

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **TRANSILVANIA BROKER DE ASIGURARE S.A.**

Report on auditing the annual individual financial statements

Opinion

- 1 We audited the enclosed individual financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. ("the Company"), with its registered headquarters in Bistrița, 13 Calea Moldovei St., Bistrița-Năsăud County, postal code 420096, Romania, identified by the unique fiscal registration code 190044296, namely: Financial Statement on December 31st, 2020, Profit and Loss Account, Statement of Changed in Equity and Cashflow statement pertaining to financial year ended December 31st, 2020 as well as a summary of the significant accounting policies and other notes to the financial statements.
- 2 The annual individual financial statements on December 31st, 2020 show:
 - Net assets/Total equity: 7,559,691 lei
 - Net profits of the financial year: 5,326,991 lei
- 3 We consider that the annual individual financial statements enclosed offer an "as it is" image of the financial position of the Company on December 31st, 2019, as well as of its financial performance and cashflows for the financial year ended, in compliance with the accounting regulations in force, namely the FSA Norm 36/2015 for the approval of accounting regulations regarding annual individual financial statements and annual consolidated financial statements applicable to insurance and/or re-insurance brokerage companies ("FSA Norm 36/2015").

Grounds for the opinion

We performed our audit proceedings in accordance with the International Standards on Auditing (ISA”), EU Regulation no. 537 of European Parliament and the Council (the “Regulation”) and Law 162/2017 (the “Law”). Our responsibilities on the basis of these standards are described in details under section “The auditor’s responsibilities in an audit on financial statements” of our report. We are independent with no connection to the Company, according to the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA Code”). We believe the audit proofs we have obtained are sufficient and adequate to supply us with a basis for our opinion.

Main audit aspects

4 The key audit aspects are those aspects which, on the basis of our professional reasoning, had the most important relevance for the audit on the financial statements of current period. These aspects were approached in the context of auditing the financial statement overall and we do not offer a separate opinion related to these aspects.

i) Revenue from insurance brokerage

Revenues from the distribution of insurance contracts represent the majority share (99.93%) in the total revenues generated by the Company during the reporting period. The selection, design and application of our audit procedures related to these revenues were the result of professional reasoning exercised in the context of a significant volume of transactions, relatively evenly distributed over the reporting period. Our attention was focused on the aspects regarding the completeness, the correct recognition and evaluation of these revenues. The audit procedures considered as appropriate responses in the circumstances of our audit included:

- examining the adequacy of the accounting policy used by the Company for the recognition and evaluation of revenues, in accordance with Norm 36/2015. A summary of the accounting policy is presented in paragraph 2.20 of Notes;
- detailed tests on the value of the commissions due to the Company from the distribution activity, by reconciliation with the percentages agreed with the insurers. In collecting our audit evidence we took into account the operational controls established by the Company to validate the amounts settled with the insurers;
- examining the proceeds from the insurance distribution activity, including after the balance sheet date in order to support the collection of receivables from insurers;

- obtaining written confirmations for the amounts due to the Company at the balance sheet date, representing commissions to be recovered from insurers.

ii) Expenditure with brokerage agents

The expenses regarding the amounts owed by the Company to the brokerage agents represent a significant component of the operational expenses registered during the reporting period (91.88%), with a major impact on the gross profit margin in the distribution activity. In testing these expenses, we had in mind prioritarily the compliance with the contractual clauses for the remuneration of brokerage agents, assumed by the Company's Management. Also, the existence and exhaustiveness, correct recognition and evaluation were criteria considered appropriate in addressing the expenses with brokerage assistants. Our responses included audit procedures such as:

- understanding the nature of the expenses with brokerage agents, by reference to the specifics of insurance distribution activities;
- reconciling the amounts due to the brokerage agents, in accordance with the contractual provisions in force;
- testing the effectiveness of internal control procedures regarding the authorization of payment amounts due to brokerage agents;
- examination of payments made to brokerage agents, including after the balance sheet date;
- obtaining written confirmations regarding the amounts recorded at the date of the balance sheet as a debt to brokerage agents, as well as for the annual rollings in relation to these entities.

iii) Litigations and disputes

In carrying out its activities, the Company is exposed to potential loss as a result of administrative procedures or Court resolutions. As well mentioned under article 19 "Miscellaneous" in the Notes on financial statements, the Company is part of a series of litigations with business partners or third parties.

