

**TRANSILVANIA BROKER
INSURANCE BROKER**

TRANSILVANIA BROKER DE ASIGURARE S.A.
5 Zorilor street, Bistrița, Bistrița-Năsăud county, Romania, 420011
Trade Register J06/674/2006 Tax code: 19044296
Joint stock: 500 000 lei

Translation form Romanian into English:

**THE REPORT OF
BOARD OF DIRECTORS
for the financial year ended at 31.12.2018**

*in accordance with the provisions of C.N.V.M. Regulation No. 1 / 2006
on issuers and transactions in securities*

Authorised by the Authority of Financial Surveillance RBK 374/16.11.2006, Operator of personal character data
processing no. 23791

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1. Analysis of the activity of the company

1.1. Description of the company's core activity and date of establishment

TRANSILVANIA BROKER DE ASIGURARE S.A. is an insurance brokerage company that started its business in 2006.

The Company operates in accordance with the provisions of the Companies Law no. 31/1990, republished, with the subsequent amendments and completions, of Law no. 32/2000 regarding the activity and supervision of intermediaries in insurance and reinsurance, with the subsequent modifications and completions, respectively of Law no. 136/1995 on insurance and reinsurance in Romania, with subsequent amendments and completions.

The Company carries out activities and services specific to the insurance brokerage sector, being authorized by the Financial Supervisory Authority as an insurance broker. According to the Articles of Incorporation, the main object of activity: Auxiliary insurance activities and pension funds, CAEN code 662. The main activity sub-domain refers to "Activities of insurance agents and brokers; negotiation for natural or legal persons, insured or potential insured, conclusion of insurance contracts and provision of assistance before and after the performance of contracts or in relation to the settlement of claims, as the case may be (code 6622) ".

The company is listed on the Bucharest Stock Exchange starting with November 2017.

1.1.1. Description of any significant merger or reorganization of the company, its subsidiaries or controlled companies during the financial year

During the reporting period no merger, division, acquisition or other patrimonial changes of the Company took place.

1.1.2. Description of acquisitions and / or disposal of assets

Following the Decision of the Extraordinary General Meeting of the Shareholders no. 8 / 06.12.2018, based on the sale-purchase contract no. 5468 / 18.12.2018 with the subsequent additional acts, the company acquired two lands and a building located in Bistrița, Calea Moldovei no. 13, Bistrița-Năsăud county, with a total value of 1,698,272 lei, with the destination of head office. The acquisition of these real estate properties is financed from own sources and by contracting a mortgage in accordance with the same decision of EGMS.

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Also, during 2018, the company invested the amount of 83,965 lei in the purchase of computers and means of transport and 2,091 lei in other intangible assets.

No asset alienations were recorded in the reporting period.

1.1.3. Description of the main results of the company's activity evaluation

Compared to the results reported at the end of the previous year (2017) and the levels projected for 2018, the financial results of the reporting period show significant positive variations.

IncomeS from brokerage activity, an indicator equivalent to net turnover, shows values with 15.4% higher than those reported on 31.12.2017 and 7.5% higher than planned.

Expenditure on staff increased by only 2.5% compared to 2017 and marks savings against budgeted levels, with a negative difference of 6.9%. Other operating expenses exceeded the planned values by 44.7% and total expenditures are proportional to the variation in revenues, registering increases of 15.1% compared to the previous year and 7.6% compared to the budgeted level.

The net result is 16.2% higher than in 2017 and 4.1% of the planned profit.

Indicators	2017 Achieved	2018 Achieved	2018 Budgeted	Variation %	
				2018 Achieved / 2017 Achieved	2018 Achieved / 2018 Budget
Income from brokerage activity	53,835,203	62,121,897	57,800,000	115.4%	107.5%
Other operating revenues	71,083	22,924	100,000	32.2%	22.9%
Financial income	2,692	17,753	2,800	659.5%	634.0%
TOTAL INCOME	53,908,978	62,162,574	57,902,800	115.3%	107.4%
Staff costs	2,270,043	2,327,041	2,500,000	102.5%	93.1%
Expenditure on fees due to brokerage assistants	45,544,380	51,905,798	48,552,000	114.0%	106.9%
Other operating expenses	1,980,776	3,175,484	2,194,100	160.3%	144.7%
Fixes on fixed assets	135,930	76,591	171,425	56.3%	44.7%
Financial expenses	2,539	-	2,539	0.0%	0.0%
TOTAL EXPENSES	49,933,668	57,484,914	53,420,064	115.1%	107.6%
GROSS RESULT	3,975,310	4,677,660	4,482,736	117.7%	104.3%
Tax	569,688	719,134	681,798	126.2%	105.5%
NET RESULT of the year	3,405,622	3,958,526	3,800,938	116.2%	104.1%

Among the most important initiatives of 2018, with a relevant impact on the dynamics of activity, on current and future performance, we mention:

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- Investments in the IT system, especially in the new version of the 24Broker IT application, with a direct effect on the efficiency and organization of the company's activity, on the level of security and compliance with the legislative requirements regarding the right to the protection of personal data (EU Reg. 679/2016)
- Further development of Corporate and Life & Health departments, as well as boosting growth on optional insurance classes.
- Online and offline branding and promotion projects (including franchises) for a better and more uniform picture, more present in the market. These include initiatives to engage in the local community and society through various sponsorships.
- projects for the development of "softskills" skills of the staff and for improving the communication with the collaborators and clients of Transilvania Broker de Asigurare S.A.

1.2. Elements of general evaluation

TRANSILVANIA BROKER DE ASIGURARE S.A. has prepared the financial statements in accordance with the provisions of the Accounting Law no. 82/1991 and of the 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 at the reporting date 31.12.2018.

