



## ***REPORT***

### ***Board of Directors***

**for the financial year ending 31.12.2023**

*in accordance with the provisions of ASF Regulation no. 5/2018  
as amended and supplemented  
on issuers of financial instruments and market operations*

## 1. Analysis of the Company's activity

### 1.1. Description of the Company's core business

**TRANSILVANIA BROKER DE ASIGURARE S.A.** is an insurance distribution company established and registered in 2006. The company operates in accordance with the provisions of the Companies Act no. 31/1990 and the Insurance Distribution Act no. 236/2018. The company is subject to the regulations issued by Financial Supervisory Authority on insurance distribution. The company has been listed on the Bucharest Stock Exchange since November 2, 2017.

#### 1.1.1. Description of any significant mergers or reorganisations of the Company, its subsidiaries or controlled companies during the financial year

No mergers, divisions, acquisitions or other changes in the Company's assets and liabilities occurred during the reporting period.

#### 1.1.2. Description of acquisitions and/or disposals of assets

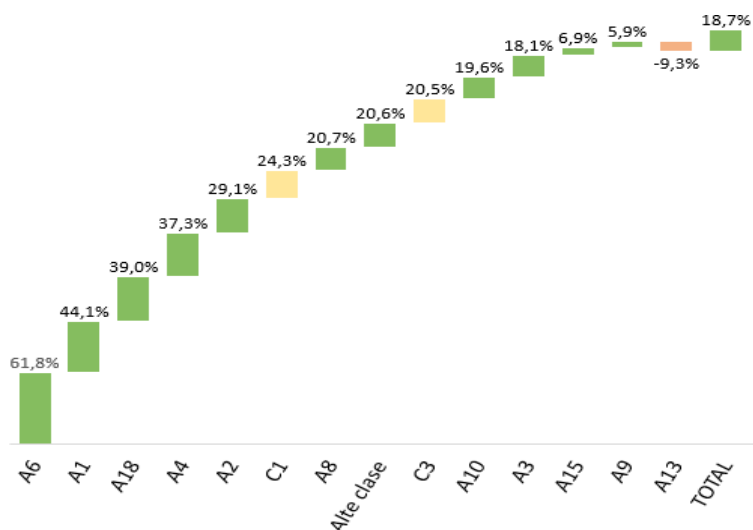
During 2023, the value of **non-current assets** decreases by 6.9% during the reporting period mainly due to depreciation on tangible fixed assets. The value of purchases of tangible assets in the form of equipment required in the activity during the reporting period was 31.8 thousand lei, while the value of assets intangible assets capitalized in the same period was 42.4 thousand lei. As at 31.12.2023, the depreciation rate of the Company's fixed assets was 39%. In 2023 there were no disposals or write-offs of tangible fixed assets. As at 31 December 2023, the Company has no impairment adjustments for tangible fixed assets.

#### 1.1.3. Description of the main results of the Company's activity

Transilvania Broker de Asigurare S.A. ended 2023 (reporting period) with an increase in the volume of premiums written of 18.8% compared to the reference period, 2022. The sequence of increases peaks in the fourth quarter which is 30% above the same period in 2022.

In this context, the increases in intermediated premium volume in 2023 compared to 2022 reflect the strengthening of the position of

Transilvania Broker in the general insurance distribution market and is an even more relevant indicator of the company's performance. Moreover, the decreasing dynamics of distribution revenues (-14.5%) and profits (-34.4%) over the same period do not indicate a deceleration of the business, but rather the maintenance of Transilvania Broker on a very good upward slope in the current market conditions. Thus, in a strongly affected market, Transilvania Broker ends 2023 with revenues from distribution activities of over RON 111 million and a positive result of RON 7.6 million, at a net margin of 6.8%.



From the point of view of the premium portfolio structure, during 2023 **the most significant insurance classes, according to their contribution in absolute value to the volume of premiums intermediated by Transilvania Broker's assistants, recorded significant increases compared to the reference period.**

While the MTPL class continued to make the most important contribution in absolute terms (+ RON 119.3 million) to the increase of RON 149.2 million in the volume of premiums distributed in the reporting period compared to the reference period, the most important percentage increases among the significant classes of insurance were recorded for class A6 (Marine vessels),

At the same time, premium volume for life insurance, annuities and supplementary life insurance (C1) increased by 24% and for life insurance and annuities linked to investment funds by 20%. Moreover, ten of the facultative classes of insurance recorded significantly higher percentage increases than compulsory insurance, which validates management's strategic direction of reducing the concentration of the distributed premium portfolio in relation to MTPL and developing and diversifying into facultative classes of insurance.

## 1.2. Economic and financial analysis

### 1.2.1. Elements of general economic and financial analysis

The individual annual financial statements have been prepared by Transilvania Broker in accordance with the Accounting Law no. 82/1991, republished, as subsequently amended and supplemented, and with the provisions of A.S.F. Rule no. 36/2015 for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements applicable to insurance and/or reinsurance brokers, as subsequently amended ("Rule 36/2015").

The Company's management explicitly and unreservedly declares the compliance of the individual annual financial statements with all applicable provisions under Rule 36/2015. The tax treatments have been applied in accordance with the provisions of Law no. 227/2015 on the Tax Code.

In accounting for the financial effects of the transactions in which the Company was involved, the accounting principles and rules on the *recognition and measurement of assets and liabilities were followed*; the methods and rules for accounting and presenting assets, liabilities and equity, and the results obtained, were applied consistently in order to ensure *the comparability of accounting information over time*; there were no cases of *offsetting* of items representing assets with those representing liabilities, i.e. between recognised income and expenses incurred; no causes were identified that could jeopardise the normal course of business over a foreseeable period of time, thus *confirming the going concern assumption*.

The economic and financial operations and transactions carried out by Transilvania Broker were recorded on the basis of supporting documents and are recorded in the accounting records, according to the legal provisions in force.