Recognition of debts in the financial statements or their presentation as contingent debt in the explanatory noted to the financial statement inherently involve making professional reasoning and are based on a series of hypotheses, statement and assessments with significant impact.

The amounts referred to may be significant. Settlement of certain amounts in order to be recognised or presented as they are in the financial statements is a subjective process.

Our feedback pinpointed to good understanding of the risks of major distortion related to the assumptions the management of the Company make with regards to litigations and disputes. Our audit procedures aimed at, among others:

- receipt and assessment of the lawyers' opinion and the latter's approach together with the management and the internal legal advisor, with reference to the nature and progress of the litigation, as well as of potential exposures. We paid special attention to the litigation under progress with Asirom (action claim for the amount of 2,117,833 lei as compensation and interests), as it is mentioned under pages 34-35 in the notes to financial statements on December 31st, 2020;
- critical assessment of hypotheses and estimates of the Company related to litigations and disputes, debts or provisions that are recognised and the contingent debts presented in the financial statements;
- assessment of the degree in which the insight in the notes on the individual financial statements regarding litigations and disputes adequately present potential debt of the Company.

Other aspects

- 5 This report is exclusively addressed to the shareholders of the Company. Our audit was executed in order to be able to report to the shareholders of the Company on those aspects that must be reported on in a financial audit and not to any other respects. According to the law, we do not accept and do not take responsibility but to the Company and its shareholders for our audit, this report and our opinion.
- 6 The enclosed financial statement are not meant to present the financial position and operations' result in accordance with accounting regulations and principles accepted by countries or jurisdictions other than Romania. hence, the enclosed financial statements are not drawn out for the use of people that are not aware of the accounting and legal regulations in force in Romania, FSA Norm 36/2015 included.
- 7 This report was issued under the context of the Company's shares being admitted for transaction on the Bucharest Stock Exchange.

Other information – The Report of the Board of Directors

- 8 The administrators members of the Board of Directors are responsible with drawing up and presenting other information items. These comprise the report of the Board of Directors but do not include the financial statements and the auditor's report related to the financial statements. The administrators are responsible with preparing and presenting their report in accordance with provisions 427- 429 of FSA Norm 36/2015 and for the internal control proceedings that they deem necessary in order to get a report of the Board of Directors that would not have significant distortions as a result of fraud or error.

Our opinion on the financial statements does not include these pieces of information and, except for cases when it is otherwise expressly mentioned in our report, we do not issue any type of conclusion related to them.

With regards to the audit on financial statements as of December 31st, 2020, our responsibility is to read the information pieces rendered by the report of the Board of directors and appreciate if they are significantly inconsistent to the financial statements or to the knowledge we acquired during audit proceedings or if they seem to be in major distortion.

With regards to the report of the Board of Directors, we read it and we report if it is prepared in all its major sections in accordance to the FSA Norm 36/2015, articles 427- 429.

Exclusively on the basis of activities that must be undergone during auditing on financial statements, we conclude that:

- a) The information rendered in the Report for the financial year whose financial statements were prepared are in accordance, in all major aspects, to the financial statements;
- b) The Report of the Board of Directors was prepared, in all major aspects, in compliance with FSA Norm 36/2015, articles 427- 429.

Moreover, on the basis of our knowledge and understanding regarding the Company and its business field, acquired while executing the audit, we are bound to report if we identified any significant distortion in the Report of the Board of Directors also with regards to those pieces of information obtained before the date of this auditor's report. We have nothing to declare in this respect.

Responsibilities of the management and other people in charge with corporate governance with regard s to the financial statements

- 9 The management of the Company is responsible with drawing up the financial statements that would offer an "as it is" image of the Company, in compliance with FSA Norm 36/2015 and with having the internal control proceedings that they deem necessary to render financial statements with no major distortion, caused by either fraud or errors.
- 10 In preparing the financial statements the management is responsible with assessment of the Company capacity to continue its activity, with the presentation, if the case, of

the aspects pertaining to business continuity and with applying accounting practices according to this continuity principle, unless they either intend to wind up the Company or stop its operations or do not have any other realistic alternative.