The management expressly and unconditionally declares the compliance of the annual financial statements with all the applicable provisions under Rule 36/2015. Tax treatments were applied in accordance with the provisions of Law no. 227/2015 regarding the Fiscal Code. So:

- In accounting for the financial effects of the transactions in which the Company was engaged the accounting principles and accounting rules regarding the recognition and valuation of the patrimonial elements were observed;
- the methods and rules for accounting and disclosure of assets, liabilities and equity, respectively the results obtained, have been applied consistently in order to ensure the comparability over time of the accounting information;
- there have been no situations of clearing assets representing assets that represent liabilities, respectively recognized revenues and expenditures;
- no causes have been identified that could endanger the normal performance of the activity within a foreseeable period of time, thus confirming the hypothesis of continuity of activity;
- the economic and financial operations and transactions carried out by the Company have been recorded on the basis of the supporting documents and evidenced in the accounting records, according to the legal provisions in force, and the results obtained are:

a) **Net profit:** 3.958.526 lei

b) **Net turnover:** 62,121,897 lei

c) Liquidity and Solvency Indicators:

Liquidity and solvency indicators	Computing formula	2017 31 December	2018 31 December	Reference interval
General liquidity	Current assets / Current debts	1.355	1.962	>2
Immediate liquidity (quick ratio)	(Current Assets - Stocks) / Current debts	1.35	1.96	>0.8
Rapid liquidity (cash ratio)	Cash / Current debts	0.83	0.95	
General solvency	Total Asset / Total debts	1.371	1.870	>1
Patrimonial solvency	Equity / (Equity + Liabilities) * 100	27.05%	46.53%	>30%

- The general liquidity indicator approached the optimum level ("2"), due to the decrease of the assets at a slower rate (-53.25%) than the short-term liabilities (-32.30%).
- Due to the nature of the insurance intermediation activity that does not involve significant stocks, the quick ratio overlaps the general liquidity indicator. Immediate liquidity, which reflects the possibility of short-term debt repayments on the treasury (cash and short-term placements) approaches the unit value well above the minimum threshold of 0.2-0.3.
- The ability to self-finance the Company and the extent to which it can honor its payment obligations to third parties, expressed in terms of value through solvency ratios, is relatively high. The overall solvency that reflects the extent to which total liabilities can be covered by the Company's assets shows a steady growth trend, with total assets almost double the total debt. Equity also exceeded 17 pp. the benchmark of 30% of the Company's funding sources.

d) Risk indicators:

Risk indicators	Computing formula	2017 31 December	2018 31 December	Reference interval
Indicators of indebtedness rate	Long-term debt / Permanent capital * 100	0.00%	20.71%	< 50%
Global indebtedness rate	Total debt / Total assets * 100	72.95%	53.47%	< 50%

- *The indebtedness rate*, although increasing over the reference period as a result of the long-term bank loan, presents a relatively low level of exposure to risk: long-term debt represents 20.71% of the Company's capital, significantly below the threshold of 50%.
- *The global indebtedness rate*, which measures the proportion in which the total asset is funded from sources other than its own, also describes a favorable trend for society, shrinking from 73% to 53%.

e) Profitability and margin indicators:

Profitability indicators	Computing formula	2017 31 December	2018 31 December
Margin of operating result	Operating result / Turnover *100	7.38%	7.50%
Margin of net profit	Net Profit / Turnover *100	6.33%	6.37%
Margin of financial profitability	Net profit / Equity *100	105.29%	86.19%
Return on permanent capital	Net profit / Capital Permanent *100	105.29%	68.34%

- Profitability indicators are in a slight tendency to appreciation.
- Financial profitability and permanent capital, although declining on the backdrop of growth rates of own capital and permanent higher than the growth rate of net profit, are above 85% and 65%, respectively.

The picture of the economic and financial indicators presents a relatively low level of exposure to risk, a comfortable level of the company's ability to honor its financial obligations as well as an efficient management of the Company's resources expressed in terms of positive results and increasing profitability levels.

f) Cash flow: Changes in cash in core business, investment and financial activity, cash at beginning and end of period

Name of indicators	Achievements related to Reporting period	
	31.12.2017	31.12.2018
Net cash generated from operating activities	3,819,149	- 3,084,609
Net cash generated by the investment activity	-46,220	-1,689,606
Net cash generated from financing activity	-95,127	1,400,000
Cash and cash equivalents on 1 January	3,588,062	7,265,864
Increases or decreases in net cash and cash equivalents		
Cash equivalents	3,677,802	-3,374,215
Cash and cash equivalents at 31 December	7,265,864	3,891,649

Cash flow is the performance indicator of appreciation of an entity that is determined as the difference between earnings and payments. The available cash-flow indicates the possibility of economic growth coverage and the possibility of remuneration for own and borrowed capital.

A company, in order to have full performance, needs to make a positive cash-flow in addition to making profits. The magnitude of the treasury movements related to exploitation shows the extent to which the Company has generated enough cash flows to maintain its operating capacity, distribute dividends, repay loans without recourse to other external sources of financing.

- *The financial assets* of the Company recorded a decrease as compared to the previous period of 46, 44% at 31.12.2018. Payment of dividends to shareholders is reflected in the decrease in cash balance at the end of the year.
- From *the operating activity*, the Company recorded a negative cash flow amounting to 3,084,609 lei, generated by the payment of dividends to shareholders, amounting to 5,341,195 lei. Liquidity outflows for the payment of dividends were generated by operating activity.
- The cash flow from *the investment activity* shows a negative result in the analyzed period, compared to the previous period, amounting to 1,689,606 lei, generated by the payments made for the acquisition of tangible assets in the total amount of 1,698,272 lei. During the analyzed period there were no receipts from sales of assets.
- The financial activity of the Company generated a positive cash flow of 1,400,000 lei, generated by the modification of the loan structure. During the analyzed period, the Company contracted a long-term bank loan, worth 1,400,000 lei, for the purchase of fixed assets.