## 1.2.2. Analysis of the main economic and financial indicators

**1.2.2.1. Net profit: 7.566.324 lei**

**1.2.2.2. Net turnover: 111.013.199 lei**

### 1.2.2.3. Liquidity and solvency indicators

Liquidity indicators and solvency	Calculation formula	31.12.2022	31.12.2023	Intervale of reference
General / current liquidity	Current assets / Liabilities current	<b>1,813</b>	<b>1,554</b>	>2
Quick liquidity (cash ratio)	Cash / Debts current	<b>0,58</b>	<b>0,41</b>	>0.8
Overall solvency	Total assets / Total debts	<b>1,832</b>	<b>1,707</b>	>1
Equity solvency	Equity / Permanent capital*100	<b>85,6%</b>	<b>91,6%</b>	>30%

The table of liquidity indicators shows the positioning of their values in the comfort range, with the clarification that these indicators show the point-in-time picture of short-term liabilities and current assets derived from distribution activity. As they capture a punctual moment in the dynamics of cash flows related to the last settlement cycles between Transilvania Broker and insurers, on the one hand, and assistants on the other hand, their relevance remains limited for the specific activity of Transilvania Broker de Asigurare S.A., as the value of these indicators may vary significantly from one settlement cycle to another.

During the reporting period, the decrease in the value of total assets (-2,240 thousand lei) was considerably higher than the decrease in the total debts of the Company (-19.5 thousand lei), leading to a slightly negative evolution of the general solvency indicator. However, it remains significantly and comfortably above the minimum reference threshold.

Also, the ratio of equity to total permanent capital increases from 85.6% to 91.6%, again confirming the Issuer's high capacity to self-finance and meet its payment obligations.

### 1.2.2.4. Indicators of indebtedness

Risk indicators	Calculation formula	31.12.2022	31.12.2023	Intervale reference
The degree of debt	Borrowed capital / Permanent capital*100	<b>14,4%</b>	<b>8,44%</b>	<50%
Debt ratio	Total liabilities / Assets total*100	<b>54,6%</b>	<b>58,6%</b>	<80%

The indicators calculated for the company's **leverage level** also show values significantly below the maximum comfort threshold, indicating that the company is positioned in a low risk area. Leverage ratio indicator - which eliminates the distortion generated by short-term debt associated with the distribution business - is at a very low level and decreasing amidst the reduction in long-term debt, reflecting, in addition to the very low risk of the business, extremely easy access to external financing, should this be required for development.

#### 1.2.2.5. Profitability and margin indicators

Profitability indicators	Calculation formula	2022	2023
		31 December	31 December
Operating result margin	Operational result / Turnover *100	10,2%	7,62%
Net profit margin	Net Profit / Turnover *100	8.9%	6.81%
Margin of financial return	Net Profit / Equity *100	82,1%	64,4%
Return on permanent capital	Net Profit / Permanent Capital *100	70,3%	59%

Against the backdrop of the negative development of the result indicators under the market conditions described in this report, the profitability indicators also recorded unfavourable dynamics.

#### 1.2.2.6. Return on invested capital

It is an indicator used to analyse the efficiency with which the management of a company uses the available capital, i.e. the capital provided by the investing shareholders. It is calculated as the ratio of the potential profit if the company had no borrowed capital to the capital used in the business, and its relevance is mainly in comparison with the Weighted Average Cost of Capital: if it is higher than this, the company is creating value and investing the capital at its disposal efficiently.

In the case of Transilvania Broker de Asigurare S.A. , the value of the *Return on Invested Capital* is 168%, while the Weighted Average Cost of Capital was calculated at 17%. This picture reaffirms Transilvania Broker's management's ability to leverage capital and reflects the efficiency of its shareholders' investment.

#### 1.2.2.6. Cash - flow: changes in the level of cash in the core business, investments and financial activity, the level of cash at the beginning and end of the period

Name of indicators	Achievements for the reporting period	
	31.12.2022	31.12.2023
NET CASH GENERATED FROM OPERATING ACTIVITIES	4.847.262	-3.038.836
NET CASH GENERATED FROM INVESTMENT ACTIVITY	-5.947.745	1.539.665
NET CASH GENERATED FROM FINANCING ACTIVITIES	-658.283	-537.438
CASH AND CASH EQUIVALENTS AT 1 JANUARY	10.578.292	8.819.527
NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	-1.758.766	-2.036.609
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>8.819.527</b>	<b>6.782.917</b>

Free cash flow indicates the possibility of covering economic growth and the possibility of remuneration for own and borrowed capital.

The Company's *cash and cash equivalents* decreased by 16.63% as at 31.12.2023 compared to the previous period. Dividend payments to shareholders are reflected in the decrease in the cash balance at year-end.

From the *operating activity* the Company recorded a negative cash flow of **3,038,836** lei, generated by the payment of dividends to shareholders, in the amount of 9,190,372 lei. The cash outflow for the payment of dividends was generated by the operating activity.

Cash flow from *investing activities* shows a positive result in the period under review, amounting to **1,539,665** lei, this being the result of the decrease in the bank deposit, recorded as a short-term investment, by 1,120,000 lei, associated with payments made for the purchase of tangible assets, amounting to 70,026 lei. During the period under review, the Company received bank interest in the amount of MDL 484,855.

The Company's *financial activity* resulted in a negative cash flow of MDL **537,438**, generated by payments made for the repayment of borrowed funds, totalling MDL 433,419, as well as payments related to financial leasing contracts, amounting to MDL 104,020.

### 1.3. Assessment of the technical level of the Company

#### 1.3.1. Description of the main products and/or services provided and methods of distribution

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

The main insurance products intermediated by the Company concern:

- Life insurance;
- Health insurance;
- Accident insurance;
- Land transport insurance;
- Rail transport insurance;
- Air transport insurance;
- Insurance of means of sea, lake and river transport;
- Insurance of goods in transit;
- Home insurance;
- Insurance of buildings and property belonging to legal persons;
- Motor third party liability insurance.