- 11 The people in charge with corporate governance are responsible with supervision of the financial reporting performed by the Company.

Auditor's responsibilities in an audit on financial statements

- 12 Our objectives refer to obtaining a reasonable assurance related to the manner in which the financial statements, on the whole, are free of major distortions, caused by either fraud or error, as well as to issuing an auditor's report to contain our opinion. The reasonable assurance represents a high level of assurance but does not constitute a guarantee of the fact that an audit executed in accordance with ISA shall always detect a major distortion, if there is one. Distortions may be caused by either fraud or error and are considered significant if one can reasonably estimate that they would, by individual or consolidated manner, influence the economic decisions of the recipients.
- 13 As part of an audit in accordance with ISA, we follow a professional reasoning and maintain skepticism while performing the audit. We also:
 - Identify and assess the risks of distortion of financial statements caused by either fraud or error, project audit procedures as a counteract to these risks and obtain enough and adequate audit grounds/ proofs in order to issue a sound base for our opinion. The risk of not detecting a major distortion caused by fraud is higher than of not detecting a distortion caused by error, as fraud may imply secret agreements, fake, intended omissions, false statements and avoidance of internal control proceedings.
 - Understand the relevance of internal control proceedings for the audit in order to organise audit procedures that are adequate to the circumstances, but without setting as target to issue an opinion on the efficiency of the internal control proceedings for the Company.
 - Assess the adequacy level of accounting practices used and the reasonable character of the accounting estimates and of corresponding presentations of information made by the management.
 - Conclude on the adequacy level of utilisation by the management of the Company of accounting continuity principle and determine, on the basis of audit proofs obtained, if there is any major doubt with regards to the Company's capacity to continue its activity. If we identify a major doubt we have to point at it in the auditor's report related to the presentations contained in the financial statements or, if the very presentations are not adequate, we must change our

opinion. Our conclusions are grounded on the audit proofs acquired before the auditor's report. However, subsequent events or conditions may determine the Company not to continue its activity on the basis of continuity principle.

- Assess the presentation, structure and contents of financial statements, including information items disclosed and the way in which the financial statements reflect transactions and events contained in an "as it is" manner.
- 14 We inform the personnel in charge with corporate governance on the scope and timing of the audit, as well as on the main findings, including any major deficiencies of the internal control proceedings which we encounter while making the audit.
- 15 Also, we submit to the personnel in charge with corporate governance a statement related to our conformity to the code of ethics pertaining to independence and inform them on all relations and other aspects that might reasonably be considered as affecting our independence and, when it is the case, the corresponding measures taken.
- 16 Out of the aspects communicated to the personnel in charge with corporate governance we are the ones to conclude on the ones that had the greatest relevance in auditing the financial statements afferent to the current period and which are considered key aspects of the audit. These aspects are described in our audit report except for cases when law forbids disclosure or, extremely rarely, in case we consider that an aspect should not be contained in our report as its adverse consequences might reasonably exceed the benefits of public interests of such disclosure.

Report related to other legal and regulatory provisions

- 17 18. We were appointed by the Ordinary General Assembly of the Shareholders on June 8th, 2017 to audit the financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. for the financial year ended December 31st, 2019. Our audit mandate was renewed by the Resolution of General Assembly of Shareholders no.7 of April 23rd, 2019 for a period of 4 years, until July 25th, 2022 respectively. The total uninterrupted period of our mandate has been of 3 years, covering the financial years ended on December 31st, 2017 up until December 31st, 2020.

We herein confirm that:

- Our audit opinion is in accordance with the additional report submitted to the Audit Committee of the Company, which we issued on the same date with this very report. We kept our independence towards the Company while executing our audit.

- We did not provide the Company with forbidden non-audit services as they are described under article 5, paragraph (1) of the Regulation EU no. 537/ 2014.

The audit mission partner for whom this independent auditor's report was prepared is Ramona Neag.

On behalf of RAO AUDIT OFFICE S.R.L.:

registered in the Electronic Public Register with no. FA1237

Dr. Ramona Neag, Partner auditor

registered in the Electronic Public Register with no. AF2600

Tg. Mureş, March 25th, 2021