1.3. Assessing the technical level of the company

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

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

The main intermediary insurance products of the Company are:

- Life insurance;
- Health Insurance;
- 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;
- Housing insurance;
- Insurance of buildings and property belonging to legal entities;
- Civil liability insurance for motor vehicles.

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

- Development of the distribution activity under the conditions of ensuring correct treatment of clients, compliance with the legal requirements regarding the distribution of insurance and reinsurance and avoidance of unfair, unfair, fraudulent or abusive practices;
- Identification of insurance risks, their analysis, evaluation and management;
- Presenting recommendations for minimizing or transferring insurable risks;
- With regard to the product and service offer, sales staff of the distributor shall provide customers with complete, timely, accurate, objective and actual information on the proposed insurance product to enable customers to make an informed decision;
- Provide consultancy to clients and potential clients based on the assessment of their requirements and needs so that the proposed contracts are in line with them;
- Analysis of potential insurance policies in progress;
- Designing an adequate insurance program;
- Negotiating the conditions and terms of insurance, analyzing the market opportunities in terms of the quality / price ratio and choosing the optimal insurance solution in accordance with the client's interests;
- Managing the insurance contracts for the entire period of their validity and their adaptation to the dynamics of the clients' business;
- Assistance in the settlement of damages and in obtaining insurance indemnities;

- Providing information on the insurance market in Romania.

Awareness of the rights and information that an insured or potentially insured person must have through the minimum information submitted to clients prior to the conclusion of insurance contracts:

- definition of each insured event, of the insurance indemnity in the case of the insured event, of each benefit and of the optional / additional clauses;
- exclusions from insurance;
- the moment 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 before or after the contract, including any penalties imposed by the contract in such cases;
- the way in which premiums and terms of payment of insurance premiums are paid;
- the modalities and terms of payment of insurance indemnities, redemption amounts and insured amounts;
- information about premiums for each benefit, both principal and supplementary, as the case may be;
- information about the grace period;
- ways of calculating and distributing bonuses;
- indication of the total redemption amount, the insured sums reduced, and the level at which they are guaranteed for each year of insurance within the insurance period covered by the insurance contract;
- information about situations where the policy's redemption value is 0;
- the procedures for resolving the possible litigation resulting from the performance of the contract, ie information on the amicable settlement of the complaints made by the contractors or the beneficiaries of the insurance contracts, as the case may be, which do not constitute a restriction of the client's right to resort to legal proceedings;
- general information on deductions provided for by the tax legislation applicable to insurance contracts;
- the law applicable to the insurance contract;
- the existence of the Insurers' Guarantee Fund.

1.3. Assessment of sales activity

1.3.1. Description of the evolution of sequential sales on the domestic and / or external market and the prospects for medium and long-term sales

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

Denomination of indicators	At 31.12.2017	At 31.12.2017	Evolution (+/-) (lei)	Evolution (+/-) (%)
Turnover	53,835,203	62,121,897	(8,286,694)	(15.39)

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The evolution of sales by classes of insurance points to the continuation of the positive trend of the past years of growth of optional insurance, a source of competitive advantage and long-term development. Life insurance, although still under 1% of the total insured premiums, increased by 133.6% contributing to 14.25% to the increase of RON 9.9 million in the total value of the insured premiums:

Total amount of intermediate premiums	2017	2018	Variation 2018/2017 (%)
TOTAL, from which:	339,813,092	349,708,971	2.91%
Life insurance	1,055,320	2,465,091	133.59%
General insurance, of which:	338,757,772	347,243,880	2.51%
CASCO (B III)	39,605,956	43,720,492	10.39%
Civil liability insurance for motor vehicles (B X)	256,792,030	249,831,421	-2.71%
Fire and natural disasters (B VIII)	22,059,260	24,818,035	12.51%
Damage to property (B IX)	4,481,066	7,079,207	57.98%
General civil liability (B XIII)	5,454,460	6,481,311	18.83%
<i>Other classes of general insurance</i>	<i>10,365,000</i>	<i>15,313,414</i>	<i>47.74%</i>

From the category of general insurances, the classes with the most significant increases were also optional: property damage insurance (+ 58%), general civil liability insurance (+ 18.8%), fire *and natural disasters insurance* (+ 12.5%) and CASCO (+ 10.4%).

With regard to future prospects for sales (on medium and long term) they depend on both government policy on the risks to be insured and also on the domestic policy of the partner insurance and reinsurance companies.

In 2018, the Company recorded increases in the volume of transactions in relation to all our partner insurance companies, a trend that we also expect for 2019.

1.3.2. Description of the competitive situation in the field of activity of the company, the market share of the products or services of the company and of the main competitors

In 2018, the Company capitalized its products only on the domestic market, covering the entire territory of the country, except Caraș-Severin county. The main competitors of the Company are:

- SAFETY BROKER DE INSURANCE S.R.L, holding the 1st position in the market with a share of 7.48%;

- MARSH-BROKER INSURANCE-REINSURANCE S.R.L, occupying the second position in the market with a share of 7.38%.

At the end of the third quarter of 2018, the Company was ranked No. 3 in the market, holding a market share of 5.60%.

1.3.3. Description of any significant dependence of the company on a single customer or on a group of clients whose loss would have a negative impact on the company's income

In view of the fact that the Company has a diversified portfolio of clients, there is no dependence on a single client, which ensures greater safety in the continuity of business and the reduction of commercial risks.

