

ANNUAL REPORT

of

Board of Directors

on financial operations as of December 31st, 2019

in compliance with the provisions of FSA Regulation no.5/ 2017 on issuers of financial instruments and market operations

1. General Company Information

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 companies' operations comply with the provisions of the Companies' Law 31/ 1990 and Law 236/ 2018 on the distribution of insurance. The company is licensed by the Financial Supervisory Authority (ASF) to conduct brokerage services in the commercial insurance field under no. 114420 of November 21st, 2006 and is enrolled in the Insurance Brokers' Register under no. RBK-374. The company runs its activity in compliance with the legal provisions issued by ASF pertaining to insurance brokerage in the commercial field. The company is public listed on Bucharest Stock Exchange as of November 2nd, 2017.

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.

1.2. Assets' purchase and/or sale

In 2019 an increase of the tangible fixed assets was registered: lei 211,739 as a result of investment made in land and buildings' improvements and lei 88,196 as a result of purchase of equipment, technical appliances and furniture.

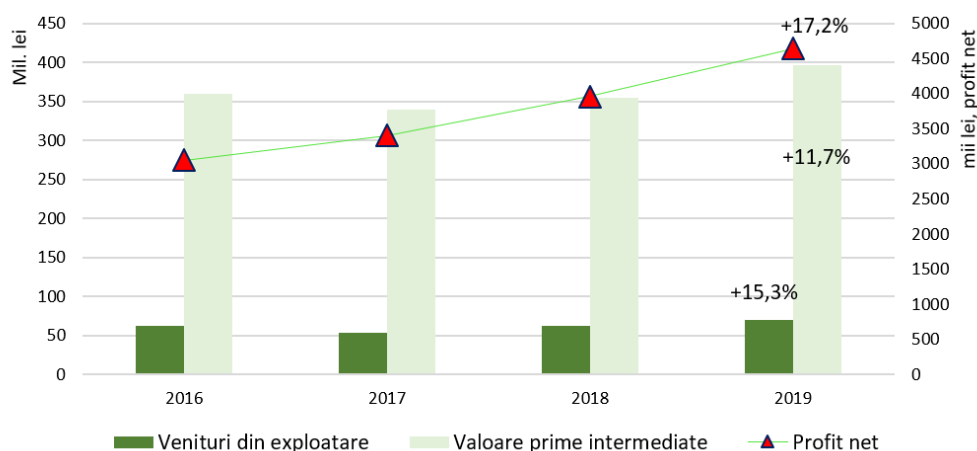
Assets were sold in the amount of lei 47,576, in the form of transportation vehicles with closed amortisation period.

1.3. Main results of the Company

On December 31st, 2019 Transilvania Broker de Asigurare S.A. („Transilvania Broker”) concluded the 3rd year in a row of continuous increase in profits and profit margin (fig.1). The net profit reported for 2019 (lei 4.639,8 th) represents an increase by 17.2% as compared to 2018 and by 52.04% as compared to 2016.

This evolution was supported by the positive dynamics of the other main financial indicators such as the volumes of underwritten premium rates and the earnings from insurance distribution activity, which, this year too, were higher than the forecasted budgets. Improvements in efficiency of running operations also generated an increase of profits' margin from 4.88% in 2016 to 6.58% in 2019.

Fig. 1 Main financial indicators 2016-2019



The values of indicators pointing at financial position such as liquidity, solvency and indebtedness are above the stress thresholds and follow a positive evolution.

In 2019 Transilvania Broker maintained focus on its most important asset- the human resource- and continued investing in it, as well as in promotion and marketing strategy. Involvement in terms of Corporate Social Responsibility increased also- the financial support offered to the children football team in the local community got to lei 178.4 th (57.5% higher than in 2018).

Pursuant to the General Assembly Resolution no. 9/23.04.2019, dividends were granted to shareholders in gross value of lei 1.28/share (lei +0.24/share more than the dividend settled for the 2017 financial year) which summed up 80.8% of the net profit reported for 2018 and was lei +0.24 lei/ share higher than the gross dividend issued as per 2017 financial year.

In terms of administrative operations, the following two are to be mentioned for the reporting period:

- the General Assembly Resolution no.9 of April 23rd, 2019 on renewal of audit services agreement with Rau Audit Office SRL until July 23rd, 2022 and
- the Trade Register Resolution no. 8721 of July 11th, 2019 on the change of the registered office of the Company to 13, Calea Moldovei, Bistrita, Bistrita Nasaud County (decided in the General Assembly Resolution no. 13 of December 6th, 2018.

