion of the contract and its maturity, represent an insignificant weight. At the date of the financial statements, it records insignificant balances related to debts denominated in foreign currency (the debt regarding the financial leasing contract underway).

➤ *Interest rate risk*

The Company is exposed to the risk of fluctuating interest rates upon contracting of investment loans with a variable interest rate, at the end of 2018 and 2020, respectively. The exposure of the Company to risks pertaining to change in interest rates on the cashflows is partially covered by the cash flows kept as 'over night' deposits, which also incur into fluctuating interest rates.

The level of interest rate coverage out of the gross profits indicator, as per 2021, shows that the Company is not at risk generated by the interest rates.

➤ *Price risk*

The price risk refers to price of resources, the currency exchange rates and the interest rates. It may appear especially when long-term contracts are concluded. The Company operates with contracts concluded for relatively short-term, so that it is not exposed to this risk.

a) Liquidity risk

The current liquidity is the Company's capacity to cover current liabilities out of the current assets. The minimum threshold recommended for this indicator is 2.

The Management of the Company assess the exposure to the liquidity risk. The Company's policy with respect to liquidity risk is to always keep resources that are enough to pay liabilities when they are due, as well as to ensure a balance between payables and receivables.

The liquidity indicators are within the comfort interval, reflecting the peculiarities of the insurance brokerage activity, in which the terms of settlement of claims and debts in relation to insurers and, respectively, brokerage assistants are regulated legally and procedurally.

b) Credit risk

The Company is paid for the services provided in a relatively short term from the moment services are performed and conducts business relations only with recognized third parties. According to the contracts concluded, receivables are permanently monitored, prudential thresholds are settled and so there is no significant exposure of the Company to the risk of amounts not to be received. the guarantees offered ensure

maximum security and the credit risk is minimal. The Management analyses all debtors when setting for the credit thresholds, super-vise on the former's conduct along with performing the contract and follows that due dates for payment of liabilities be complied with. In case of default of payment receipt, they take action in order to secure immediate in-cashing.

2. Tangible assets of the Company

2.1. Degree and assessment of tangible assets' wear level

The degree of wear of tangible assets of the Company does not incur into significant issues on the development of the Company's activity.

2.2. Potential issues related to the Company's ownership rights on tangible assets

There are no issues related to the Company's ownership rights on tangible assets.

3. The Company's issued securities market

3.1. Markets for the Company's securities- in Romania or other countries where these can be traded

The shares owned by Transilvania Broker de Asigurare S.A. are available on the Stock Exchange market in Bucharest, Main Regulated Segment, 'Standard' category, as of November 2nd, 2017, under TBK trading symbol.

For Transilvania Broker de Asigurare S.A. ("Transilvania Broker", "the Company", "the Company", "the Issuer"), the year 2022 was marked by a particular growth dynamic in performance and result indicators, which led to higher liquidity and capitalisation for Transilvania Broker on the Bucharest Stock Exchange.

In the last quarter of 2022, on the 5th anniversary of its admission to trading on the Regulated Market of the Bucharest Stock Exchange under the trading symbol TBK, despite the generally negative or uncertain evolution of quotations on the Romanian capital market in the context of global economic and geopolitical developments, the TBK share marked a quote level 2.5 times its listing value. The company's capitalization reached 94.75 million lei on November 2, 2022, compared to 36.5 million lei on November 2, 2017. Long-term investors, who bought shares at listing and stayed with Transilvania Broker, obtained, over the five years, a return of almost 230%¹, more than twice the return calculated for BET-TR over the same period.

¹ The yield was calculated as the ratio between the investor's gain over the analysis period, on one hand, which sums up the dividends/share and the price difference between the end date of the 5 years and the start date and, on the other hand, the price/share at the listing date, where prices have been adjusted so as not to be affected by the TBK face value share split.



3.2. Issuer' s dividend policy

In 2022, Transilvania Broker paid dividends in gross value of 1.5 lei/share, in accordance with the OGMS resolution of 27.04.2022. Adjusted to the new nominal value of the share, the value of the dividend granted in 2022 is by 74.4% higher than in the previous year.

