

**CARDIF ASIGURĂRI S.A.**  
**Annual Report for 2010**

**1. Company presentation**

"Cardif Asigurări" S.A. is a commercial insurance company authorized by the Insurance Supervision Commission by Decision no. 114 171/28.12.2006, registered with the Insurers' Register by number RA 058/28.12.2006, having its headquarters in Bucharest, 40-44 Banu Antonache Street, 1<sup>st</sup> floor, 1<sup>st</sup> district.

The majority shareholder of the Company is BNP Paribas Assurance, member of the financial group BNP Paribas, whose activity covers a number of 41 countries.

The Company began its insurance activity in Romania in the beginning of 2007.

**2. The structure of the company's ownership**

Shareholder	Number of Shares	Unit Value	Total Value	Percentage
BNP Paribas Assurance	18,019,996	1 RON	18,019,996 RON	99.99998%
Cardif Assurance Vie	1	1 RON	1 RON	0.000005%
Cardif-Assurance Risques Divers	1	1 RON	1 RON	0.000005%
Eric Roger Pierre Lombard	1	1 RON	1 RON	0.000005%
Pierre Jean Marie de Portier de Villeneuve	1	1 RON	1 RON	0.000005%

The General Shareholders Meeting of 07.07.2010 approved the increase of the share capital with the amount of 2.050.000 lei by contribution in cash of the majority shareholder. This increase was registered with the Trade Register Office on 16.11.2010, according to the certificate for mentions' registration no. 569303 as of 10.11.2010.

**3. Management structure of the Company**

The management structure of the Company is as follows:

- General Shareholders Meeting
- Board of Administrators
- Executive Management
- Operational Management

**The General Shareholders Meeting** is the supreme management body of the Company which decides on its activity and provides the economical and commercial strategy of the Company, in compliance with the legislation in force and with the Company's Articles of Incorporation. The General Shareholders Meeting can be summoned in Ordinary General Meetings and Extraordinary General Meetings.

The Company's Articles of Incorporation and the legislation in force related to commercial companies entirely regulate the competences, the meetings' organization and the decisions to be adopted during both categories of the General Shareholders Meeting.

**The Board of Administrators** is composed of three (3) members according to the General Shareholders Meeting decision, who lead the Company. The Board meets whenever necessary, at least once quarterly, in order to adopt decisions regarding the Company's activity.



**CARDIF**  
BNP PARIBAS GROUP

The members of the Board of Administrators are:

- **Mr. Gérard Christian Binet** – President;
- **Mr. Jean-Bertrand Marie Laroche**;
- **Mr. Xavier Henri Jean Guilmineau**;

The Board of Administrators' responsibilities are established by the Company's Articles of Incorporation and can be delegated to the Company's General Manager or Deputy General Manager, according to the legal provisions in force.

**The Executive Management** is assured by the Company's General Manager and Deputy General Manager appointed by the Board of Administrators. Their competences are established by the Company's Articles of Incorporation.

The current activity of the Company is organized and managed by the General Manager who is empowered to represent the Company against any authority, public or private, especially the Insurance Supervision Commission.

In case the General Manager is unable to perform his/her attributions established by the Articles of Incorporation, these attributions will be accomplished by the Deputy General Manager, designated by the Board of Administrators.

The members of the Executive Management for the year 2010 are:

- **Mrs. Carmen Bahrim** – **General Manager**
- **Mr. Richard Sumann** – **Deputy General Manager**

**The Operational Management** is provided by the managers of the Company's specific departments, persons having at least 3 years experience in the insurance field, respectively in their area of expertise.

The operational management is appointed with the consent of the Board of Administrators and the responsibilities of each manager are established by the job description and by the Company's Organization and Functioning Regulation.

#### **4. Administrators' report for the year ended at 31.12.2010**

##### **4.1. General information**

Cardif Asigurări SA Company was established in November 2006 and is identified by the following:

- Share capital: 18,020,000 lei
- Trade Register no: J40/18918/22.11.2006
- Fiscal Identification Code: 19221991
- Address: 40-44 Banu Antonache Street, 1<sup>st</sup> floor, side B, 1<sup>st</sup> district, 011665, Bucharest

Cardif Asigurări SA is authorized to operate as an insurance company, having the right to practice the category A. LIFE INSURANCE with the following insurance class:

I. Life insurance, annuities and supplementary life insurances stipulated under item A letter (a), (b) and (c) with the exception of those stipulated under item II and III, provided that the legal provisions in force are complied with.

Regarding the accounting evidence, the following aspects are to be mentioned:

- The accounting evidence is correctly kept and permanently up-dated, in accordance with the Accounting Law no. 82/1991 republished and in accordance with the accounting regulations in line with the specific European directives in the insurance activity, approved by the Insurance Supervision Commission's Order no. 3129/2005;



- The accounting records were chronologically prepared, correctly booked and reflected in legal documents;
- The financial statements were drafted based on the trial balance of the synthetic accounts.