2. 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 ASF 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 (“ASF 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 ASF Norm 36/2015. In terms of taxes, the Company’s approach is in compliance with the provisions of Fiscal Code Law no. 227/2015.

In accounting of the financial effects of the Company’s operations the accounting principles and rules regarding *the recognition and valuation of the patrimonial elements* were observed. The book keeping for assets, liabilities and equity, the results obtained respectively, 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: 4,639,774 lei

b) Net turnover: 70,544,204 lei

c) Liquidity and solvency indicators

Indicators	Calculation formula	31.12.2018	31.12.2019	Benchmark
Current ratio / Quick ratio	Current assets/Current debts	1.962	2.016	>2
Cash ratio	Cash/Current debts	0.954	1.087	>0.8
Leverage ratio	Total Asset /Total debts	1.870	2.022	>1
Equity to capitalization ratio	Equity /(Long term debt + Equity) *100	79.3%	85.8	>30%

The company’s liquidity ratios, with values inside the comfort range and on positive trend compared to the previous financial year, 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.

This tight control and monitoring of the cash flows characteristic to the insurance brokerage activity – between the insurers, Transilvania Broker and brokerage agents – together with a judicious internal management of the available cash and cash equivalents, have led to a high level of financial liquidity, as the current assets' value doubles the value of the debts to be paid within one year.

As of 31.12.2019, the cash equivalents in the amount of 5,332.5 th lei covered the current debts by 108.7%, which also highlights the financial stability of the Company.

For 2019 financial year, as the Company's equities increased in absolute and relative values compared to the Company's debts, the Solvency indicators stay at significantly higher values than the comfort threshold and are higher than the previous year. This pinpoints to the Company's high capacity of self-financing and debt payment.

d) Indebtedness indicators

Risk indicators	Calculation formula	31.12.2018	31.12.2019	Benchmark
Long-term debt to capitalisation ratio	Borrowed capital/ Long-term capital *100	20.7%	14.21%	<50%
Debt to equity ratio	Total debt / Total assets*100	53.5%	49.5%	<80%

Borrowed long-term debt level was reduced and equities level increased, which led to a favourable evolution of risk indicators. The indebtedness level is significantly lower than the alert threshold and on a downward trend. This highlights on a low financial risk level, high capacity for debt payment and a sound credit risk management. Moreover, the long-term debt capitalisation ratio and the structure of the permanent capital reflect easy access to funding on monetary markets.

e) Margin and profitability ratios

Indicators	Calculation formula	2018 31 December	2019 31 December
Operating profit margin	Operating profit / Sales *100	7.50%	7.67%
Net profit margin	Net profit / Sales *100	6.37%	6.58%
Return on equity ratio	Net profit / Equity *100	86.19%	76.91%
Return on long-term capital ratio	Net profit / Long-term capital *100	68.34%	65.98%

The higher growth pace of the revenues as compared to expenditures allowed for the slight increase of the profit margins. At the same time, the increase in equity value by 1,439.8 tho lei (+31.3%) in 2019 as compared to the previous year, higher than the increase in the net profits, led to lower return on equity, and return on long-term capital ratios. Nevertheless, these values pinpoint to a favourable position of the Issuer in the context of its specific activity.

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	
	31.12.2018	31.12.2019
Net cash from operating activities	- 3,084,609	1,863,202
Net cash from investment activities	-1,689,606	- 221,912
Net cash from financing activities	1,400,000	- 200,400
Cash and cash equivalents on January 1st	7,265,864	3,891,649
Net increase/ decrease of cash and cash equivalents	-3,374,215	1,440,889
CASH AND CASH EQUIVALENTS ON DECEMBER 31ST	3,891,649	5,332,539

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, 2019 increased by 37.03% compared to the previous reporting period.

Out of the *Operating activities* the Company registered a positive cash flow of 1,863,202 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 negative cash flow of 221,912 is registered as a result of the payments made for purchase of tangible assets in a total amount of 299,934 lei. Revenues from assets' sale were registered in the amount of 47,576 lei in the reporting period.