Following the decisions of the statutory bodies, in 2022 the operation of the **share face value split** was completed, so that, as of 16 February 2022, the share capital of the Company in the amount of 500,000 lei is divided into 5,000,000 shares with a nominal value of 0.1 lei each.

The dividends granted through the OGMS resolution as per latest financial years are as follows:

Dividends granted over the past 3 years

Financial Year	2020	2021	Proposal 2022
Dividends' value (lei)	4,300,000	7,500,000	10,000,000

The Company commits to unconditionally comply to the Corporate Governance principles applicable to the Issuers whose securities are traded on a regulated mar-ket. The Company adopted a dividends' policy consisting in a set of directions to be met related to the distribution of net profits. The Company states that it shall com-ply with this policy, highlighting on relevant principles pertaining to the dividends' policy:

- (1) The Company acknowledges the shareholders' rights to be paid dividends, as a way of involvement to the net profits registered by the Company as well as a return on the capital invested in the Company;
- (2) While grounding for distribution of net profits obtained within a financial year, the Board of Directors of the Company shall aim to a balanced distribution of the net profits between dividends granted to the shareholders and the part to stay with the Company for investments, all in compliance with a prudent approach of management, for the sake of a sustainable development of the company on medium and long term;
- (3) The dividends the shareholders are entitled to shall be distributed exclusively out of the net profits of the Company pertaining to a certain financial year, as per applicable accounting regulations and audited book keeping, according to the law and with the observance of other legal provisions that are relevant in the industry;
- (4) The dividends are granted to shareholders either in the form of cash or by issuing free shares as a result of capitalisation of net profits accrued by the Company. Irrespective of the way chosen, the proposal for dividends' distribution is made by the Board of Directors under the form of financial statements to the investors. The final decision on dividends' distribution is taken by the General Assembly, according to the law in force.

The dividend policy may be found on the official website of the Company.

3.3. Purchase of own shares by the Company

During the reporting period, i.e. on 15.12.2022, in accordance with the resolution of the EGSM no. 14/07.09.2021 and the decision of the Board of Directors no. 27/14.12.2022, the company initiated a stock buy-back program for the implementation of the incentive and loyalty program for key persons within the company, Stock-Option-Plan, approved in the same resolution of the AGEA no. 14/07.09.2021. As at 31.12.2022, the number of shares repurchased under the buy-back program was 927 shares, with a total cost of 16,286.85 lei.

The budget allocated to the Stock Option plan program approved by AGEA resolution no. 14/07.09.2021 was fully executed in the buyback program carried out during the period 27.12.2022-28.02.2023. At the issue date of the present report, there is no share buyback activity in progress.

3.4. If the Company has subsidiaries, acknowledgement of number and nominal values of shares issued by the Company and owned by its subsidiaries

The Company does not belong to a group of companies and does not own shares in other companies. On December 31st, 2022 the Company has the following business offices:

- Sibiu, 10, Justiției street, Sibiu County;
- București, District 1, 21D Elena Caragiani street, ap.1;
- Pitești, 3, Intrarea Rozelor street, Arges County;
- Cluj Napoca, 22, Inau street, Cluj County.

3.5. In case the Company issued bonds and/or other debt securities, disclosure on the Company's policy to pay back debt to these securities' holders

During the reporting period the Company did not issue bonds and/or other debt securities.

4. Corporate Governance

4.1. Transilvania Broker de Asigurare S.A. Board Members

Along the reporting period, the Management of the Company was ensured by a Board of Administrators consisting of five administrators, until 25.10.2022:

- Dan Niculae – *Chairman, executive member*;
- Gabriel-Alexandru Țuică - *non- executive member*;
- Daniela-Tasia Deneș - *independent non-executive member*;
- Gabriel Login – *executive member*;
- Erik Barna– *independent non-executive member*.

As from 25 October 2022, one Director position has become vacant as a result of the resignation of Mr Barna Erik from his second term as a member of the Board. As decided by OGSM of 18.01.2023, the new director, Mrs. Bobu Carmen Loredana, was appointed, and her duties will be exercised only after obtaining the approval decision issued by the Financial Supervisory Authority (FSA).

Up to the date of approval of the 2022 annual financial statements, the approval of the Financial Supervisory Authority on the new structure of the Board of Directors has not been yet issued.