1.4. Assessing aspects related to employees / staff of the company

1.4.1. Specifying the number and level of training of the company's employees as well as the degree of unionisation of the workforce

Relevant information regarding the personnel development at the level of the Company during the years 2017 - 2018 is given below:

Number of employees (end of year)	2017	2018
Economists	16	19
Computer experts	1	1
Legal advisors	3	3
Other professions - long-term higher education, out of which:	6	7
(International Relations and European Studies)	1	0
(Business Administration)	1	1
(Communication and public relations)	1	1
(Bachelor in Journalism)	1	1
(Engineer)	1	2
(Sub-Engineer - technological profile)	1	1
(Military School - active officers)	0	1
Other professions - short-term higher education, out of which:	2	2
(Civil servant in public administration)	2	2
Average Studies (Technical Profile)	0	0
TOTAL	28	32

Throughout 2018, the company organized information and training events for employees and staff on trends in the market, legislative and organizational news.

1.4.2. Description of relationships between manager and employees as well as any conflicting elements that characterize these relationships

There are no conflict elements in the relationship between managers and employees within the Company.

1.5. Perspective elements

For future periods, the Company proposes:

- Continue to develop the network of collaborators;
- Professional training of new collaborators and the existing network, through courses / debates with specialists from insurance companies, especially on the products that we intend to develop this year (life insurance, health, guarantees, agriculture etc.);
- Finalize and implement the training platform for our collaborators;
- Continue marketing strategy to increase visibility, promote the Company;
- If in 2018 were implemented in the 24Broker platform the requirements resulting from the General Regulation on the Protection of Personal Data, for the year 2019 we have as a priority:
 - Implementation of the requirements of Law no. 236/2018 on the distribution of insurance - IDD;
 - Traceability and application of the requirements of Norm no. 20/2018 on the professional training of persons involved in the distribution activity;
 - Adaptation of the activity to the future legal requirements applicable in this area of activity.

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

On 31 December 2018, the Company fulfills the operating conditions provided by current environmental legislation, with an environmental permit for this purpose.

1.7. Evaluating research and development activity

1.7.1. Statement of expenditures in the financial year as well as those expected in the next financial year for the development research activity:

During the reporting period, according to the data taken from the Company's balance sheet, no fixed assets of intangible nature were recorded as expenses related to the research-development activity.

1.8. Assessment of the business of the company on risk management

1.8.1. Description of the Company's internal control system

Internal control is one of the key elements of the effective financial reporting process and consists in maintaining an adequate control environment. The internal control system consists of policies and procedures designed to provide management with reasonable assurance that the entity achieves its objectives.

Within the Company, internal control systems exist throughout the organization, are updated to take into account all material risks that have been assessed and are managed by those who undertake the operations associated with these risks. Internal control is found in the composition of each activity and it is *formalized through operational working procedures*, based on job descriptions, which are the instructions for carrying out those activities to which internal control activities are attached.

Within the Company, executive management is the tool for applying the principles of governance by:

- *Elaboration of an Ethical Code of Conduct* that gives the "top tone" within the Society on "rules of the game", including in relations with external partners. The ethical code of the Society is relevant in the sense of being well communicated and easy to understand, establishes a good behavior that reflects the organization's business environment and ensuring compliance with specific laws and regulations;
- *Existence of some mechanisms by which staff can alert executive management or the Board of Administration* of violations of the framework of conduct or other malfunctions, without having any reservations about the possible consequences;
- *A set of operational, documented and easily accessible operational policies and procedures* for all employees, covering the major risk areas and the preparation of internal and external information. The company clearly establishes and communicates clear policies and procedures that highlight the important tasks that need to be met, the controls in place, and the ethical conduct of the company to be implemented, and these include major risk areas and the preparation of financial information internal and external;
- *A risk management system* including the necessary and sufficient resources to identify, assess, verify and continuously monitor risks;
- *An internal control framework* that ensures the implementation of an internal control system that will control significant risks and provides reasonable assurance to management in the following directions:
 - Compliance with the regulatory and regulatory framework;

- Ensuring that all transactions are recorded correctly and that financial statements are accurately prepared;
- Protecting goods and information;
- Preventing and detecting frauds and mistakes;
- The quality of the accounting documents and the timely production of reliable information about the financial and management segment.

Following the monitoring of the *effectiveness of the control systems*, the Board of Directors found, following the conclusions of the internal audit missions and the implementation of the recommendations made by the internal auditors, that:

- The internal control and risk management systems implemented are designed and operated in such a way that the entity's objectives are met with consistency;
- Key risks are identified and managed in an effective way;
- Identified weaknesses expose the entity to a general low residual risk level; management is not required to undertake significant corrective actions or measures.

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

Within the Company, risk management is a robust risk management system at organizational and process level, organized across departments across the Company. The risk management system has been organized by setting up risk registers, analyzing and evaluating the internal control system that helps us manage the risks, and developing an appropriate system of operational procedures.

Adapted risk management strategies and assurance of the effectiveness of the proposed internal control framework are part of the Company's overall strategy to maintain risks within the acceptable tolerance threshold to achieve the programmed targets / objectives, assessed, directed, and continually improved process through a performance measurement system.

In economic and financial life, risk is a component of any activity, being found in the daily agenda of company managers. At the level of the economic and financial analysis, in order to be able to analyze and evaluate the risks, they are grouped according to the consequences: **exploitation risks, financial risks and insolvency and bankruptcy risks.**

Financial risk is considered by many authors to be the most important category of risk, especially through the implications for companies' daily business. The financial risk reflects the variability of the company's results as a result of the change in the financial structure of the enterprise. As the financial structure of an enterprise depends on how to finance the business, it can be said that equity financing alone does not involve any 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 continually changing internal and external conditions. In fact, the nature of financial decisions implies uncertainty. Financial decisions are made on the basis of cash-flows provided by future contracts, which are extremely uncertain. Risk is therefore an inherent component of financial decisions.

The financial risk includes market risk, liquidity risk and credit risk.

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

Unforeseen changes in *interest rate, foreign exchange rate or price rate* affect a company's financial results:

➤ **Currency risk**

Monetary instability in recent decades has generated a major concern in managing the risks posed by exchange rate fluctuations. Companies that use currency to carry out their activities are exposed to currency risk. This is in the form of the possibility of registering losses as a result of the retention or collection of a currency, either due to the execution or only of designing the execution of foreign exchange operations at a predetermined later date.