The financial activities of the Company generated a negative cash flow of 200,400 lei, *due to the reimbursement of annual instalments pertaining to the bank loan withdrawn the previous year for financing the purchase of tangible assets.*

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 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;
- 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;



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- 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 (potential) clients' knowledge of the rights and insight they should have> The following information is rendered to all clients before signing their insurance 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;

2. Assessment of sales activity

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	31.12.2018	31.12.2019	Evolution (lei)	Evolution (%)
Turnover	62,121,897	70,544,204	8,422,307	13.58

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

In 2019 the Company sold its products only on the domestic market, covering the whole country, except for Caras- Severin county. The main competitors are:

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

According to the most recent report issued by the Financial Supervisory Authority with regards to the evolution of insurance market in H1 of 2019, Transilvania Broker was ranked on the third position among the insurance/ reinsurance brokers as per the total volume of premiums intermediated in 1st semester of 2019, with a market share of 5.51%.

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.

4. Assessment of the Company's employees/ personnel

1. Number and education of the Company's personnel

The relevant information on the evolution of the Company's personnel in 2018 – 2019 is contained in the table below:

Number of employees (end of year)	2018	2019
Economists	19	19
IT Experts	1	1
Legal advisors	3	3
Others - long-term higher education	7	7
Others - short- term higher education	2	2
Secondary education (technical profile)	0	0
TOTAL	32	32

There were no changes to the personnel structure within January 1st, 2019 and December 31st, 2019, as compared to the previous reporting period.

Within 2019 the Company organised events for informing and training of employees and agents with regards to the trends of the market and the news on legal and organisational issues

2. Working relationship between manager and employees, identification of any conflicts pertaining

There are no conflicts reported between managers and employees in the Company.

5. Prospective approach

The Company sets as prospects to be accomplished in the next period:

- Continuing on developing the distribution network;
- Professional training of new agents and of existent distribution network through courses/ lectures with professionals in insurance companies, especially on products we intend to develop within this year (life insurance, health insurance, guarantees, agriculture field etc.)
- Completion and implementation of the professional training platform for our agents;
- Continuing on our marketing and promoting strategy aiming at increasing the Company's visibility;
- After implementation in 2019 of the provisions of Law 236/ 2018 on insurance distribution- IDD and of ASF Norm 20/2018 pertaining to professional training of personnel involved in the distribution activity, the priority for 2020 consists in:
 - Development of our online sales platform;
 - Aligning our activity to future requirements that are applicable to this activity field.

6. Assessment of the impact of 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, 2019 the Company complies with all conditions necessary for operating its activities as provided for by the legislation in force pertaining to environment protection. It has been granted the authorisation to function by the Environment Agency in Romania.

7. Assessment of research and development activity

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.

8. Assessment of the Company's risk management

8.1. The Company's internal controlling system

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

- *Code of Business Conduct and Ethics* with insights on the business scope of the Company as well as with provisions for compliance with legislation in force and specific methodologies;
- *Mechanisms created for personnel to be able to alert the Executive Management or the Board of Directors* regarding violation of the business conduct and other defaults, with no reservations due to potential consequence;
- *A set of operational policies and procedures* to ensure functional working of all departments of the Company;
- *A risk management system* covering also the necessary and sufficient resources for permanent identification, assessment, checking and supervision of risks;
- *Internal controlling procedures* that ensure the implementation of a risk management system which covers significant risks and thus 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 book keeping and provision in due time of trustful and reliable data with regards to financial and management divisions.

8.2. The Company's exposure to the market, credit and liquidity risks

In terms of economic- financial analysis, risks are grouped depending on their impact in order to get assessed: **operating, financial and insolvency/ bankruptcy risks.**

The financial risk is inherent to the Company's variable outcomes as a result of the change of its financial structure. The financial structure is closely connected to the financing means followed by

the Company, hence we can infer that financing exclusively out of own equities does not incur into any risk.

The management of financial risk is part of the financial planning and controlling activity and is always the subject of strategical decisions to continuous aligning to the internal and external conditions, both consistently changing. The very nature of financial decisions involves lack of certainty. Financial decisions are taken depending on future cash flows that are uncertain by default. Risk is consequently inherent to financial decisions.

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

a) Market risk (currency, interest, 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:

➤ *Currency exchange risk*

Companies that use foreign exchange in operating their activities are exposed to the currency risk. This refers to the probability to incur losses in the international contracts or other economic relations due to the change in currency rates in the period between commencement of the contract and its maturity date.