The professional services provided by the Company to clients or potential insurance clients are aimed at:

- Conducting distribution business in a manner that ensures fair treatment of customers, complies with the legal requirements for insurance and reinsurance distribution and avoids unfair, unfair, fraudulent or abusive practices;
- Identification of insurable risks, their analysis, evaluation and management;
- Presentation of recommendations to minimise or transfer insurable risks;
- With regard to the product and service proposition, the distributor's sales staff presents customers complete, timely, accurate, objective and factual information on the proposed insurance product to enable customers to make an informed decision;

- Advising clients and potential clients on the basis of an assessment of their requirements and needs so that the proposed contracts are in line with them;
- Analysis of any outstanding insurance policies;
- Design an appropriate insurance programme;
- Negotiating insurance terms and conditions, analysing market opportunities in terms of value for money and choosing the optimal insurance solution in line with the client's interests;
- Managing insurance contracts throughout their duration and adapting them to the dynamics of the clients' business;
- Assistance in settling claims and obtaining insurance compensation;
- Providing information on the Romanian insurance market.

Awareness of the rights and information that an insured or potentially insured person must have, through the minimum information presented to customers before concluding insurance contracts:

- Definition of each insured event, the insurance indemnity in case of occurrence of the insured event, each benefit and optional/supplementary clauses;
- Insurance exclusions;
- Time of commencement and termination of the insurance contract;
- the arrangements for the execution, suspension or termination of the insurance contract;
- Information on any rights the parties may have to terminate the contract early or unilaterally, including any penalties imposed by the contract in such cases;
- How premiums are paid and when premiums are paid;
- The arrangements and time limits for payment of insurance benefits, surrender sums and sums insured;
- Information on the premiums for each benefit, both main and supplementary, as appropriate;
- Information about the grace period;
- How bonuses are calculated and distributed;
- Indication of the total surrender value, the reduced sums insured and the level up to which they are guaranteed for each year of insurance within the insurance period covered by the insurance contract;
- Information on when the surrender value of the policy is 0;
- The procedures for settling any disputes arising out of the performance of the contract, i.e. information on the arrangements for the amicable settlement of complaints by contractors or by the beneficiaries of insurance contracts, where appropriate, and this does not constitute a restriction on the customer's right to take legal proceedings;
- General information on deductions under the tax legislation applicable to insurance contracts;
- Law applicable to the insurance contract;
- Existence of the Guarantee Fund for insured persons.

### **1.3.2. Evaluation of sales activity**

#### **1.3.2.1. Description of the development of sales sequentially on the domestic and/or foreign market and the medium and long-term sales prospects**

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

Indicators name	On 31.12.2022	On 31.12.2023	Evolution (lei)	Evolution (%)
Turnover	129.892.569	111.013.199	(18.879.370)	-14.53

### 1.3.2.2. Description of the competitive situation in the Company's field of activity, the market share of the Company's products or services and the main competitors

The company has a market share of over 5%, making it the fourth largest insurance intermediary in Romania. The company also has a network of over 1000 collaborators, with a presence in 39 counties and a portfolio of over 1 million clients.

The Company's main competitors are:

- SAFETY INSURANCE BROKER S.R.L.
- MARSH - INSURANCE-REINSURANCE BROKER S.R.L.

### 1.3.2.3. Description of any significant dependence of the Company on a single customer or on a group of customers whose loss would have a negative impact on the Company's revenues

As the Company has a diversified portfolio of clients, there is no dependence on a single client, which provides greater security in business continuity and reduces commercial risks.

## 1.4. Assessment of employee/staff issues

### 1.4.1. Specification of the number and level of training of the Company's employees

Relevant information on the evolution of the Company's workforce in the period 2022 - 2023 is given below:

Number of employees (at year-end)	2022	2023
Economists	22	24
Computer scientists	1	1
Lawyers	5	5
Other professions - long higher education	11	10
Other professions - short higher education	2	2
Secondary education (Technical profile)	1	1
<b>TOTAL</b>	<b>42</b>	<b>43</b>

Throughout 2023, the Company organised information and training events for employees and collaborators on market trends, legislative and organisational news.

### 1.4.2. Description of the relationship between manager and employees and any elements of conflict that characterise this relationship

No elements of conflict in the relations between managers and employees have been identified in the Company.



## 1.5. Elements of perspective

### 1.5.1. Expected domestic trends

The challenges generated by the contextual dynamics in the insurance distribution market did not affect in any way the **investment plan focused on the digitization** of the Transilvania Broker platform and the optimization of the *back office* activity. The budget allocated to this direction exceeded RON 2 million, 32% more than the previous year.

As a result, at the end of 2023, the Transilvania Broker platform will allow easy and fast online issuing of MTPL and travel insurance, together with insurance-related services (roadside assistance and home technical assistance).

### 1.5.2. External trends and factors

#### Key trends in the global insurance intermediary market

**The digitization of the sector, the integration of artificial intelligence** into operational processes and strategic sales tools have required the adoption of paradigms geared towards capitalizing on the opportunities of technological progress to at the level of business models, growth models and product portfolio, not just operational processes. Thus, for intermediaries, digitalization, 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 resources in high volumes. In turn, the market easily absorbs products such as insurance for rented premises or property, pets or for cyber-attacks - products tailored to today's dynamic consumer and behavioural 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 the 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 model of the intermediary independent** of a specific insurer is increasingly emerging in the brokerage market, given the new business and partnership opportunities. The consumer profile encourages this trend, as it seeks advice, guidance and alternatives - elements proper to the independent broker, and therefore to Transilvania Broker.

## 1.6. Assessment of aspects related to the impact of the issuer's core business on the environment

The company is not aware of any potential negative environmental impacts as a result of its operations, which should be quantified. The outcome of such potential impacts is uncertain and the Company's management does not consider it necessary to provide for such environmental liabilities.