The company does not use foreign currency in doing business, transactions are carried out on the domestic market; no international commercial or other economic relationships have been concluded that are liable to incur losses due to changes in the exchange rate of the currency between the conclusion of the contract and its maturity.

As far as currency risk is concerned, the Company is not exposed to this risk.

➤ **Interest rate risk**

The issue of interest rate risk is borrowed from borrowed sources, which involves financial charges for interest payable, and this influences the financial profitability of the company. At 2018, the Company did not record interest charges, so the interest rate did not affect the financial results.

The company has exposure to the interest rate fluctuation risk with the contracting of the investment loan at the end of 2018. The company will have to anticipate the future rate of interest rate as a potential increase will increase the cost of the borrowed capital and implicitly increase investment costs. The higher the coverage rate is the lower the risk.

➤ **Price risk**

Price risk is associated with possible changes in the structure and level of the price of goods / services offered on the market by a firm as a result of variations in the price of the resources used. Price risk has as its source the price of resources, the exchange rate and the interest rate. This risk may occur especially in the case of long-term contracts.

As far as price risk is concerned, the price level is correlated with the cost of the resources used to deliver the services and the contracts run relatively short, so that the Company has no exposure to this risk.

b) Liquidity risk

Liquidity risk is the ability of a company to meet its payment obligations. Liquidity expresses the ability to pay on time the short-term obligations from the available funds. Liquidity must have supra-unit values to show the existence of a resource supplement to cope with the incidents that may occur in the movement of working capital.

Current liquidity is the ability of the Company to cover its current liabilities on the basis of current assets. The recommended minimum level for this indicator is 2.

	2017	2018
Current Assets / Current Liabilities	1.36	1.96

- Current liquidity is cumulative due to the decrease in assets circulated at a slower pace than current debts;
- There is no reason to worry about the ability of the Company to face future payments, with current liquidity rising;
- Management analyzes the exposure to liquidity risk. The Company's policy is to maintain sufficient liquidity to settle the obligations when they become due, as well as to ensure a balance between the debt recovery period and the debt settlement period.

c) Credit risk

- The company collects the value of the rendered services within a relatively short period of time from the moment of rendering services;
- According to the concluded contracts, the receivables are monitored on a permanent basis, prudential limits are established, resulting in an insignificant exposure of the Company to the risk of non-collecting receivables. The guarantees offered give maximum security and the credit risk is minimal;

- Management carries out the analysis of debtors in the process of establishing the credit limits, monitors their behavior throughout the contract period, and at maturity ensures the collection of debts, otherwise, depending on the reason for non-collection, acts to secure a quick cashing.

2. Tangible assets of the company

2.1.1. Description and analysis of the rate of wear of the properties of the company

The rate of wear of property owned by the Company does not pose significant problems to the business.

2.1.2. Specifying potential issues related to the ownership of tangible assets of the company.

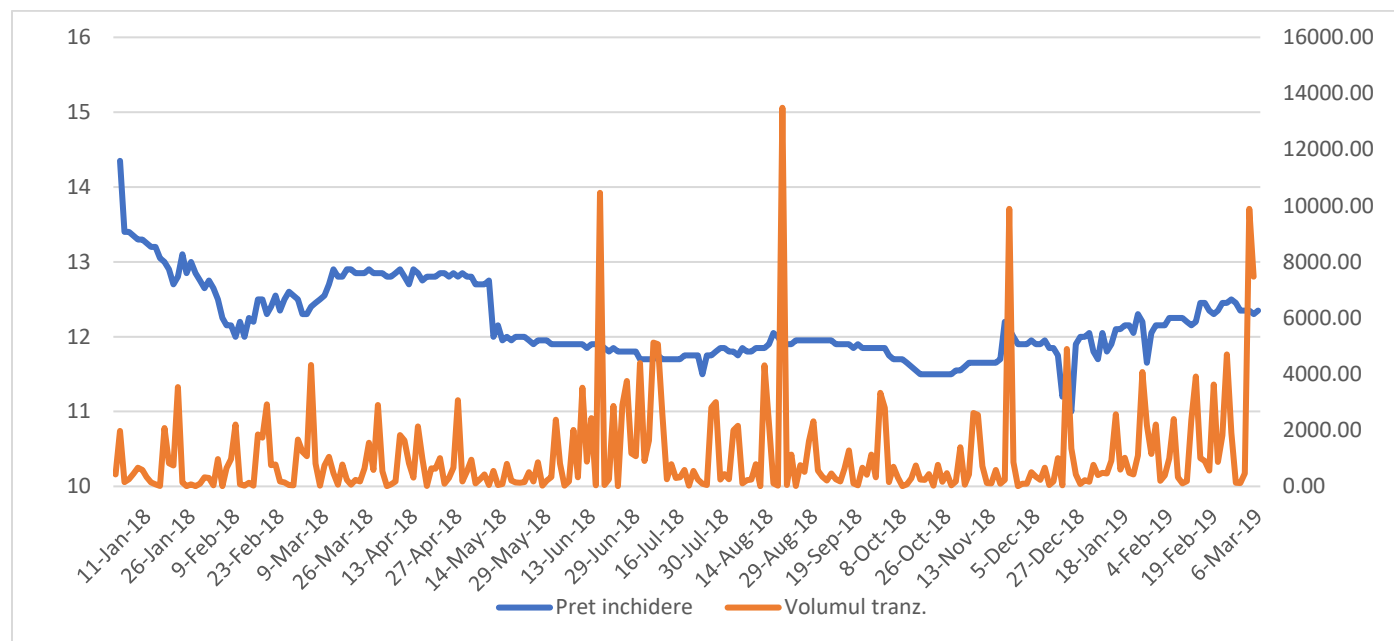
There are no problems with the ownership of the Company's tangible assets.