There are no family relationships between the members of the Board of Directors of the Company.

4.2. Executive Management of the Company

The Company is run on executive and operational levels by:

- The General Manager (Mr. Gabriel Login)
- The Executive Director (Mr. Ioan Cotiac).

The executive management have competencies and responsibilities provided for in their job descriptions. All executive personnel are employed by way of Labour Agreement on undetermined period.

Neither the executive management nor the Board of Directors of the Company have been involved in litigations or administrative legal proceedings pertaining to their activity in the Issuer's business.

5. Overview of financial- economic position of the Company

The analysis of the economic- financial position of the Company by way of comparing the previous reporting period to the current position at the beginning of the year highlights on the following aspects:

5.1. FINANCIAL POSITION ANALYSIS

ASSETS				
Indicators (lei)	2021 31 December	2022 31 December	Variation (%) 2022/2021	Share in Total Assets as of 31.12.2022
Fixed assets	4,879,670	4,607,511	-5.6%	14.4%
Intangible assets	16,246	15,595	-4%	0.05%
Tangible assets	4,845,340	4,571,645	-5.7%	14.3%
Financial assets	18,084	20,271	+12.1%	0.06%
Current assets	19,219,957	27,418,774	+42.7%	85.5%
Inventories	0	0	-	-
Receivables, of which:	8,641,665	12,599,247	+45.8%	39.3%
<i>brokerage related receivables</i>	2,476,445	2,139,774	-13.6%	6.7%
<i>other receivables</i>	6,165,220	10,459,473	+69.7%	32.6%
Short-term investments	0	6,000,000	-	-

Cash and bank accounts	10,578,292	8,819,527	-16.6%	27.5%
Prepayments	49,546	40,339	-18.6%	0.13%
TOTAL ASSETS	24.149.173	32.066.624	+32,8%	100%
EQUITY AND DEBT				
Indicators (lei)	2021 31 December	2022 31 December	Variation (%) 2022/2021	Share in total Liabilities As of 31.12.2022
Current debt	10,405,840	15,144,141	+45.5%	47.3%
Bank loans	433,419	433,419	-	1.35%
Debt related to brokerage activity	8,565,862	10,778,926	+25.8%	33.6%
Other short-term debt	1,406,559	3,931,796	+179.5%	12.3%
Provisions	1,236,391	515,823	-58.3%	1.6%
Non-current debt	2,363,268	2,358,649	-0.2%	7.4%
Long-term loans	1,705,239	1,271,820	-25.4%	4%
Other debt	658,029	1,086,829	+65.2%	3.4%
Total debt	12,769,108	17,502,790	+37.1%	54.6%
Social capital	500,000	500,000	-	-
Reserves, from which:	100,000	100,000	-	-
Legal reserves	100,000	100,000	-	-
Redeemed own shares		(125,000)	-	-
Reported result	2,659,691	2,043,674	-23.2%	6.4%
Reference result	6,883,983	11,529,337	+67.5%	36%
Equity	10,143,674	14,048,011	+38.5%	43.8%
TOTAL EQUITY AND DEBT	24,149,173	32,066,624	+32.8%	100%

As of 31.12.2022, **current assets**, the category with the largest share of total assets (85.5%), are made up of cash and short-term investments (which together represent 54% of current assets and 46.2% of total assets) followed by receivables (which represent 46% of current assets and 39.3% of total assets).

Cash and cash equivalents recorded by the Issuer as at 31.12.2022, in the amount of 8,819.5 thousand lei, registered a decrease of 1,758.8 thousand lei (-16.6%), as compared to 31.12.2021, a dynamic justified primarily by the establishment of the term bank deposit - evidenced by the balance sheet item *short-term investments* - in amount of 6,000 thousand lei. The funds in collector bank accounts, which record the cash in transit for settlement with insurers in a short time horizon, represent 71.9% (6,340.1 thousand lei). The increase of these amounts by 49.6% compared to the reference period, in parallel with the dynamics of claims derived from distribution activity and short-term liabilities related to distribution activity, reflects a significant difference in the intensity of activity during the last settlement cycles of the reporting periods.