As at 31 December 2023, the Company meets the operating conditions laid down in current environmental protection legislation and has an environmental permit.

## 1.7. Evaluation of research and development activity

### 1.7.1. Expenditure for the financial year and expenditure expected for the following financial year on research and development:

During the reporting period, according to the data taken from the Company's balance sheet, there were no intangible fixed assets representing expenses associated with the R&D activity.

## 1.8. Evaluation of the Company's risk management activity

### 1.8.1. Description of the issuer's internal control system

The Company's internal control system consists of *policies and procedures* designed to provide management with reasonable assurance that the entity is achieving its objectives, and includes:

*Code of Ethical Conduct*, which reflects the Company's business environment, as well as ensuring compliance with laws and specific regulations and *mechanisms by which staff can alert executive management or the Board of Directors* to breaches of the conduct framework or other malfunctions, without having any reservations about possible consequences;

*Operational working policies and procedures* that ensure the functionality of the compartments, formalised in an Operational Procedures Manual;

*Risk management system*, including the necessary and sufficient resources to identify, assess, verify and monitor risks on an ongoing basis;

*Internal control procedures*, formalized in an Internal Control Policies and Procedures Manual, that ensure the implementation of an internal control system that controls significant risks and provides assurance reasonable management on the following fronts: compliance with the regulatory and statutory framework; ensuring that all transactions are properly recorded and that financial statements are accurately prepared; safeguarding assets and information; preventing and detecting fraud and misstatements; quality of accounting records; and timely production of reliable financial and management information.

### 1.8.2. Description of the Company's exposure to market, credit, and liquidity risk

Financial risk management activity is an integral part of the financial planning and control process, subject to strategic and tactical decisions to continuously adapt to changing internal and external conditions. Financial decisions are made in relation to the expected cash-flows from future contracts, which are inherently uncertain. Risk is therefore an inherent component of financial decisions.

**Financial risk includes market risk, liquidity risk and credit risk.**

#### a) Market risk (currency risk, interest rate risk, price risk)

Unforeseen changes in *interest rates, exchange rates* or *prices* affect a firm's financial results:

##### ➤ *Currency risk*

The company is not exposed to this risk as the company's activities are almost entirely conducted on the domestic market. Economic relationships entered into which are liable to losses due to changes in the exchange rate between the conclusion of the contract and its maturity represent an insignificant proportion. At the balance sheet date

the Company records insignificant balances relating to foreign currency denominated liabilities (debt relating to the ongoing finance lease).

➤ **Interest rate risk**

The Company has exposure to the risk of interest rate fluctuations with the taking out of investment loans with a variable interest rate at the end of 2018 and in 2020, respectively. The Company's exposure to the risk of interest rate changes is partially offset by cash placed in over-night deposits for which the interest rate is also variable.

The level of the gross profit interest cover ratio, calculated for the year 2023, shows that the Company's interest risk position is risk-free.

➤ **Price risk**

The sources of price risk are resource prices, exchange rates and interest rates. It can arise particularly when long-term contracts are concluded. With regard to price risk, contracts are concluded for a relatively short term, so the Company is not exposed to this risk.

**b) Liquidity risk**

Current liquidity represents the Company's ability to cover its current liabilities from current assets. The recommended minimum level for this indicator is 2.

Management reviews the exposure to liquidity risk and the Company's policy is to maintain sufficient liquidity to pay obligations as they fall due and to ensure a balance between the period for recovery of receivables and the period for payment of payables.

The table of liquidity indicators, with values in the comfort range, reflects the particularities of the insurance distribution business, in which the terms of settlement of claims and debts in relation to insurers and brokerage assistants respectively are legally and procedurally regulated.

**c) Credit risk**

The company collects payment for services rendered within a relatively short period of time from the time the services are rendered and only conducts business with recognised third parties. In accordance with the contracts entered into, receivables are monitored on an ongoing basis, prudent ceilings are set, resulting in an insignificant exposure of the Company to the risk of bad debts. The guarantees provided give maximum security and the credit risk is minimal. Management performs borrower analysis in the process of setting credit limits, monitors the borrower's behaviour throughout the term of the contract, and ensures that claims are collected at maturity, if not, depending on the reason non-recovery, act to secure a quick recovery.

## **2. Tangible assets of the Company**

### **2.1. Description and analysis of the degree of wear and tear of the Company's tangible fixed assets**

The degree of wear and tear of the property, plant and equipment held by the Company does not pose significant problems for the conduct of business.