3. The market of securities issued by the company

3.1.1. Specification of the markets in Romania and other countries where the securities issued by the trading company are negotiated

During 2018, the evolution of TBK shares on the Romanian capital market was slightly volatile, especially in the context of the Romanian stock market, which is sensitive to the international economic and financial dynamics and to the Romanian political scene.

Evolution of TBK share price and volumes traded in 2018



Source: www.bvb.ro

The price of a share varied between a maximum of 14.35 lei reached in early January and a minimum of 11 lei in mid-October, sustained growth trends such as the one from March 5, 2018 to March 13, periods of decline, the longest of which were between 19.09.2018 and 12.10.2018.

The average volume traded per session was 1,112 shares, an average of 13,468.57, while the average trading price in the period January 1, 2018 - December 31, 2018 was of 12.11 lei.

Evolution of the price and liquidity of TBK shares during January 1, 2018 - December 31, 2018

Trading TBK shares	Minimum	Maximum	Medium
Traded volume (shares)	6	13,489	1112
Traded Value (RON)	77.1	160,300.15	13,468.57
Closing price (lei / share)	11	14.35	12.11

Source: www.bvb.ro

Beyond the sinuous trajectory of the indicators reflecting the price and liquidity of the shares belonging to Transilvania Broker de Asigurare S.A., the position and evolution of the Issuer's capital market is reflected in the level and dynamics of the valuation multiples which report the results of the economic and financial activity of the company to the investors.

Multiples of assessment of listed company - Transilvania Insurance Broker S.A.

Indicator	Computing formula	3rd January 2018	3rd January 2019	Variation (%)	Industry Average (int)
PER (price earning ratio)	Price per share / net profit per share	10.53	7.58	-28.02%	19.22
P/BV (price to book value)	Capitalization Stock Exchange / equity value	11.09	6.53	-41.2%	5.13
EPS (earnings per share)	Net income / no. of shares	1.3622	1.5834	+16.2%	Variation YOY: + 9.32%
P/S (price to sales)	Capitalization Stock Exchange / Fiscal value	0.65	0.48	-26.2%	2.61
DY (dividend yield)	Annual dividend per share / Action price	7.25%			1.79%

Source: Transilvania Broker de Asigurare S.A., www.zacks.com

The assessment indicators show a generally positive development from the perspective of the investor. The period of return on TBK's share of the company's profits, assuming constant profit, declined from 10.53 years to 7.58 years, 36% less than the average value of the indicator for the BET index.

The 42% increase in equity, accompanied by a decrease in the share price, reduced the value of the P / BV indicator, but its level gives the investor the first importance over the book value of the share, especially in the context in which, for the insurance industry and international insurance brokerage, the average value of the indicator for the last five years is 4.66.

The net profit attributable to a share increased by 16% and the investors are willing to pay 48 lei for every 100 lei Turnover.

The expression of the dividend policy of the company Transilvania Broker de Asigurare S.A., the dividend value per share rose from 1.04 lei for the financial year 2017 to 1.28 for the year ended 31.12.2018. Dividend yield (DY) has therefore increased from 7.25% for early 2018 to 8.92% for early 2019.

At the time the report was drawn up, a TBK share was quoted on the BSE regulated market at 12.35 lei, and the value of the stock exchange capitalization was 30.875.000 lei.

3.1.2. Description of the company's policy on dividends

The dividends distributed by the decision of Ordinary general assembly of shareholders in the results of the last financial years are as follows:

Related year:	2016	2017	Proposal 2018
Value of dividends (lei)	2,873,978.17	2,596,791	3,200,000

The Company undertakes to unconditionally comply 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 directives relating to the distribution of net profit, which the Company declares to respect, stating the following relevant principles regarding dividend policy:

(1) The Company recognizes the rights of shareholders to be remunerated in the form of dividends as a form of participation in the net profits earned from operating as well as an expression of the remuneration of the capital invested in the Company;

(2) In substantiating the proposal for the distribution of net profit during a financial year, the Board of Directors of the Company shall consider a balanced distribution of the net profit between the shareholder's share in the form of dividends and the share held at the disposal of the Investment Company, in accordance with the principles of prudent management and in order to ensure the 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 accounting regulations applicable and audited according to the law, in compliance with other relevant legal provisions in the matter;

(4) The distribution of the dividends due to the shareholders can be done by cash payment or by granting free shares, after the capitalization of the net profits accumulated by the Company. In any event, the proposal for distribution of dividends will be made by the Board of Directors of the Company by issuing financial statements in this respect to investors. The decision regarding the approval of the distribution of dividends belongs to GMS, adopted according to the law.

The dividend policy is published on the Company's official website (www.transilvaniabroker.ro).

3.1.3. Description of any activities of the company to acquire its own shares

The company was listed on the regulated IPO market at the end of 2017, so there is no question that the Company would have recourse to the redemption of its own shares during the reporting period.

3.1.4. If the company has subsidiaries, the indication of the number and nominal value of the shares issued by the parent company owned by the subsidiaries

The company is not part of a group and does not hold participations in other entities. On 31.12.2018, the Company has the following work points:

- Sibiu Municipality, 10, Justitia Street, Sibiu County;
- Bucharest Sector1, 59 Buzești str., bl. A5, ent. 4, fl.1, ap.66;
- Pitești Municipality, Entrance of Roses, no. 3, Argeș County;
- Cluj Napoca Municipality, 22 Sarmisegetusa Street, fl.1, Cluj County.

