



ANNUAL REPORT

of

Board of Directors

on financial operations as of December 31st, 2021

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

1. General Company Information

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

No merger, split-off, acquisition or any other changes to the assets of the Company took place within the reporting period.

1.1.2. Assets' purchase and/or sale

Within 2021, the accounting value of the tangible assets increased by 20%. Investments in equipment, technical appliances and furniture implemented over the course of 2021 amounted to 1,086,430 lei, of which 506,520 lei represents the entry value of some means of transport acquired through financial leasing. In 2021, no sales or scrappings of tangible assets took place. The value of the amortisation recognized by the Company in 2021 for the tangible fixed assets is 275,785 lei. As of December 31, 2021, the Company has not recorded any adjustments for impairment of tangible fixed assets.

1.1.3. Overview of the main results of the Company

Transilvania Broker reports, for the year 2021, a turnover 15% higher than the budget approved in the OGMS dated April 28, 2021. The operating result and the net profit register values by 21% and, respectively, by 17.3% above those projected.

Also, the values of the indicators that evaluate the financial position, respectively the current liquidity, the financial solvency and the indebtedness rate, are positioned outside the risk intervals and reflect the favorable development both in terms of results and in terms of capital structure and financial position equilibrium.

Transilvania Broker registers increases in the volume of brokered premiums for 85% of the insurance classes. The strongest dynamic in relation to the previous period was registered for the C3 class of *life insurance and annuities related to investment funds* (by 5.8 times) followed by insurance for *assistance to people in difficulty while traveling* (A18) (+ 75.5%), insurance for *financial losses* (A16) (+ 68%) and for *loans* (A14) (+ 66.4%). The *Vehicle Liability* insurance class (A10) contributed the most to the absolute increase of 174.6 m. Lei in the volume of

intermediate premiums, followed by insurances *for land vehicles, excluding rolling stock (A3) and for fires and natural disasters (A8)*.

In terms of marketing strategy and optimization of the brokerage infrastructure, the management of Transilvania Broker has successfully completed projects such as:

- **The Online Issuing Platform – online sales platform for Vehicle Liability insurance policies**, for individual and legal entities. The platform enables Transilvania Broker customers to take out an insurance policy in just one minute using text recognition technologies and autofill of required data within the policy. Launched in the middle of the year 2021, the platform had over 50,000 users, with over 8,000 quote calculations.
- **The Digital Commission** - the way by which Transilvania Broker brokerage assistants can sell remotely through the online issuing platform, benefiting from their own unique reference link and from the possibility to promote themselves online through it, as well as offline through materials by a link in the form of a QR code that is automatically generated in the dashboard of the Transilvania Broker collaborator. Over 100 collaborators benefit weekly from a **digital commission, in equal percentage to that of classic sales commission**.
- **The Project “15 years of Transylvania Broker”**, an exploration of everything that Transylvania Broker has meant throughout our evolution and development. The project consisted of a series of interviews with "Success Stories" from Transilvania Broker, with back-office staff, founders and team managers, key investors in our company, as well as with partners from the insurance companies.

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:

a) **Net Profits: 6,883,983 lei;**

b) **Net Turnover: 98,905,785 lei;**

c) **Liquidity and solvency indicators**

Indicators	Calculation formula	31.12.2020	31.12.2021	Benchmark
Current ratio / Quick ratio	Current assets/Current debts	2.130	1.847	>2
Cash ratio	Cash/Current debts	0.91	1.02	>0.8
Leverage ratio	Total Assets /Total debts	2.041	1.891	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	77.3%	81.1%	>30%

The company's liquidity ratios highlight the positioning of their values inside the comfort range, with the mention that that these indicators reflect the specifics of the insurance intermediation activity, in that 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 methodologies. In this context, the relevance of current and quick ratios are relatively low, while the cash ratio indicator confirms that the Company has larger cash volumes than those required to cover current debts.