### **2.2. Clarification of potential issues relating to ownership of the Company's tangible assets.**

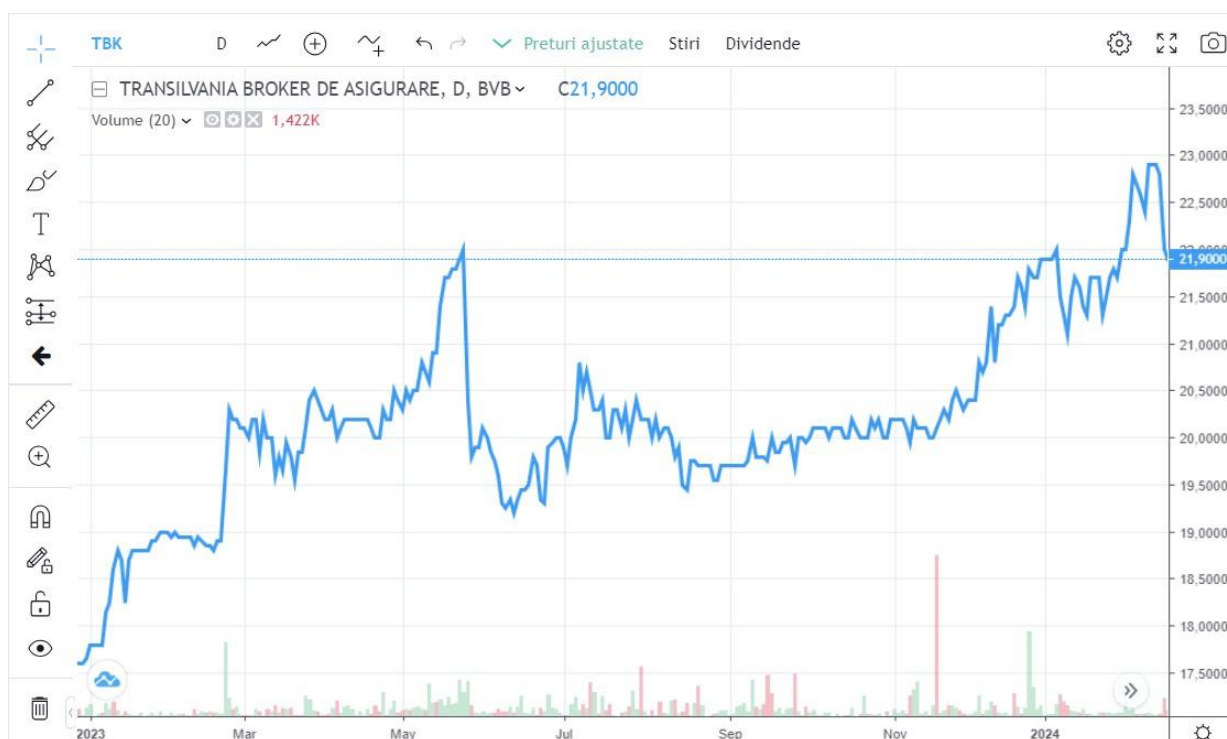
There are no issues relating to the ownership of property, plant and equipment held by the Company.

### 3. Market of securities issued by the Company

#### 3.1. Specification of the markets in Romania and in other countries where the securities issued by the Company are traded

The shares of Transilvania Broker de Asigurare S.A. are available for trading on the regulated market of the Bucharest Stock Exchange S.A., Main Segment, "Standard" Category as of 2 November 2017, under the symbol TBK.

The quality of the company's management communication with investors and the capital market as a whole, together with the informed and predominantly strategic investor profile of Transilvania Broker's shareholder, have translated the performance and prospects of the business into the course of the stock exchange listing.



The share yield, calculated by comparing the share price at the end of 2023 to the beginning of the reporting period, was 24.08%. Incorporating the dividend into the calculation, the share performance in 2023 reaches 35.4%.

Although lower than the performance indicators calculated for the BET (31.8%) and BET-TR<sup>1</sup> (40.5%), TBK's share return stands out among the highest among the shares traded on the BVB, despite a sector profile tangential to the favourite sectors during the reporting period and a wait-and-see market context.

<sup>1</sup> Total return index that supplements the performance of the share price of the companies in the BET index with the dividends that these companies distribute. The increase of this index in 2023 was 40.5%.

Considering the positive evolution of Transilvania Broker's activity, the solidity of the premises necessary for the implementation of the growth strategy, the stability and economic-financial balance reflected in a favourable evolution of the stock exchange quotation despite a difficult year, we reaffirm, with confidence, that Transilvania Broker de Asigurare S.A. **will remain, on the stock exchange but also in the sector, a strong and reliable company, with a stable dividend policy favourable to its shareholders.**

### 3.2. Description of the issuer's dividend policy

The main **corporate event** in 2023 was the Ordinary General Meeting of Shareholders Transilvania Broker de Asigurare S.A. which voted, on 26.04.2023, to distribute a gross dividend/share of 2 lei, up 33% compared to the dividend approved in 2022. With a dividend payout ratio of 80% of profit, **Transilvania Broker continues to stand out among the most generous companies in terms of dividend policy.** For the coming year, as stated in the financial report for the reporting period ended 30.09.2023, the management intends to propose to the Ordinary General Meeting of Shareholders to approve the financial statements for 2023, the distribution of dividends at a level comparable to previous periods.

The dividends distributed by resolution of the AGM from the results of the last financial years are as follows:

*Amount of dividends paid in the last three years*

Related exercise:	2021	2022	Proposal 2023
<b>Amount of dividends (lei)</b>	7,500,000	10,000,000	5,000,000

The Company is committed to unconditional compliance with the Corporate Governance principles applicable to issuers whose securities are traded on the regulated market. The Company has adopted a dividend policy, as a set of guidelines for the distribution of net profit, which the Company declares that it will comply with, stating the following relevant principles with reference to the dividend policy:

- (1) The Company recognises the rights of shareholders to be remunerated in the form of dividends, as a form of participation in the net profits accumulated from operations as well as an expression of remuneration of the capital invested in the Company;
- (2) in substantiating the proposal for the distribution of the net profit realised during a financial year, the Board of Directors of the Company shall consider a balanced distribution of the net profit, between the part due to the shareholders in the form of dividends and the part retained at the disposal of the Company for investment, in accordance with the principles of prudent management and in order to ensure a sustainable development of the Company in the medium and long term;
- (3) Dividends due to the Company's shareholders shall be distributed exclusively from the net profit for a financial year, recognized on the basis of the applicable accounting regulations and audited in accordance with the law, in compliance with other relevant legal provisions;
- (4) The distribution of dividends due to shareholders may be made by payment in cash or by granting shares free of charge, following the capitalisation of net profits accumulated by the Company. In either case, the proposal for the distribution of dividends will be made by the Board of Directors of the Company by issuing financial releases to this effect to investors. The decision to approve the distribution of dividends belongs to the AGM, adopted in accordance with the law.

The dividend policy is published on the Company's official website.

### **3.3. Description of any activities of the Company to acquire its own shares**

In 2022, the Company has initiated the implementation of a share buy-back program for the implementation of the Stock-Option-Plan incentive and retention program for key persons within the Company.