3.1.5. If the company has issued bonds and / or other debt securities, the disclosure of the way the company fulfills its obligations towards the holders of such securities

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

4. Structures of Corporate Governance

4.1.1. Members of the Board of Directors of Transilvania Insurance Broker S.A.

The management of the Company is provided by a Board of Directors consisting of three directors as follows:

- Niculae Dan - *president, executive member*;
- Țuică Gabriel-Alexandru - *non-executive member*;
- Deneș Daniela Tasia - *independent non-executive member*;

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

4.1.2. Presentation of the list of members of the executive management of the commercial company

The executive and operational management of the company's activity is ensured by:

- The General Manager (in person of Mr. Niculae Dan, who is also the Chairman of the Board of Directors); and
- Executive Director (in the person of Mr. Coțiac Ioan).

Members of the executive management have the competencies and responsibilities according to the job description. All persons belonging to the Company's executive management are contracted indefinitely. The persons who are part of the executive management or the Board of Directors of the company have not been involved in litigation or administrative proceedings related to their activity within the issuer.

5. Economic and financial situation

5.1. Analysis of the financial position

The analysis of the economic and financial situation of the company as compared to the previous reporting period and the situation existing at the beginning of the year covers the following aspects:

ASSETS

Indicators of the financial position (values are expressed in lei)	2017 31 December	2018 31 December	Variation (%) 2018/2017	Share in Total active (%), at 31.12.2018
Fixed assets	129,878	1,856,788	+1329.64%	18.81%
Intangible assets	15,954	18,045	+13.11%	0.18%
Tangible assets	98,849	1,816,081	+1737.23%	18.4%
Financial assets	15,075	22,662	+50.33%	0.23%
Current assets	11,821,715	8,003,379	-32.30%	81.08%
Stocks	942	0	-100.00%	0%
Claims, of which:	4,554,909	4,111,730	-9.73%	41.66%
asset claims of brokerage	372,013	836,446	+124.84%	
debts - various debtors	3,831,490	2,619,277	-31.64%	
other claims	351,406	656,007	+86.68%	
Cash availability	7,265,864	3,891,649	-46.44%	39.42%
Expenses registered in advance	6,656	11,117	+67.02%	0.11%
TOTAL ASSETS	11,958,249	9,871,284	-17.45%	100%

- In the reporting period, *current assets*, the most important asset elements, decreased both in absolute and relative terms. Their decrease by 3.82 million lei (-32.3%) resulted in the decrease of the current assets ratio from 98.9% in 2017 to 81.08% at the end of 2018, in favor of fixed assets.
- Decrease in the value of current assets is the result of the significant decrease both in receivables and cash availability.
- Decrease in receivables by 9.73% as compared to the reference period is determined by the reduction by RON 1.21 mil. of other receivables-different debtors. The claims pertaining to intermediary representing brokerage commissions activity up to 30 days maturity, presented at the time of reporting, a value of 124.84% higher than 31.12.2017, reflecting the increased intensity of the activity of brokerage in the last period of 2018 compared to the same period of 2017.
- At the end of the reporting period, receivables accounted for 51.38% of current assets with 12.84 pp. more than the share reported at the end of 2017.

- Due mainly to partly finance the acquisition of real estate and respectively the payment of dividends, cash and cash equivalents decreased to 3.374 mil. Lei (-46.44%), their share in total assets decreasing from 60.76% to 31.12.2017, to 39.42% at 31.12.2018.
- During the reporting period, the assets increased from 130 thousand to 1.86 million. Lei, following the acquisition of property worth 1,698,272 lei contractual consisting of office building and related land suited for office social, according to the AGM decision of 6 December 2018.
- A 50% increase was also recorded in the case of financial assets, with a limited impact on the value of non-current assets, given their low weight in total assets.
- The increase in the value of fixed assets (+1.73 mil. Lei), associated with the decrease in the value of current assets (-3.82 mil. Lei), led to the decrease of the total assets of the company by 17.45%, from 11.96 mil. lei to 9.87 lei.

EQUITY AND DEBT

Indicators of the financial position (values are expressed in lei)	2017 31December	2018 31 December	Variation (%) 2018/2017	Share in Total active (%), at 31.12.2018
Current debts	8,723,850	4,078,759	-53.25%	41.32%
Bank loans		200,400		2.03%
Debts related to brokerage activity	5,044,351	3,315,470	-34.27%	33.59%
Other short-term liabilities	3,679,499	562,889	-84.70%	5.70%
Non-current debts	0	1,199,600		12.15%
Long-term loans	0	1,199,600		12.15%
Total debts	8,723,850	5,278,359	-39.5%	53.47%
Joint stock	500,000	500,000		5.07%
Reserves, out of which:	100,000	100,000		1.01%
Legal reserves	100,000	100,000		1.01%
Reported result, out of which	(-701,223)	34,399	-	0.35%
- from the correction of accounting errors	(-701,223)	-	-	-
- unpaid profit	-	34,399	-	0.35%
The result of the period	3,405,622	3,958,526	16.24%	40.1%
Distribution of profit	70,000	0	-	-
Total equity	3,234,399	4,592,925	42.00%	46.53%
TOTAL EQUITY AND DEBT	11,958,249	9,871,284	-17.45%	100%

- Total debts decreased by 3.45 million lei during the analysis period compared to the reference period (-39.5%). At 31.12.2018, short-term debts recorded a value of 84.7% lower than at 31.12.2017, while the value of long-term debts was by 1.2 million lei higher than in the reference period.
- The decrease in the current debt position (-84.7%) was due to short-term debts related to the intermediary activity and to other current debts as follows:
 1. Current debts related to intermediation activity reported 34.27% lower than in 2017 (-1.73 million lei).
 2. The decrease of "Other short-term liabilities" arises from the extinction of the dividend payment obligations, amounting to 2.88 million lei at the end of 2017. During 2018, the company paid dividends for the years 2016 and 2017 in total value of 5.47 million lei.
 3. The other categories of short-term debts decreased by 30.6% (-246 thousand lei), reaching 558 thousand lei as at 31.12.2018.
- Non-current debts as of 31.12.2018 reflected the contracting of a long-term bank loan amounting to 1.4 million lei for the partial financing of the acquisition of real estate, according to the AGEA decision of December 6, 2018. Of its value, the amount of 200, 4 thousand lei represents obligations due within one year. As a result, long-term liabilities accounted for 22.73% of total Debt, 19.34% of Fixed Capital and 11.67% of Total Liabilities at the end of the reporting period.