During the reporting period, the increase in the value of total assets was higher than the increase in the total debts of the Company. The difference was mainly fueled by the increase of cash and, indirectly, the value increase 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 increases from 77.3% to 81.1%, confirming, once again, the high self-financing capacity of the Issuer and ability to meet its payment obligations.

d) **Indebtedness indicators**

Risk indicators	Calculation formula	31.12.2020	31.12.2021	Benchmark
Indebtedness ratio	Borrowed capital/ Permanent capital *100	22.7%	19%	<50%
Debt to assets ratio	Total debt / Total assets*100	49%	53%	<80%

In 2021, the value of equity increased by 2,584 thousand lei, significantly above the absolute value of long-term debt growth (+142.8 thousand lei). As a result, the indebtedness ratio, which ratios the borrowed capital to permanent capital, decreases in value, expressing a low level of financial risk under conditions of high financial equilibrium. At the same time, the positioning of the debt to assets ratio relative to the maximum benchmark confirms the high capacity for debt payment and a sound credit risk management, as well as continued easy access to financing on the monetary markets.

e) Margin and profitability ratios

Indicators	Calculation formula	2020	2021
		December 31st	December 31st
Operating profit margin	Operating profit / Sales *100	7.90%	8.30%
Net profit margin	Net profit / Sales *100	6.88%	6.96%
Return on equity ratio	Net profit / Equity *100	70.5%	67.9%
Return on long-term capital ratio	Net profit / Long-term capital *100	54.5%	55%

The higher growth pace of the revenues as compared to expenditures allowed for the slight increase of the profit margins in the reported period.

The increase in equity to a significantly greater extent than the net profit, due to the incorporation of significant retained earnings, results in a slight decrease in the rate of financial profitability, which, however, remains favorable to the Company and to its shareholders.

f) 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	
	December 31st, 2020	December 31st, 2021
NET CASH FROM OPERATING ACTIVITIES	1,882,781	4,771,765
NET CASH FROM INVESTMENT ACTIVITIES	-3,955,235	1,809,373
NET CASH FROM FINANCING ACTIVITIES	1,316,344	-579,274
CASH AND CASH EQUIVALENTS ON JANUARY 1ST	5,332,539	4,576,429
NET INCREASE/ DECREASE OF CASH AND CASH EQUIVALENTS	-756,110	6,001,864
CASH AND CASH EQUIVALENTS ON DECEMBER 31ST	4,576,429	10,578,293

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, 2021 increased by 131.15 % compared to the previous reporting period.

Out of the *Operating Activities* the Company registered a positive cash flow of 4,771,765 lei, which highlights on the Company's capability to have generated enough cash flow for maintaining operating activities, issue dividends and reimburse loans with no need to address other external financing resources.

Out of the *Investment Activities* a positive cash flow of 1,809,373 lei is registered as a result of the payments made for the acquisition of tangible assets, in a total amount of 231,816 lei, and by the liquidation of a bank

deposit in the amount of 2,000,000 lei. Over the reporting period, the Company in-cashed bank interests amounting to 38,573 lei.

The *Financing Activity* of the Company generated a negative cash flow of 579,274 lei, generated by the payments made for the reimbursement of borrowed funds, in total amount of 616,325 lei and by the proceeds from governmental financing in the amount of 20,000 lei and loans from the shareholders. in the amount of 17,050 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	On December 31st, 2020	On December 31st, 2021	Evolution (lei)	Evolution (%)
Turnover	77,411,931	98,905,785	21,493,854	27.78

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 2020 – 2021 is contained in the table below:

Number of employees (end of year)	2020	2021
Economists	20	22
IT Experts	1	1
Legal advisors	4	4
Other professions - long-term higher education	10	12
Other professions - short-term higher education	2	2
Secondary education (technical profile)	1	1
TOTAL	38	42

Throughout the year 2021 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. Perspective approach

1.5.1. Expected trends on the internal environment

The Management of the Company has initiated multiple new projects whose implementation will take place throughout the course of 2022, of which we mention the following:

- **Transilvania Broker Academy, the training platform** that will provide collaborators with information and training materials, from basic courses to training on complex insurance products, live courses and conferences with specialists in complex insurances.
- **Transilvania Broker Virtual Assistant - live-chat assistant** who can offer 24/7 consultancy to clients; they can also calculate quotations and schedule 1-on-1 meetings with our specialists in complex insurances.
- **Expanding online sales for several types of insurance**, such as mandatory and optional home insurance policies, roadside assistance policy, and also travel insurance.
- **Improving the quality of services through customer feedback and reviews.** A strategic goal for this year is to get to know the ever-changing insurance market in more detail by attracting feedback and reviews on all of our sales channels. A thorough understanding of customer needs and expectations will allow us to determine the investment areas to increase the quality of services provision. Subsequently this will be an important step in standardizing the services offered in Transilvania Broker franchises.
- **Optimizing the relationship with investors** remains a permanent goal for the Management of Transilvania Broker, which considers that transparency, consistency and continuity of communication are key elements for connecting the market value of the Company to its economic, financial and operational results. In this regard, we will continue to diversify our communication channels and organize multiple events through which potential shareholders and investors will be able to learn about the activity, vision, culture, opportunities and challenges of Transilvania Broker, beyond results and financial reportings.

1.5.2. Trends and factors of the external environment

Main trends in the global market of insurance intermediaries

COVID19 has fundamentally changed the traditional processes of distribution and intermediation of insurance policies. At the same time, it has acted as a catalyst for accelerating the digitalization of services in the insurance sector.

The digitalization of the sector, the integration of artificial intelligence in operational processes and in strategic sales tools have required the adoption of paradigms aimed at capitalizing on technological progress opportunities of the business models, growth and product portfolios, not just business processes. Therefore, for the intermediaries, the digitalization, technologicalization and the artificial intelligence elements have opened the way to new markets and new opportunities. The Management of Transilvania Broker understood, anticipated and promptly aligned its strategic and managerial vision to this trend.

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 digitalization that supports and facilitates this trend. Digital marketing tools identify untapped insurance needs, customize products, and distribute them with minimal time and resource costs, in high volumes. On its turn, the market easily absorbs products such as insurance for rented space or goods, for pets or for cyber attacks - products adapted to current behavioral and consumption trends, which are also constantly evolving. At the same time, this range of new insurance by-products becomes a lever for customer loyalty and relationship longevity.

Intensified competition in the intermediary market, amid declining - in importance and number – of barriers to market entry, mainly due to unlimited virtual opportunities and digitalization: geographical boundaries are fading, the agent-insurer collaboration is streamlined and energized, and attracting new customers through digital marketing is within everyone's reach

The model of an independent intermediary from a certain insurer is becoming more and more established in the brokerage market, taking into account the new business and partnership opportunities. The consumer profile encourages this trend, as they seek for consultancy, guidance and alternatives - elements specific to an independent broker, and implicitly, to 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.

On December 31st, 2021 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.

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

a) Market risk (exchange rate risk, interest risk , price risk)

Unpredictable changes in the evolution of *interest rate, currency exchange rates* or *prices* do have an impact on the financial results of the 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 inter-est 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.

b) 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.

c) 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.

The 50% increase of the stock market quotation, in 2021, of Transilvania Broker de Asigurare S.A. shares (TBK trading symbol) reflected the evolution of the results reported to the market. On December 31st, 2021, the turnover increased by a record of 27.7% compared to the previous year (2020), while the profit increased, in the same period, by 29.2%.

This dynamic was fueled by a 41.4% increase in the volume of intermediated premiums compared to 2020, at a commission adjusted to the particular conditions of the insurance market in 2021, of 16.7% and, respectively, a 6.96% net profit margin, higher against the previous year.

3.2. Issuer' s dividend policy

In 2021, Transilvania Broker granted dividends to its shareholders in gross value of 1.72 lei / share held, in accordance with the OGMS resolution no. 14 / April 27th, 2021, higher by 0.2 lei / share (+ 13.2%) than the gross dividend related to the financial year 2019. The value of paid dividends represents 80.7% of the net profit related to the financial year ended on 31.12.2020.