The budget allocated to the Stock Option Plan was fully executed in the buyback programme run from December 27, 2022 to February 28, 2023. The number of shares repurchased under the buyback programme was 6,582 shares at a total cost of 123,687.53 lei.

At the date of the report, there is no activity underway to acquire its own shares.

### **3.4. If the company has subsidiaries, indication of the number and nominal value of shares issued by the parent company and held by the subsidiaries**

The company is not part of a group and does not hold shares in other entities. As at December 31, 2023, the Company has the following business units:

- Sibiu, 10, Justiției str., Sibiu county ;
- Bucharest Sector 1, Elena Caragiani Street, no.21D, ap.1;
- Mun . Pitesti, Intrarea Rozelor, nr.3, Argeș county .

### **3.5. If the Company has issued bonds and/or other debt securities, a description of how the Company discharges its obligations to holders of such securities**

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

## **4. Corporate governance structures**

### **4.1. Members of the Board of Directors of Transilvania Broker de Asigurare S.A.**

#### **Members of the Board of Directors of Transilvania Broker de Asigurare S.A. for the period 18 January - 31.12.2023:**

- Niculae Dan - *president, executive member*;
- Țuică Gabriel-Alexandru - *non-executive member*;
- Deneș Daniela-Tasia - *independent non-executive member*;
- Login Gabriel - *executive member*;
- Bobu Carmen Loredana - *non-executive member*.

With effect 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. At the AGM of 18.01.2023, the new director, Mrs. Bobu Carmen Loredana, was appointed, and the exercise of her duties will take place after obtaining the approval decision issued by the A.S.F.

### **4.2. Presentation of the list of members of the executive management of the Society**

The executive management of the Company's activities is ensured by:

- The Director-General (in the person of Mr Login Gabriel and
- Executive Director (in the person of Mr. Cotiac Ion).

By Decision of the Board of Directors of 30/21.12.2023, the directors of the Company took note of the resignation of Mr. Login Gabriel from the position of Executive Director as of 01.02.2024, and decided to remove Mr. Login Gabriel from the position of Executive Director as of 01.02.2024.

Members of the executive management have powers and responsibilities according to the job description. All members of the Company's executive management are employed on permanent contracts. The persons forming part of the company's executive management or Board of Directors have not been involved in any litigation or administrative proceedings in connection with their work at the issuer.

## 5. Description of the economic and financial situation of the Company

The analysis of the company's economic and financial situation, compared with the previous reporting period and with the situation at the beginning of the year, covers the following aspects:

### 5.1. ANALYSIS OF THE FINANCIAL POSITION

ACTIVE				
Indicators of financial position (values are expressed in lei)	2022 31 December	2023 31 December	Change (%) 2023/2022	Share in Total Assets at 31.12.2023
<b>Fixed assets</b>	<b>4.607.511</b>	<b>4.290.301</b>	<b>-6,88%</b>	<b>14,4%</b>
Intangible assets	15.595	8.803	-43,55%	0,03%
Tangible fixed assets	4.571.645	4.269.762	-6,60%	14,3%
Financial fixed assets	20.271	11.736	-42,10%	0,04%
<b>Current assets</b>	<b>27.418.774</b>	<b>25.479.649</b>	<b>-7,07%</b>	<b>85,41%</b>
Stocks	0	181	-	0%
Receivables, of which:	12.599.247	13.816.551	+9,66%	46,3%
<i>receivables from distribution assets</i>	2.139.774	2.708.678	+26,59%	9,1%
<i>other receivables</i>	10.459.473	11.107.873	+6,20%	37,2%
Short-term investments	6.000.000	4.880.000	-18,67%	16,4%
Cash holdings	8.819.527	6.782.917	-23,09%	22,8%
<b>Prepaid expenses</b>	<b>40.339</b>	<b>56.622</b>	<b>+40,37%</b>	<b>0,19%</b>
<b>TOTAL ACTIVE</b>	<b>32.066.624</b>	<b>29.826.572</b>	<b>-6,99%</b>	<b>100%</b>

During the reporting period, both current assets, the main asset category, and non-current assets decreased in value by a similar percentage, resulting in a decrease of almost 7% in the value of total assets.

At the level of **current assets**, the marginal increase in the value of receivables (+9.6%, i.e. + 1,217.3 thousand lei) was offset by the decrease in cash (-2,036.6 thousand lei) and short-term investments in the form of bank deposits (- 1,120 thousand lei), generating a decrease of 7.07% in the value of this category of balance sheet assets.

**Receivables**, accounting for 54.2% of total current assets, consist of 92% of receivables derived directly or indirectly from the distribution activity, whose collection term is regulated and monitored by internal procedures and legal provisions. Their dynamics also reflect, for the most part, the variation in the intensity of the activity in the last settlement cycles of the reporting period, which is also reflected in the dynamics of the balance

bank collection accounts and short-term debts derived from distribution activity. The amount of adjustments for impairment of receivables as at 31.12.2023 is MDL 139 thousand.

The **cash and cash equivalents** class, with an ending balance of 6,782.9 thousand lei and contributing 26.7% of total current assets, shows a decrease of 2,036.6 thousand lei or 23.1% in the reporting period compared to the beginning of the year. The own cash assets, amounting to 2,389.8 thousand lei and accounting for 35.2% of the total cash assets, show a marginal negative difference compared to the beginning of the reporting period. The maintenance of the value of cash and cash equivalents at a level similar to the beginning of the year, under the conditions of the payment of dividends in the amount of MDL 10 million approved in the AGOA of 26 April 2023, is the result of the decrease in the value of the bank deposit by MDL 1,120 thousand (-18.7%) compared to 01.01.2023 associated with the incorporation of cash and cash equivalents related to the result of the activity during the reporting period. As at 31.12.2023, the value of the bank deposit recorded as short-term investment was MDL 4,880 thousand.