The Company does not use foreign exchange in operating its activities, as transactions are run on the domestic market. There have been no contracts or other economic relations concluded which might be the subject of registering losses due to change of currency rates in the period between commencement of the contract and its maturity date.

The Company is not exposed to the currency risk.

➤ *Interest rate risk*

The interest rate risk appears in the case of financing done through loans, which involves financial expenses for payment of debt in the form of interests, as the latter have an impact on the financial profitability of the Company. The Company is exposed to the risk of volatility of interest rates starting with end of 2018, when the investment loan was withdrawn.

The level of interest rate coverage out of the gross profits indicator, as per 2019, shows that the Company is not at risk generated by the interest rates. This indicator shows how many times the Company can pay for the interest debt and the higher it is, the lower the risk.

The exposure of the Company to the 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.

➤ *Price risk*

The price risk refers to price of resources, the currency exchange rates and the interest rates. It may appear especially when long-term contracts are concluded.

The Company operates with contracts concluded for relatively short-term, so that it is not exposed to this risk.

b) Liquidity risk

Liquidity refers to the capacity to pay in due time all short term obligations out of available cash resources. it must have supra-unit values in order to confer the existence of additional resources that may be used to cope with events occurring in the movement of working capital.

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.

	2018	2019
Current assets/Current liabilities	1.962	2.016

There are no reasons to worry about the Company's ability to pay for future liabilities, as the current liquidity is on an increasing trend.

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 and in a positive evolution as compared to the previous reporting period; this is inherent to the peculiarities of the insurance brokerage activity, namely where there are legal and methodological provisions that regulate the compensation terms of liabilities to the insurers and of revenues from the brokerage agents.

c) Credit risk

The Company is paid for the services provided in a relatively short term from the moment services are performed.

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, supervise 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 of wear level of tangible assets

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.

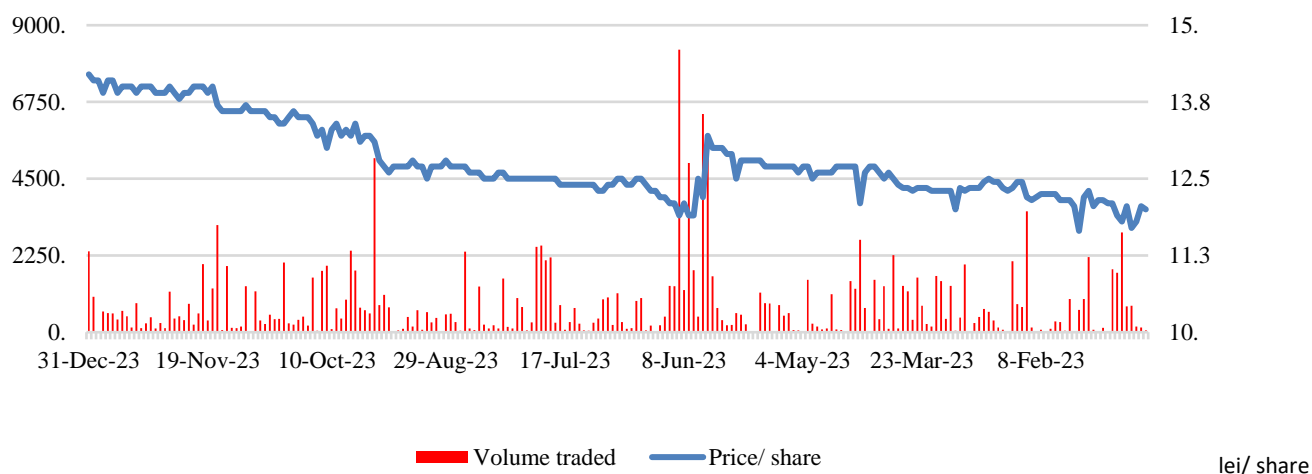
3. The market of the type of securities issued by the Company

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 symbol.

In 2019 the evolution of TBK shares on the Romanian stock exchange underwent an ascending trend, closely following that of the Romanian market on the whole, with its specific volatility as a result of the international economic- financial dynamics, as well as that on the Romanian political environment.