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

Dividends granted over the past 3 years

Corresponding financial year:	2019	2020	Proposal for 2021
Dividends' value (lei)	3,800,000	4,300,000	7,500,000

The Company commits to unconditionally comply to the Corporate Governance principles applicable to the Issuers whose securities are traded on a regulated market. 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 comply 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.

The Company did not undergo redemption or public offering programs within the reported period.

3.3. Purchase of own shares by the Company

The Company's shareholders voted in favor of implementing a *Stock Option Plan* - a program designed to stimulate and retain the key persons within the Company. This is supported by a repurchase operation of a number of shares representing at most 0.25% of the share capital and a value aggregate of at most 125,000 lei. These decisions will contribute both to the incentive of the human resource with an important role in pursuing to fulfill the vision and mission of the Company, but also to increase the liquidity of the TBK stock on the capital market.

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, 2021 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

As relates to corporate governance, during the reporting period was formalized the transformation of the structure of the Board of Administrators. Starting May 1st, 2021, and based on the EGMS resolution dated July 29th, 2020, The Board of Administrators is comprised of five members, by joining of Mr. Gabriel Login, founder shareholder, and of Mr. Erik Barna, CEO of *Life Is Hard* company, which is a traditional partner of the Company in the area of operating digitalization solutions. The Management of the Company is ensured by a Board of Administrators consisting of five administrators:

- 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*.

The increase in the number of administrators was decided in order to better comply with the relevant principles of corporate governance prescribed by the Bucharest Stock Exchange Code. Until the date of authorization of the annual financial statements, the approval of the Financial Supervisory Authority (FSA) regarding the new extended composition of the Board of Administrators of the Company has not been issued.

There are no family relationships among the members in the Board of Administrators.

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				
Financial position indicators (lei)	2020 31 December	2021 31 December	Variation (%) 2021/2020	Share in Total Assets on 31.12.2021
Fixed assets	4,060,086	4,879,670	+20.2%	20.2%
Intangible assets	11,886	16,246	+36.7%	0.07%
Tangible assets	4,027,501	4,845,340	+20.3%	20.06%
Financial assets	20,699	18,084	-12.6%	0.07%
Current assets	10,733,049	19,219,957	+79.1%	79.6%
Inventories	3,116	0	-100%	-
Receivables, of which:	4,153,504	8,641,665	+108.1%	35.8%
<i>brokerage related receivables</i>	<i>843,018</i>	<i>2,476,445</i>	<i>+193.8%</i>	<i>10.3%</i>
<i>other receivables</i>	<i>3,310,486</i>	<i>6,165,220</i>	<i>+86.2%</i>	<i>25.5%</i>
Short-term investments	2,000,000	0	-100%	-
Cash and bank accounts	4,576,429	10,578,292	+131.2%	43.8%
Prepayments	26,895	49,546	+84.2%	0.2%
TOTAL ASSETS	14,820,030	24,149,173	+63%	100%

DEBTS AND EQUITIES

Financial position indicators (lei)	2020 31 December	2021 31 December	Variation (%) 2021/2020	Share in Total Liabilities on 31.12.2021
Current debt	5,039,881	10,405,840	+106.5%	43.1%
Bank loans	433,419	433,419	-	1.8%
Debt related to brokerage activity	3,939,878	8,565,862	+117.4%	35.5%
Other short-term debt	666,584	1,406,559	+111%	5.8%
Provisions	0	1,236,391	-	5.1%
Non-current debt	2,220,458	2,363,268	+6.4%	9.8%
Long-term loans	2,138,658	1,705,239	-20.3%	7.1%
Other debt	81,800	658,029	+704.4%	2.7%
Total debt	7,260,339	12,769,108	+75.9%	52.9%
Social capital	500,000	500,000	-	2.1%
Reserves, from which:	100,000	100,000	-	0.4%
Legal reserves	100,000	100,000	-	0.4%
Reported result	1,632,700	2,659,691	+62.9%	11%
Reference result	5,326,991	6,883,983	+29.2%	28.5%
Equity	7,559,691	10,143,674	+34.2%	42%
TOTAL EQUITY AND DEBT	14,820,030	24,149,173	+63%	100%

The **current assets** at the end of 2021 year, which make up 79.6% of the total assets, consist of cash and cash equivalents (representing 55% of current assets and 43.8% of total assets) followed by receivables (representing 45% of current assets and 35.8% of total assets).