The amounts available in the collecting accounts mediating settlement with insurers decreased by 30.7% compared to the beginning of the year, from 6,340.1 thousand lei to 4,393.2 thousand lei. This evolution is also directly correlated with the variation in the intensity of activity during the last settlement cycles of the different reporting periods.

The value of **non-current assets** decreased by 6.9% during the reporting period mainly due to depreciation of tangible fixed assets. The value of purchases of tangible assets in the form of equipment required in the activity in the reporting period was 31.8 thousand lei, while the value of intangible assets capitalized in the same period was 42.4 thousand lei. The share of non-current assets in total assets remains relatively the same (14.4%) as current assets vary in the same direction as non-current assets and relatively at the same pace. As at 31.12.2023, the depreciation rate of the Company's fixed assets was 39%.

## EQUITY and DEBTS

Indicators of financial position (values are expressed in lei)	2022 31 December	2023 31 December	Change (%) 2023/2022	Share in Total Liabilities on 31.12.2023
<b>Current liabilities</b>	<b>15.144.141</b>	<b>16.400.351</b>	<b>+8,88%</b>	<b>54,9%</b>
Bank loans	433.419	433.419	0,00%	1,45%
Debts related to distribution activity	10.778.926	13.679.369	+26,91%	45,9%
Other short-term liabilities	3.931.796	2.287.563	-41,82%	7,57%
<b>Provisions</b>	<b>515.823</b>	<b>590.823</b>	<b>+14,54%</b>	<b>1,98%</b>
<b>Non-current liabilities</b>	<b>2.358.649</b>	<b>1.082.899</b>	<b>-54,09%</b>	<b>3,63%</b>
Long-term loans	1.271.820	838.402	-34,08%	2,81%
Other debts	1.086.829	244.497	-77,50%	0,82%
<b>Total debts</b>	<b>17.502.790</b>	<b>17.483.250</b>	<b>-0,11%</b>	<b>58,6%</b>
<b>Share capital</b>	<b>500.000</b>	<b>500.000</b>	-	-
Legal reserves	100.000	100.000	-	-
Own shares	(125.000)	0	-	-
<b>Retained earnings</b>	<b>2.043.674</b>	<b>3.586.175</b>	<b>+75,48%</b>	<b>12%</b>
<b>Outcome of the period</b>	<b>11.529.337</b>	<b>7.566.324</b>	<b>-34,37%</b>	<b>25,4%</b>
<b>Total equity</b>	<b>14.048.011</b>	<b>11.752.499</b>	<b>-16,34%</b>	<b>39,5%</b>



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**TOTAL EQUITY AND DEBT**

<b>32.066.624</b>	<b>29.826.572</b>	<b>-6,99%</b>	<b>100%</b>
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The specific nature of the insurance distribution business, in which settlements between the Company and insurers on the one hand, and between the Company and distribution assistants on the other, are accounted for in the form of short-term receivables and payables, gives **short-term payables** the largest share of total sources of funding of assets (55%, with almost 8 p.p. more than in 2022) and, of course, the largest share among external sources of financing, where it accounts for 93.8%, 7.3 p.p. more than in the reference period.

Amounts falling due within one year increased by 8.8% in the reporting period compared to the beginning of the year, due to the evolution of debts linked - directly or indirectly - to the distribution activity. As with the development of receivables arising from brokerage activity and the balance of collection accounts for sums transiting the Company's bank accounts for settlement with insurers, the trend in this category of liabilities reflects differences in the intensity of activity in the last settlement cycles of the reporting period.

Other current liabilities, apart from those deriving from the distribution activity, consist of 31.6% of debts to the state budget and to personnel, while 31% represents the overdue instalment of the total amount to be paid resulting from the dispute with the insurer Asirom Vienna Insurance Group.

**Debts due after more than one year** decreased by 54.1%, i.e. by 1,275.8 thousand lei as at 31.12.2023 compared to 01.01.2023, due to the reduction in the value of long-term bank loans and lease obligations on the back of repayments of instalments due, as well as due to the halving of the payment obligation to the insurer Asirom Vienna Insurance Group with which it was in dispute. Thus, at the end of the reporting period, bank loans contributed 77.4% to the amount of long-term liabilities, while the portions due in more than one year of the balance of the leasing contracts and the debt to Asirom accounted for 22.6% of total long-term liabilities.

At the end of the reporting period, the **total debts** of the Company amounted to 17,483.2 thousand lei and slightly decreased compared to the beginning of the year, due to the decrease in the value of long-term debts much more pronounced than the increase in short-term debts in relation to distribution assistants.

The value of provisions, representing 1.98% of the total value of the Company's liabilities, includes the provision for litigation set up during 2022 in the amount of 390.8 thousand lei and the provision representing the participation of the Company's employees in the profit for the year 2023 in the gross amount of 200,000 lei, in line with the policy to stimulate and retain human resources. At the same time, during the period, the previously established provision related to the Company's share-based payment obligation to the beneficiaries of the Stock Option Plan, which ended at the beginning of the current year, 2023, was cancelled.

Although the financing of the assets - largely made up of receivables and cash assets engaged in settlement relationships in the insurance ecosystem - is mainly made of short-term debts, the financing of Transilvania Broker's activity is generously provided by its own sources of financing, the value of equity exceeding RON 11.75 million. Following the granting of dividends during the year, by resolution of the AGM of 26 April 2023, in the amount of RON 2/share, i.e. RON 10 million, 33.3% more than the dividend distributed in 2022 (RON 1.5/share), the retained earnings at the end of the year are only RON 1,542.5 thousand higher than at the beginning of the year. Compared to 2022 - an exceptional year from the perspective of policy redemption following the bankruptcy of City Insurance - the profit for the reporting period of 7,567.8 thousand lei is 34.4% lower than the profit for the reference period.