Of the total cash items, as at 31.12.2022, the company's own cash and cash equivalents represent 28.1%, i.e. 2,479.5 thousand lei, an apparent decrease of 61% as compared to the end of the previous year. Taking into



account, however, the short-term investment in the form of bank short-term deposits, the own funds at the **company's disposal in the short term sum up to 8,479.5 thousand lei, by 33.7% more than in the reference period.** This development, primarily due to the incorporation of the profit made during the financial year, is all the more relevant as the amount allocated for the payment of dividends in the reporting period was double that of 2021.

As regards the value of **receivables** reported as at 31.12.2022, whereas 85.7% of the value of "other receivables" represents receivables from secondary intermediaries (Transilvania Broker's collaborating assistants), the total value of receivables derived from distribution activity, whose collection term is regulated and continuously monitored through internal procedures and legal provisions, represents 72.4% of the total value of receivables. The 20% increase compared to 01.01.2022 reflects, for the most part, the variation in the intensity of activity in the last settlement cycles of the reporting period, which is also reflected in the dynamics of the balance of bank collection accounts and short-term liabilities derived from distribution activity.

The adjustments set for impairment of receivables from customers was of 138.9 thousand lei, while the amount of adjustments for receivables from sundry debtors recorded as at 31.12.2022 was of 43.5 thousand lei.

The value of the Issuer's **non-current assets** decreases its share in total assets, in the reporting period, from 20.2% to 14.4%, as a result of the reduction of their absolute value by 5.6%, mainly due to the adjustment with amortization. The impact of depreciation on the balance sheet position was somewhat offset by investments in equipment amounting to 66.5 thousand lei.

In the Issuer's balance sheet, total debt, which increased by 37.1% as compared to the previous year, contributed 54.6% to the financing of assets in 2022.

Short-term debt, which account for 47.3% of total liabilities (equity and debt), and whose value increased by 45.5% in the reporting period as compared to the reference period, consist of 71.18% of current debt related to intermediation activity, whose maturity and payment is legally regulated according to the specific nature of insurance intermediation activity. Similar to the evolution of the receivables derived from insurance intermediation activity and, respectively, the balance of the collecting accounts for the amounts transiting the Company's bank accounts for settlement with insurers, the dynamics of this category of liabilities reflect differences in the intensity of activity in the last settlement cycles of the reporting periods.

Non-current debts, that is debt falling due after more than one year, totalling 2,358.6 thousand lei and 0.2% lower than in the previous year, represent bank loans contracted in the last two financial years to co-finance the purchase of tangible assets for the change of the head office and the development of the Bucharest working point, leasing contracts concluded for the purpose of financing the investment in means of transport and other long-term debts. While the value of long-term bank loans decreases by 25.4% due to the repayment of the due instalments, the value of financial leasing contracts decreases by 100.2 thousand lei (-22.2%). The

value of the position other long-term liabilities mainly represents the amount payable to Asirom Vienna Insurance Group related to the settled litigation.

The increase in the result of the reporting period by 67.8%, partially offset by the decrease in the retained earnings following the payment of dividends, leads to an **increase in equity by 3,926.8 thousand lei as compared to the previous year (+38.7%).** Equity represents 44% in the Company's financing structure, a percentage up by about 2 p.p. as compared to the beginning of 2022.

5.2. FINANCIAL PERFORMANCE EVOLUTION

Indicators				
(LEI)	2021 31 December	2022 31 December	Variation (%) 2022/2021	Share in revenues/ expenditure (%), 2022
Operating Revenues, of which:	98.907.452	129.930.902	+31,37%	100%
Intermediation activity revenues	98.905.785	129.892.569	+31,33%	100%
Other operating revenues	1.667	38.333	+2199,5%	
Operating Expenditures, of which:	90.690.200	116.705.561	+28,7%	100%
Expenses with fees for brokerage agents and auxiliary assistants	81.280.994	105.807.588	+30,2%	90,7%
Personnel expenses	3.825.594	4.550.308	+18,9%	3,9%
Expenses with third party services' providers	3.395.513	4.101.472	+20,8%	3,5%
Other operating expenses	302.125	2.130.855	+605,3%	1,83%
Material expenses	223.433	193.327	-13,5%	0,17%
Expenses with other taxes, fees and similar payments	158.572	192.576	+21,4%	0,17%
Amortization expenses	285.037	354.905	+24,5%	0,3%
Current assets depreciation expenditure	-17.459	95.098	+644,7%	0,08%
Adjustments on provisions	1.236.391	-720.568	-158,3%	-
Operating Result	8.217.252	13.225.341	+60,9%	-
Financial Revenues	39.532	135.969	+243,9%	-
Financial Expenditures	102.962	142.244	+38,2%	-
Financial Result	(63.430)	(6.275)	+90%	-
GROSS RESULT	8.153.822	13.219.066	+62,1%	-
Tax on profit	1.269.839	1.689.729	+33,1%	-
NET RESULT	6.883.983	11.529.337	+67,5%	-