Evolution of TBK shares' price and volumes traded in 2019



Source: www.bvb.ro

The end of year 2019 came with a highest level of the TBK share price out of the reporting period (14.2 lei/ share), meaning an increase by 18.33% as compared to the beginning of the year. The breaking trend of this rhythm in the period of 3 to 5 June 2019 is natural to the period right before registration of the General Assembly's Resolution pertaining to dividends' granting and distribution. (Ordinary General Assembly no. 9 of April 23rd, 2019).

The share price thus varied between the maximum level reached at the end of the period (14.4 lei) and the minimum level of 11.56 lei/ share registered at the beginning of year 2019.

For 01.01.2019 – 31.12.2019 period, the medium volume traded per session was of 791.5 shares, the average value per session was of 10,061.73 lei, while the weighted average trading price was of 12.71 lei.

Evolution of price and liquidity of TBK shares within 01.01.2019 – 31.12.2019

Trading TBK shares	Min.	Max.	Average
Traded volume (shares)	10	8,280	791.5
Traded value (lei)	120.5	98,532	10,061.73
Closing price (lei / share)	11.65	14.2	12.71

Source: www.bvb.ro

Besides the evolution of price and liquidity indicators for the shares owned by Transilvania Broker de Asigurare S.A., its position and evolution on the stock market is acknowledged also by the level

and dynamics of the rating multiples, which report the economic- financial results of the company for the investors' assesment and expectations.

Rating multiples for the public listed Company – Transilvania Broker de Asigurare S.A.

Indicator	Calculation formula	January 3rd, 2019	January 3rd, 2020	Variation	Average value on industry (int)*
PER (price earning ratio)	Price per share / net profit per share	7.58	7.65	-0.92%	18.13
P/BV (price to book value)	Stock capitalisation / equities	6.53	5.88	-9.95%	2.61
EPS (earnings per share)	Net profits / no. of shares	1.58 (lei)	1.86 (lei)	+17.72%	Variația YOY: + 12.02%
P/S (price to sales)	Stock capitalisation/ Turnover	0.48	0.50	+4.21%	2.61
DY (dividend yield)	Annual dividend per share/ Price of share	10.67%	10.7%	+0.35%	1.29%

Source: Transilvania Broker de Asigurare S.A., *industry „insurance brokerage” - www.zacks.com

The rating multiples have values that reflect a favourable trend from the Investor's perspective. The price earning ratio (PER)- the period of time needed for a return on the investment in TBK shares staid relatively the same as compared to the previous reporting period, at a level that is considered generally positive for the stock market and very close to the PER average value for the companies that gather the BET index on January 3rd, 2020 (7.7).

The increase in the value of equities (+31.3%) in a faster pace than that of the price per share (+18.3%) generated a lower P/BV. Yet, the latter's value generates for the investor a significant premium compared to the accounting value of share (2.41 lei).

The net profit/ share increased by 17.72% and investors are prone to pay 2 lei more for each 100 lei of the turnover, as compared to the beginning of the reporting period.

At the time this report was drawn up, the TBK share was quoted on the Bucharest Stock Exchange at 12.4 lei, at a value of stock capitalisation of 31,000,000 lei. As a result of the negative shock induced over all stock exchange markets by the pandemic COVID 19 crisis, the TBK quote got lower, as of February 20th, 2020, by 17.33%. This is significantly lower than the BET-XT index (-30.38%) grounded by the context of reduced liquidity, as well as of the specifics of the industry.

3.2. Issuer' s dividend policy

Characteristic to the Company's dividend policy, the value of the dividend/ share ratio continued to increase, from 1.28 lei for the financial year 2018, to 1.52 lei for the financial year ended 31st December 2019 (+18.75%). Taking into account the relatively similar increase of the share price, the dividend yield (DY) staid slightly constant.

The dividends granted through Ordinary General Assembly Resolution as per latest financial years:

Dividends granted in the past 3 years

Corresponding financial year:	2017	2018	Proposal for 2019
Dividends' value (lei)	2,596,791	3,200,000	3,800,000

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

În In the reported period the Company did not initiate any redemption programmes for own shares.