The distribution of the insurance products is made through the network of the credit institutions and through the non-banking financial institutions, being considered by Law 32/2000, as subsequently amended and completed, bancassurance activity, carried on by subordinated agents.

#### **4.2. Operating result**

The operating result represents 4,073,296 lei (loss) and the financial result amounts to 1,431,929 lei (profit). Thus, the year result is 2,641,367 lei (loss).

The operating result represents the difference between the operating expenses of 20,867,163 lei and the operating revenues of 16,793,867 lei. The operating expenses include mainly the purchase expenses, the salaries, the rent, other services carried on by third parties, and the operating revenues are mainly represented by the insurance premiums resulted from the existent partnerships.

The financial result is mainly represented by the interests related to the public securities and to the deposits in lei at banking institutions.

The available solvency margin was calculated according to Order no. 4/2008 and it was ascertained that at year-end, it was below the value of the security fund.

#### **4.3. Financial instruments / financial investments**

On 31.12.2010, Cardif Asigurări SA holds public securities in lei with a fixed interest that are paid off following to the agreements concluded with the banks, the term on which they are paid off being comprised between 3 and 8 months.

Also, Cardif Asigurări SA holds deposits in lei at Raiffeisen Bank, Unicredit Tiriac Bank and BRD Societe Generale.

The deposits have terms comprised between 3 and 6 months and the interest is negotiated directly with the bank. Thus, by the prudent management, the liquidity risk is low and the cash necessities are permanently covered.

Regarding the risk of the interest rate, the company is not exposed to that risk because it does not have loans in lei or foreign currency.

Also, the hard currency risk is controlled by the company, the company being exposed to the fluctuations of the foreign exchange rate following the transactions with the suppliers, performed in other currencies.

#### **4.4. Other information**

The Financial Statements have been prepared in accordance with the principle of business continuity that stipulates that the company will continue its activity in the foreseeable future. The management analyses the prediction of future cash inflows so that, when necessary, the shareholders will make a decision regarding the increase of the share capital.

Thus, there will be no solvency or liquidity problems and Cardif Asigurari SA will comply with the principle of business continuity.



As a consequence of this analysis, on November 16<sup>th</sup>, 2010, the increase of the share capital with the amount of 2,050,000 lei was registered with the Trade Register Office.

## **5. Practiced insurance classes**

The Company has as unique object of activity "**Life insurance activities**" – **CAEN code 6511** and it undertakes life insurance activities and also supplementary life insurance, according to the Annex no.1 at Law 32/2000 regarding the insurance activity and the insurance supervision with all its subsequent modifications and completions, as follows:

- Life insurance: death insurance (all causes);
- Supplementary life insurance: death insurance by accident, total and permanent disability insurance, temporary disablement insurance and involuntary unemployment insurance.

## **6. Insurance products**

Through the intermediary of its partners, the Company distributes life insurance products associated with different types of credits (consumer loans, personal loans, auto loans, mortgage loans), products which target the protection of the financial institutions and of their clients, against the risks that could seriously affect the family budget.

The insurance policies attached to credits, provided by the Company, guarantee the partial or total reimbursement of the credit in case of occurrence of some unexpected events covered by the life insurance chosen by the beneficiary of the credit.

The insured risks covered by these insurance products are the following:

- Death: the death insurance covers the outstanding balance due to the creditor in the event of the insured persons' death (due to an accident or illness);
- Total and Permanent disability: the total and permanent disability insurance covers the outstanding balance due to the creditor in the event of the insured person being totally and definitely unable to work, due to an accident or illness;
- Temporary disablement: the temporary disablement insurance covers the agreed monthly installments due to the creditor in the event of the insured person being temporarily unable to work as a consequence of an accident or illness;
- Involuntary Unemployment: the involuntary unemployment insurance covers the agreed monthly installments due to the creditor as a result of the insured person becoming unemployed.

## **7. Fiscal deductions and governing insurance legislation**

According to the fiscal legislation in force, the insurance premiums are not subject to VAT.

The applicable insurance legislation is Law no. 136/1995 regarding insurance and reinsurance activity in Romania, with all its subsequent modifications and completions as well as Law no 32/2000 regarding insurance companies and insurance supervision, with all its subsequent modifications and completions, together with the Norms issued by the Insurance Supervision Commission for their appliance.

## **8. Distribution channels**

The way these insurance products are distributed is "bancassurance", through partnerships concluded with financial institutions that have a wide range of clients and an extended distribution network: banks, leasing companies and consumer finance companies.