Income from insurance contracts distribution activity, an element that is identified with Net Turnover, recorded the highest growth rate since the listing of TBK shares, i.e. +31.37% compared to the previous year, on the account of the increase in the volume of intermediated premiums by 33.4%, from 596,454.2 thousand lei in the reference period (2021) to 795,698.3 thousand lei in the reporting period. The average commission, calculated as the ratio of the value of revenues from distribution activity to the value of intermediated premiums, was 16.3%, a level adjusted to the particular conditions in the insurance market.

Operating expenses increased in 2022 at a slower pace than income (+28.7%), a development that led to a gross operating result of RON 13,219.1 thousand, 62.1% higher than in the reference period and a gross margin of 10.2%, +22.7% higher than that calculated for the result for 2021.

Expenses with commissions granted to brokerage assistants, which concentrate 90.7% of total operating expenses, increased by 30.2%, compared to 2021, in line with the dynamics of revenues from distribution activity.

The share of human resource costs falls slightly below 4% of total operating expenses, with the absolute value of these costs increasing by 18.9% compared to 2021, in line with the development of the activity as a whole.

During the reporting period, the balance sheet position on *provisions for risks and expenses* had a particular dynamic given the cancellation of the provision for litigation set up in 2021 in connection with the claims requested by Asirom Vienna Insurance Group, and the setting up, on the principle of prudence, of the provision for litigation against the insurer Omniasig Vienna insurance Group in the amount of 390.8 thousand lei, as well as other provisions for risks in the amount of 125 thousand lei.

The digitization projects implemented and initiated in 2022 led to a **51% increase in software development expenses** compared to the same period of the previous year, exceeding 1,500 thousand lei, while the **promotion and marketing actions** mainly in the online environment attracted expenses amounting to 824.4 thousand lei, 44.3% higher than in the reference period. The dynamics of these subcategories of expenditure thus justify the increase of 706 thousand lei in "expenditure on services provided by third parties".

The positive evolution of the income and result indicators was also converted in favour of **the social-educational projects supported by the Issuer**, with the value of sponsorships increasing by 35% in 2022 compared to the reference year 2021.

Financial income and expenses, which, in the reporting period, consisted of 92.7% and 92.2% interest related revenues and costs, generated a financial loss in the amount of 6.3 thousand lei, almost 10 times lower than the negative financial result for 2021.

The **gross profit** amounting to 13,219.1 thousand lei, adjusted with 1,689.7 thousand lei tax on profit, generated, as of 31.12.2022, a **positive net result of 11,529.3 thousand lei, by 67.5% higher than that level reported at 31.12.2021** - the highest growth percentage reported by Transilvania Broker for a financial year.

6. Litigations

The management of the Company assess the progress of all open litigations on a regular basis and duly decides on the necessity to make provisions correspondingly or consider them as contingency liabilities which are presented in the explanatory notes to the financial statements.

During the reporting period, the **provision** in the amount of 1,236.4 thousand lei set up for the litigation with Asiom Vienna Insurance Group was written off, following the completion of the lawsuit and the recognition of related losses. In the same period, the Company's management decided to set up a new provision for a litigation with the insurer Omniasig Vienna Insurance Group in the amount of 390.8 thousand lei, as well as the provision related to the share buyback operation within the implementation of the Stock-Option-Plan program in amount of 125,000 lei.

7. Signatures

Chairman of Board of Administrators

Dan Niculae