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, 2019 the Company had the following business offices:

- Sibiu, 10, Justiției street, Sibiu County;
- București District 1, 59, Buzești street (A5/ap.66);
- Pitești, 3, Intrarea Rozelor street, Arges County;
- Cluj Napoca, 22, Sarmisegetusa 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

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

4. Corporate Governance

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

The Company is run by the Board of Directors consisting of 3 members:

- Dan Niculae – *Chairman, executive member*;
- Gabriel-Alexandru Tuica - *non- executive member*;
- Daniela-Tasia Denes - *independent non-executive member*;

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

4.2. Executive management of the Company

The Company is run on executive and operational levels by:

- The General Manager(Mr. Dan Niculae, Chairman of the Board of Directors)and
- 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)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in total assets (%), 2019
Fixed assets	1,856,787	2,040,516	+9.9%	17.1%
Intangible assets	18,045	8,636	-52.1%	0.07%
Tangible assets	1,816,080	2,019,710	+11.2%	16.9%
Financial assets	22,662	12,170	-46.3%	0.10%
Current assets	8,003,378	9,887,408	+23.5%	82.8%
Inventories	0	0	-	0%
Receivables, of which:	4,111,729	4,554,869	+10.8%	38.2%
brokerage related receivables	836,446	920,990	+10.1%	7.72%
other receivables	3,275,283	3,633,879	+10.9%	30.44%
Cash and bank accounts	3,891,649	5,332,539	+37%	44.7%
Prepayments	11,117	9,103	-18.1%	0.08%
TOTAL ASSETS	9,871,282	11,937,027	+20.9%	100%

5.2.

DEBTS AND EQUITIES

Financial position indicators (lei)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in total liabilities la 31.12.2019
Current debts	4,078,759	4,905,127	+20.3%	41.1%
Bank loans	200,400	200,400	-	1.7%
Debts related to brokerage activity	3,315,470	4,116,732	+24.2%	34.5%
Other short-term debts	562,887	587,995	+4.5%	4.93%
Non-current debts	1,199,600	999,200	-16.7%	8.37%
Long-term loans	1,199,600	999,200	-16.7%	8.37%
Total debts	5,278,357	5,904,327	+11.9%	49.46%
Social capital	500,000	500,000		4.19%
Reserves, from which:	100,000	100,000		0.84%
Legal reserves	100,000	100,000		0.84%
Reported result	34,399	792,926	+2205.1%	6.64%
Reference result	3,958,526	4,639,774	+17.2%	38.9%
Total equities	4,592,925	6,032,700	+31.3%	50.54%
TOTAL EQUITIES AND DEBTS	9,871,282	11,937,027	+20.9%	100%

End of year 2019, the current assets, which make up for the most part of total assets (82.8%), consist of cash and cash equivalents (representing 53.9% of current assets and 44.7% of total assets) and receivables (representing 46.1% of current assets and 38.2 of total assets).

The variation in cash and cash equivalents' values end of year 2019 as compared to the end of previous year (+37%) was due to directing financial resources for the purchase of a real estate for the new headquarters of the Issuer, on the one hand and to the payments of dividends corresponding to the previous 2 years, 2016 and 2017 (total of 5,475.8 th lei).

In the Receivables asset category, the value of receivables pertaining to the brokerage activity – in relation to both insurers and brokerage agents – represents 97.41% of all receivables. The rest of 117.8 th lei comprises receivables in relation to personnel and state budget. The increase in receivables by 10.8% as compared to the previous year reflects the increase in the volume of intermediated premiums.

The value of tangible assets, representing 99% of fixed assets and 16.9% of total assets, increased by 11.2% given the investment in land and buildings improvement (211.7 th lei), technological equipment, transportation and other office furniture (88.2 th lei), which exceeded the value of amortisation in 2019. As per the adjustment to the reduction of value of intangible and financial assets, the dynamics of tangible assets generates an increase by 99% of the total value of total fixed assets.

The Issuer's debts, by 11.9% higher than in 2018, represent 49.5% of the total liabilities of the Company. 83.9% of current debts are generated by brokerage activity, whose due payment terms are legally regulated by the specific insurance brokerage industry. The dynamics of both receivables and current debt is a mere reflection of the intensity of the intermediation activity. The current debt to various creditors is of 25.1 th lei (0.5% of total current debt), while fiscal debt pertaining to personnel and public budget reaches 463.3 th lei (9.45% of total current debt).

Debt with due date greater than one year consists exclusively of the bank credit contracted for the acquisition of fixed assets within the previous financial year, whose value is gradually reduced by way of due yearly instalments.