The value of **Cash and cash equivalents** increased 2.3 times at the end of 2021, as compared to 31st of December, 2020. Both the company's own cash as well as the transit cash to be shortly settled with insurers registered increases. The company's own cash, accounting for 60% of all cash (i.e. 6,340.1 thous. Lei) was by 159.4% higher than at the end of 2020, due, partly, to the reclassification of short-term investment as liquid asset, but also to the profit cumulated along the reporting period.

The cash available in `collector accounts`, which mediate the settlement with insurers, doubled its value at the end of 2021 as compared to 2020, from 2,132.3 thous. lei, to 4,234.2 thous lei. This tendency parallels the evolution of the receivables from distribution activity and, also, of the short-term debt related to the distribution activity, and is due to different activity intensity along the last settlement cycles of the two reporting periods.

Because 98.6% of the value of `other receivables` represents also receivables in relation with Transilvania Broker assistants, the value of all receivables related to the distribution activity – with strict payment terms regulated by law and internal procedures – accounts for 99.6% of all receivables. The increase of 108% of

receivable value as compared to the start of 2021 is mostly the result of the variation in intensity of the brokerage activity along the last settlement cycles within the reporting period as compared to the reference period. This variation is also apparent in the dynamics of the sold of cash in transit, and of short-term debt related to the distribution activity.

The provision value for receivable depreciation at 31.12.2021 was of 87.4 thous. lei, of which 43.9 thous. lei represent the value adjustment of client receivables, while 43.5 thous. lei represent the adjustment of receivables from suppliers.

The share of current assets in total asset value (79.6%) is 7 p.p. higher than at the beginning of 2021. The weight of fixed assets, in turn, decreases from 27.4% to 20.2%, given that their growth in value was significantly smaller than that of current assets. Non-current assets value increased by 21.9% due to new investment of 1.090 thous. lei in means of transport, equipment and office supplies. Adjusted with the amortisation, the value of fixed assets increases by 819.6 thousand lei, respectively by 20.2%.

In total liabilities, debt, by 75.9% higher than the previous year, finances 53% of total assets.

Current debt, which represents 81.5% of total debt and 43.1% of total liabilities and whose value more than doubled in the reporting period as compared to the reference period, is mostly formed up of debt related to distribution activity (86.2%) – with payment and maturity strictly regulated by law and internal procedures. As for the dynamics of receivables from the intermediation activity and of cash in transit for settlement with insurers, this passive element development reflects variations in activity intensity along the last settlement cycles of reporting periods.

Other payables value of 151.6 thous. lei represents 1.5% of total current debt, while other fiscal debt toward personnel and public budget sums up to 898.3 thous. lei, which is 8.6% of short-term debt.

Long-term debt (debt with maturity over 1 year), in amount of 2,363.3 thous. lei and by 4.6% higher than previous year consist of bank loans contracted along the last two years for co-funding of fixed asset acquisition related to the move of headquarters and the establishment of the branch in Bucharest, as well as of recently contracted leasing agreements for funding investment in means of transport.

While the value of long-term bank loans decreased by 20.3% following the payment of due instalments at the end of 2021 against the beginning of the year, „other debt” increased by 576.3 thous lei, mainly as a result of the financial leasing contracts.

The growth in retained earnings and in the profit of the reporting period led to the increase of **equity** by 2,584 thous. lei as compared to the previous year (+34.2%). Equity represents 42% of the company funding structure, 9 p.p. less than the weight at the end of 2020, due to the circumstantial growth of the short-term debt related to the distribution activity.