These changes led to a 16.3% decrease in equity compared to the beginning of the year, which contributed 39.5% to the Company's financing structure.

## 5.2. EVOLUTION OF FINANCIAL PERFORMANCE

Financial performance indicators				
(values are expressed in lei)	2022 31 December	2023 31 December	Variation (%) 2023/2022	Share in revenue category / related expenditure (%), 2023
<b>Operating income</b> , of which:	<b>129.930.902</b>	<b>111.034.347</b>	-14,54%	<b>100%</b>
Income from distribution activity	129.892.569	111.013.199	-14,53%	100%
Other operating income	38.333	21.148	-44,8%	-
<b>Operating expenses</b> , of which:	<b>116.705.561</b>	<b>102.572.395</b>	<b>-12,1%</b>	<b>100%</b>
Expenditure on fees due to assistants	105.807.588	92.005.145	-13,0%	89,7%
Staff expenditure	4.550.308	5.175.982	+13,8%	5,05%
Expenditure on services provided by third parties	4.101.472	4.362.597	+6,4%	4,25%
Other operating expenditure	2.130.855	364.843	-82,9%	0,36%
Expenditure on consumables and materials of an inventory nature	193.327	136.205	-29,5%	0,13%
Expenditure on other taxes, duties and similar charges	192.576	117.626	-38,9%	0,11%
Depreciation expenses	354.905	222.872	-37,2%	0,22%
Value adjustments on current assets	95.098	-12.875	-	-
Adjustments to provisions	-720.568	200.000	-	-
<b>OPERATING RESULT</b>	<b>13.225.341</b>	<b>8.461.952</b>	<b>-36%</b>	<b>-</b>
<b>Financial income</b>	135.969	490.665	+260,9%	-
<b>Financial expenses</b>	142.244	171.410	+20,5%	-
<b>FINANCIAL RESULT</b>	<b>(6.275)</b>	319.255	<b>+518,8%</b>	<b>-</b>
<b>GROSS RESULT</b>	<b>13.219.066</b>	<b>8.781.207</b>	<b>-33,6%</b>	<b>-</b>
Corporate tax	1.689.729	1.214.883	<b>-28,1%</b>	-
<b>NET RESULT</b>	<b>11.529.337</b>	<b>7.566.324</b>	<b>-34,3%</b>	<b>-</b>

Buoyed by the financial performance of previous years and generous cash flow, management has allocated a generous budget for **investment in key assets** for the development strategy, namely human resources and digitization of operational and sales activities. These remain *the only categories of expenditure to which management has continued to allocate significant budgets*, irrespective of market conditions - transient in nature - and without any compromise to the established strategic objectives.

Structurally, staff costs, together with costs for services provided by third parties, are increasing their share of total operating expenditure. While expenditure on human resources now accounts for 5.05% of operating expenditure, up from 3.9% in the reference period, expenditure on services provided by third parties accounts for 4.25% of the operating

expenditure budget, almost 1 p.p. more than at 31.12.2022. This development was offset by

marginal decrease in the share of expenditure on amounts due to assistants, also by almost 1 point percentage over the same period.

During the reporting period, personnel expenses increased by 625.7 thousand lei (+13.8%) compared to the level reported in the reference period, and expenses for digitization and platform development services increased by 483.4 thousand lei (+31.7%) to more than 2 million lei, representing 46% of the total value of the *Expenses on services provided by third parties* category.

In order to safeguard efficiency and profitability while maintaining budgeted investments in critical elements of the development strategy, the other cost categories have been optimised to support high financial performance without affecting development.

In turn, during the reporting period compared to the reference period, the budget allocated to social responsibility initiatives was restored to historical levels prior to the exceptional year 2022, i.e. to approximately 300,000 lei, a minimum volume necessary to maintain the social-educational projects that Transilvania Broker has consistently supported for many years.

In this context, as at 31.12.2023, compared to 31.12.2022, operating expenses decreased to a lesser extent than operating income, generating a **positive operating result** of 8,462 thousand lei, but 36% lower than in the reference period and, respectively, an operating result margin of 7.6%.

**Financial income and expenses**, representing 98.8% and 92.1% of interest income and expenses respectively, generated a positive financial result at the end of 2023, amounting to RON 319.3 thousand. Compared to the slightly negative financial result for 2022, which in turn cancels the loss of 2021, the financial profit calculated for the reporting period validates the cash flow financial management solutions applied by the company's management.

**The gross result** as at 31.12.2023 is positive, amounting to 8,781.2 thousand lei, while the **net profit**, amounting to 7,566.3 thousand lei, is associated with a margin of 6.82%.

## 6. Litigation

The Company's management carries out periodic reviews of the status of all pending litigation and decides whether to establish provisions for risks and charges or to present them as contingent liabilities in explanatory notes to the financial statements.

In 2022, the Company established a provision for litigation in relation to claims requested by Omniasig Vienna Insurance Group S.A. in the form of damages and legal expenses incurred in a damage case. The provision was estimated at the amount of 390,823.35 lei, representing the amount of the claims requested by the claimant, which provision was maintained as at December 31, 2023. The company considers that this amount represents the best estimate of the amount needed to pay the damages claimed.

The company considers it necessary to disclose a contingent liability in the amount of 500,000 lei as a current obligation arising from past events prior to the balance sheet date, but which is not recognised as a liability in the balance sheet because it is not certain that outflows of resources will be required to settle this liability. This relates to the ongoing dispute with Omniasig Vienna Insurance Group S.A. On 1 March 2024, in the first instance, the Company took note of the Court's decision which awarded Omniasig and obliged the Company to pay the amount of 390,823.35 lei (provisioned amount) plus late payment penalties of 0.1%/day of delay and legal costs. For these penalties and legal expenses the amount of 500,000 lei is considered by the Company as the best estimate as of December 31, 2023.

## 7. Signature

### **Chairman of the Board of Directors**

Niculae Dan