The Issuer's equity represents 50.5% of the Company's liabilities on 31.12.2019. It is by 31.3% higher as compared to the end of 2018 and is generated by 792.9 th lei as retained earnings in 2019 (792.2 th lei more than in 2018), as well as by the net result of the reporting period, by 17.2% higher than in 2018.

5.2. Analysis of financial performance

Financial performance indicators				
(lei)	2018 31 December	2019 31 December	Variation (%) 2019/2018	Share in specific income / exp. cate- gory (%), 2019
Operating revenues, of which:	62,144,821	70,625,675	+13.7%	100%
Revenue from insurance brokerage	62,121,897	70,544,204	+13.6%	99.88%
Other operating revenues	22,924	81,471	+255.4%	0.12%
Operating expenditure, of which:	57,484,914	65,218,384	+13.5%	100%
Expenditures with commissions due to broker agents	51,905,798	60,045,230	+15.7%	92.07%
Expenditures of services provided by third parties, of which	2,183,280	2,006,669	-8.1%	3.08%
<i>exp. with advertising, marketing</i>	389,863	526,465	+35.0%	
<i>other exp. with third parties' services</i>	1,793,417	1,480,204	-17.5%	
Expenditures of material nature as consumables, inventory objects	135,666	228,543	+68.5%	0.35%
Expenses with other taxes, fees and similar payments	80,113	104,302	+30.2%	0.16%
Personnel expenditures	2,327,041	2,542,601	+9.3%	3.90%
Amortisation expenditures	76,591	108,593	+41.8%	0.17%
Current assets depreciation expenditures	569,039	0	-	
Other operating expenditures	207,386	182,446	-12.0%	-
GROSS OPERATING RESULT	4,659,907	5,407,291	+16.0 %	-
Financial revenues	17,753	28,034	+559.5%	-
Financial expenditures	0	61,780	-	-
FINANCIAL RESULT	17,753	(33,746)	-	-
GROSS RESULT	4,677,660	5,373,545	+14.9%	-

Tax on profit	719,134	733,771	+2.0%	-
NET RESULT	3,958,526	4,639,774	+17.2%	-

The company's revenues generated by the brokerage activity, *the Net Turnover*, represent 99.88% of all operating income. They increased by 13.7% as compared to the previous year, given the boost in volume of premiums intermediated in 2019 from 355,010.6 th lei in 2018 to 396,600.7 th lei in 2019 (+11.7%). The average brokerage fee, calculated as the ratio between the value of intermediated premiums and the revenues from the brokerage activity, increased from 17.5% in 2018, to 17.8% in 2019.

The operating expenditures increased in a slower pace than the revenues (+13.5%), which led to a positive gross operating result of 5,407.3 th lei, by 16% higher than the year before. The gross profit margin increased also from 7.5% last year, to 7.67 % in 2019.

While other categories of operating expenditures got lower, the expenditure with commissions granted to brokerage agents increased at a slightly faster pace than the revenues generated by the brokerage activity (+2 p.p.), but the ascending rhythm of profit growth was kept.

The advertising and marketing costs represent the main category in the "expenditures with services provided by third parties" (26.2%). Their value increased by 35% as compared to the previous year, as a result of the management's focus on increasing brand and services awareness within the targeted market and among strategic partners.

Downsizing the expenditure with services provided by third parties (-331.2 th lei), as some IT development projects were completed and the value the expenditures with the depreciation of receivables from various debtors were removed (-569.0 th lei), contributed to a lower increase rate of total expenditures as compared to that of the revenues.

The sponsorship costs related to the educational-social projects in the local community supported by Transilvania Broker increased also by 57.5% in 2019, as compared to 2018.

The financial revenues and costs are related to the interests received and paid and generated a loss of 33.7 th lei.

The gross profit of 5,373.5 th lei, adjusted by the profit tax of 733.8 th lei, led to a positive net result of 4,639.8 th lei, by 17.2% higher than the reported profit end of 2018.

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.

The Company acknowledges that at the time of reporting on financial statements the litigations the Company is involved in shall not have a significant impact on the operations and financial position of the Company. Yet, there is an amount that needs to be considered as contingent liability: 2,117,833 lei claimed by Asirom Vienna Insurance Group S.A. Transilvania Broker de Asigurare S.A. won at first instance with the Court of Bistrița-Năsăud, the appeal of Asirom Vienna Insurance Group S.A. was rejected in 2019.

7. Signatures

Chairman of Board of Directors

Dan Niculae