5.2. FINANCIAL PERFORMANCE EVOLUTION

Financial performance indicators				
(lei)	2020 31 December	2021 31 December	Variation (%) 2021/2020	Share in revenues / expend. category (%), 2021
Operating revenues, of which:	77,411,931	98,907,452	+27.8%	100%
Revenue from insurance brokerage	77,411,931	98,905,785	+27.8%	100%
Other operating revenues	0	1,667	-	-
Operating expenditure, of which:	71,296,051	90,690,200	+27.2%	100%
Expenditures with commissions due to broker agents	65,510,256	81,280,994	+24.1%	89.6%
Personnel costs	2,975,915	3,825,594	+28.6%	4.22%
Expenditures with services provided by third parties, of which	2,059,280	3,395,513	+64.9%	3.74%
<i>exp. with advertising, marketing</i>	472,679	682,090	+44.3%	-
<i>exp. with 24Broker software development</i>	431,134	1,010,240	+110.6%	-
<i>other exp. with third parties' services</i>	1,586,601	1,703,183	+7.3%	-
Expenditures of material nature as consumables, inventory objects	252,600	223,433	-11.5%	0.25%
Expenses with other taxes, fees and similar payments	101,278	158,572	+56.6%	0.17%
Amortization expenditures	132,964	285,037	+114.4%	0.31%
Current assets depreciation expenditures	43,895	-17,459	-	-
Other operating expenditures	219,863	302,125	+37.4%	0.33%
Provisioning expenditures	0	1,236,391	-	1.36%
GROSS OPERATING RESULT	6,115,880	8,217,252	+34.4%	-
Financial revenues	34,140	39,532	+15.8%	-.
Financial expenditures	65,267	102,962	+57.8%	-
FINANCIAL RESULT	(31,127)	(63,430)	-	-
GROSS RESULT	6,084,753	8,153,822	+34%	-
Tax on profit	757,762	1,269,839	+67.6%	-
NET RESULT	5,326,991	6,883,983	+29.2%	-

The company's **revenues generated by the brokerage activity**, equivalent to the Net Turnover indicator, had the highest growth rate since the TBK shares listing on the Bucharest Stock Exchange (BVB), i.e. of +27,8% as compared to 2020. This boost was supported by the increase of the volume of intermediated insurance premiums from 422 mil. lei in 2020, to 593 mil. lei in 2021 (+41%). The average brokerage commission, which was calculated as ratio between the value of

the intermediated premiums and the value of the revenue from the brokerage activity, was of 16.7%, as it was adjusted to the particular context of 2021 on the insurance market.

Operational expenditures increased in a somewhat slower pace than the revenues (+27.2%), leading to a gross operational result of 8,217.3 thous. lei, by 34.3% higher than in 2020, and to a gross operational profit margin of 8.3%, higher as well than the 2020 level (7.9%). The costs with secondary intermediaries commissioning, concentrating 89.6% of all operational expenditures, increased by 24.1% as compared to the previous year, tightly correlated with the dynamics of the revenues from brokerage activity. The expenditures with human resources stay at the same percentage of 4.2% of all operational expenses, in direct correlation with the business growth.

The digitization projects that have been implemented or initiated along 2021 brought forth the increase by 110% of expenditures with software development, as compared to 2020, while the marketing and promotion activities targeting especially the online audience entailed a 44.3% increase of such expenses. These explain the increase by 1,336.2 thous. lei in the value of the „expenditure with services provided by third parties” category.

The strong boost on revenues and profit has been converted also to the benefit of social-educational project that the Company has been supported along the last decade, the value of sponsorship increasing by 44% in 2021, as against 2020.

The financial revenues and expenditures, of which 97.6% and, respectively 89.5% represent revenues and expenses with interest, generated a negative financial result of (-64,430 lei).

The gross profit of 8,153.8 thous. lei adjusted by the profit tax of 1,269.8 thous. lei determined a net positive result of 6,884 thous. lei, by 29.2% higher than the profit reported for the previous 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.

In 2021, the Company made provisions for litigations with regard to the claims demanded by Asirom Vienna Insurance Group S.A. The provision was estimated at 1,236,391 lei, representing the amounts admitted by the Bistrita Court following the appeal filed by Asirom. The company considers this amount to be the best estimate of the amount required to settle the damages determined by the court.

7. Signatures

Chairman of Board of Administrators

Dan Niculae