Besides this bank credit, the company has no other long-term debt.

- The relative evolution in the mirror of current debts (MDL -3.12 million) and non-current (+1.2 million lei) reflects a prudent management policy focusing on low risk exposure by maintaining a level of relatively low indebtedness and a net treasury sufficient for the current asset financing needs.
- Social capital and reserves, in shares of 10.9% and 2.2% of own capital respectively, did not change in 2018 compared to 2017.
- The result of the exercise, amounting to 3.96 million lei at 31.12.2018, is by 552.9 thousand lei higher than that reported for the year 2017 contributing in proportion of 86.2% to the Own capital, 68.34% to the Capital and of 40.1% for the Total Loss.
- With the decrease of current debts by 4.65 million lei, the increase of non-current debts by 1.2 million lei and own capital by 1.36 million lei, the total liabilities decreased by 2.09 million lei, respectively -17.45%.
- A brief analysis of the financial balance of the company highlights the availability of significant permanent resources to cover the various current financing needs. The working capital increased from 3.1 million in 2017 to 3.94 million in 2018 (+ 26.77%) as the positive change in absolute value of the permanent capital exceeded that of fixed assets. The net treasury remains positive, worth 3.9 million lei at the end of the financial year 2018.

5.2. Analysis of financial performance

PROFIT AND LOSS ACCOUNT

Indicators of financial performance (values are expressed in lei)	2017 31 December	2018 31 December	Variation (%) 2018/2017	Share in the income / expense category (%), 2018
Income from operations, of which:	53,906,286	62,144,821	+15.28%	100%
Income from brokerage activity	53,835,203	62,121,897	+15.39%	99.96%
Revenue from subsidies and other operating income	71,083	22,924	-67.75%	0.04%
Operating Expenses, out of which:	49,931,129	57,484,914	+15.13%	100%
Expenditure on fees due to brokerage assistants	45,544,380	51,905,798	+13.97%	90.29%
Expenditure on services rendered by third parties	1,273,722	2,183,280	+71.41%	3.8%
Expenditure on consumables and materials in the nature of inventory items	131,427	135,666	+3.23%	0.24%
Expenses with other taxes, fees and similar payments	173,037	80,113	-53.70%	0.14%
Staff costs	2,270,043	2,327,041	+2.51%	4.05%
Depreciation costs	135,930	76,591	-43.65%	0.13%
Other operating expenses	402,590	776,425	+92.86%	1.35%
RESULTING FROM EXPLOITATION	3,975,157	4,659,907	+17.23%	-
Financial income	2,692	17,753	+559.47%	-
Financial expenses	2,539	0	-	-
FINANCIAL RESULT	153	17,753	+ 11,503.27%	-
GROSS RESULT	3,975,310	4,677,660	+17.67%	-
Tax	569,688	719,134	+26.23%	-
NET RESULT	3,405,622	3,958,526	+16.24%	-

- Income froms brokerage activity, which is identified with *net turnover* and represents 99.96% of total operating income, increased by 15.39% as compared to the previous year, due to the increase in revenues from the negotiation of insurance contracts (+ 8.34 million lei).

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- Other operating income decreased by 67.29%, reaching 22.9 thousand lei at the end of 2018.
- As a result, *the operating income* registered an increase of 15.28% compared to the year 2018 (+ 8.24 million lei)
- The value of *total operating expenses* increased by 7.55 million lei, mainly due to commission expenses due to brokers' assistants (+6.36 million lei), other expenses on services rendered by third parties (+ 910 thousand lei), as well as of the value adjustments and provisions set up at the level of receivables (+478 thousand lei).
- At the end of the financial year 2018, operating profit was 4.66 million lei, 17.23% higher than in the reference period.
- During the reporting period, the interest income increased 6.8 times up to the value of 17.753 lei, resulting in a positive financial result of 17.8 thousand lei.
- The positive dynamics of the operating result led to the increase of the gross profit of the exercise by 702 thousand lei, representing an increase of 17.67% compared to 2017. After deducting the profit tax expense, the entity obtained a net profit of 3, 96 million lei, up 16.24% compared to the reference period

6. Litigations

The Company's management assessed the state of disputes involving the Company at the time of the financial statements, considering that they would not have a significant impact on the Company's operations and financial position.

The Management of the Company carries out periodic analyzes of the status of all ongoing litigation and, on the basis of consultations with lawyers contracted and with the Legal Service, decides on the need to recognize provisions or to present them as contingent liabilities.

As a result of the analysis of the dispute situation, all necessary adjustments were made in the accounts, and the amount of 2,117,832, 72 lei demanded in the dispute with Asirom Vienna Insurance Group SA was presented in the notes to the financial statements as a contingent liability, as in the first instance the process was won by Transilvania Insurance Broker SA

**Chairman of the Board of Directors,
Niculae Dan**

**TRANSILVANIA BROKER
INSURANCE BROKER**

**TRANSILVANIA BROKER DE ASIGURARE S.A.
5 Zorilor street, Bistrița, Bistrița-Năsăud county, Romania, 420011
Trade Register J06/674/2006 Tax code: 19044296
Joint stock: 500 000 lei**

The undersigned PRUNDEANU MARIA ANTONELA sworn interpreter and translator for English and Turkish languages under the license no. 16926 dated 18.05.2007, issued by the Ministry of Justice of Romania, certify the accuracy of the translation done from Romanian into English language, that the text presented has been fully translated, without omissions, and that the translation of the document has not distorted its content and meaning.

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