## **9. Financial Auditor's Report - PricewaterhouseCoopers**

### **9.1. Report on the Financial Statements**

We have audited the accompanying financial statements of SC Cardif Asigurări SA ("the Company"), which comprise the balance sheet as of 31<sup>st</sup> December 2010, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of the significant accounting policies as well as other explanatory notes, numbered from page 1 to page 35. The above-mentioned financial statements refer to:

- Total equity: 13,166,310 lei
- Net result of the year: 2,641,367 lei, loss

#### *Opinion*

In our opinion, the attached financial statements offer a fair image, in all significant aspects, regarding the Company's financial position as of December 31<sup>st</sup>, 2010, as well as regarding its financial performance and its cash flows for the year then ended in compliance with the Order of the Insurance Supervision Commission no. 3129/2005, with all its subsequent modifications and completions, as well as with the accounting policies presented in the notes to the financial statements.

#### *Other issues*

This report is made solely for the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those issues we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

### **9.2. Report on other legal and reporting requirements**

#### **1. Report on conformity of the Administrators' Report with the Financial Statements**

In compliance with the requirements of article 312 of the Order of the Insurance Supervision Commission no. 3129/2005, with all its subsequent modifications and completions, we have read the Administrators' Report attached to these financial statements and numbered from page 1 to page 3. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

#### **2. Report on specific reporting issues required by CSA**

2.1 In compliance with article 7, section 2, paragraphs (g) to (j) of the Order of the Insurance Supervision Commission (CSA) no. 22/2008 "Norms regarding the information and reporting requirements concerning the statutory audit of the financial statements for the insurance/reinsurance companies", we report on the specific requirements related to these regulations in paragraph 2.4 below.

2.2 The Company's management is responsible for the preparation and fair presentation of the technical reserves presented in the financial statements, of the report named "Assets admitted to cover the gross technical reserves for the entire life insurance activity", of the report named



"Reporting form regarding the available solvency margin, minimum solvency margin and security fund for Life Insurances" and of the liquidity coefficient. The Company's management is also responsible for the compliance by the Company with the internal regulations regarding the reinsurance program, for the fulfillment of the contracting conditions in the reinsurance contracts, as well as for the drafting, implementation and maintaining of the internal control system and of the internal audit function.

2.3 Our responsibility is to report according to the specific requirements related to regulation, based on the audit of the financial statements and of the necessary additional procedures.

2.4 We report on the specific requirements related to regulation:

- a) In our opinion, the technical reserves presented in the notes 11-13 of the financial statements have been calculated and registered, in all significant aspects, in compliance with the methodology contained in CSA Order no. 113131/2006 regarding the "Technical reserves for life insurances, assets admitted to cover them and the distribution of the assets admitted to cover the gross technical reserves", with all its subsequent modifications and completions.
- b) In our opinion, the assets which cover the technical reserves included in the Company's Report to CSA, dated April 07<sup>th</sup>, 2011, named "Assets admitted to cover the gross technical reserves for the entire life insurance activity", as of December 31<sup>st</sup>, 2010, are presented, in all significant aspects, in compliance with the CSA Order no. 113131/2006 and are classified in compliance with the allowed investments and do not exceed the maximum percentages stipulated in the above-mentioned order.
- c) In our opinion, the liquidity coefficient included in the Company's Report to CSA, dated April 07<sup>th</sup>, 2011, named "Life insurance activity. Establishment of the liquidity coefficient", as of December 31<sup>st</sup>, 2010, is calculated, in all significant aspects, in compliance with the CSA Order no. 113131/2006.
- d) In our opinion, the solvency margin included in the Company's Report to CSA, dated April 07<sup>th</sup>, 2011, named "Reporting form regarding the available solvency margin, minimum solvency margin and security fund for Life Insurances", as of December 31<sup>st</sup>, 2010, is calculated, in all significant aspects, in compliance with the CSA Order no. 4/2008 regarding the "Methodology for the calculation of the solvency margin available to the insurer practicing life insurance activity, of the minimum solvency margin and of the security fund", with all its subsequent modifications and completions (Order CSA no. 4/2008). The solvency margin available as of December 31<sup>st</sup> 2010 is below the value of the security fund calculated according to CSA Order no. 4/2008.
- e) Our audit procedures have not identified any significant exception of non-compliance with the company's internal policies regarding the reinsurance program and with the fulfillment of the contracting conditions in the reinsurance contracts which have not been reflected in the attached financial statements. The calculation of the solvency margin includes, in all significant aspects, the reinsurance elements.
- f) During the audit of the Company's financial statements, we have taken into account the controls inside the Company, only within the limits and for the purpose described in paragraph 4 of the section named Report on the financial statements, mentioned above.
- g) During the audit of the Company's financial statements, we have taken into account the controls inside the Company, only within the limits and for the purpose described in paragraph 4 of the section named Report on the financial statements, mentioned above.

Therefore, we have not identified significant deficiencies in the drafting and implementation of the company's internal control system which could lead to significant misstatements of the financial statements. Other observations related to the internal control, together with the recommendations for their solving, will be reported, if the case may be, to the Company's management through a "Letter to the Company's management".



Registered with the Chamber of Financial Auditors in Romania  
under no. 2580/ June 25<sup>th</sup>, 2008

On behalf of

PricewaterhouseCoopers Audit SRL  
Audit company  
Registered with the Chamber of Financial Auditors in Romania  
under no 6/June 25<sup>th</sup>, 2001

Bucharest, April 07<sup>th</sup>, 2011

*The accompanying financial statements are not intended to present the financial position, the result of the operations and a complete set of notes to the financial statements of the Company in accordance with accounting regulations and principles generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about the Romanian legal and accounting regulations including the Order of the Insurance Supervision Commission no. 3129/2005, with all its subsequent modifications and completions.*

**CARDIF ASIGURĂRI SA**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31<sup>ST</sup> 2010**

	Row Note	Financial year ended on 31st December 2009 (lei)	Financial year ended on 31st December 2010 (lei)
<b>A. INTANGIBLE ASSETS</b>			
3. Concessions, patents, licences, brands, rights and similar values and other intangible assets	03 1a)	11.979	24.521
6. Other intangible assets	06 1a)	2.345	659
<b>TOTAL</b>	<b>07</b>	<b>14.324</b>	<b>25.180</b>
<b>III. Other financial investments</b>			
2. Debentures and other securities with fixed revenue	18 1c)	13.903.787	13.967.941
6. Deposits at credit institutions	22	-	4.588.393
7. Other financial investments	23 8	2.025.948	-
<b>TOTAL</b>	<b>24</b>	<b>15.929.735</b>	<b>18.556.334</b>
<b>TOTAL INVESTMENTS</b>	<b>27</b>	<b>15.929.735</b>	<b>18.556.334</b>
<b>E. RECEIVABLES</b>			
I. Receivables out of direct insurance insurance intermediation	47 3	8.150.198	6.308.328
<b>TOTAL</b>	<b>49</b>	<b>8.150.198</b>	<b>6.308.328</b>
Other receivables	51 3	190.092	49.758
<b>F. OTHER ASSETS ELEMENTS</b>			
I. Tangible assets and stocks			
1. Technical equipment and machines	53 1b)	94.444	130.213
2. Other equipment, outfits and furniture	54 1b)	279.240	209.122
3. Advances and tangible assets in progress	55 b)	-	-
<b>TOTAL</b>	<b>56</b>	<b>373.684</b>	<b>339.335</b>
II. Petty cash and bank accounts	60 9	2.638.978	120.360
<b>G. ADVANCE EXPENSES</b>			
I. Interests and rents registered in advance	62	46.808	23.993
II. Carried forward purchase expenses	63	3.712.671	2.592.932
Carried forward purchase expenses regarding life insurance	65 14	3.712.671	2.592.932
III. Other expenses registered in advance	66	19.355	14.632
<b>TOTAL</b>	<b>67</b>	<b>3.778.833</b>	<b>2.631.557</b>
<b>TOTAL ASSETS</b>	<b>68</b>	<b>31.075.845</b>	<b>28.030.852</b>
<b>A. CAPITAL AND RESERVES</b>			
I. CAPITAL			
Share capital of which:	69	15.970.000	18.020.000
- subscribed paid in capital	70 5	15.970.000	18.020.000
<b>V. CARRIED FORWARD RESULT</b>			
1. Carried forward result representing the non-distributed profit or the uncovered loss Balance D	80	1.799.149	2.210.948
3. Carried forward result out of the correction of accounting errors Balance D	84	-	1.375
<b>VI. RESULT OF THE YEAR</b>			
Loss Balance D	88 2	411.799	2.641.367

**CARDIF ASIGURĂRI SA****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED AS OF DECEMBER 31ST 2010**

---

TOTAL	90	13.759.052	13.166.310
C. TECHNICAL RESERVES			
II. Technical reserves regarding life insurance	102	9.333.278	8.205.235
1. Mathematical reserves	103	-	1.452.158
2. Premium reserve for life insurance	104 11	5.580.724	3.898.386
3. Reserves for the participation to benefits and rebates regarding life insurance	105 12	1.254.110	-
4. Claim reserve regarding life insurance	106	2.498.444	2.854.691
a) Approved claims reserve	107 13a)	1.040.958	1.852.893
b) Unapproved claims reserve	108 13 b)	1.457.486	1.001.798
<b>TOTAL</b>	<b>111</b>	<b>9.333.278</b>	<b>8.205.235</b>
E. PROVISIONS			
Other provisions	115	38.981	38.981
<b>TOTAL</b>	<b>116</b>	<b>38.981</b>	<b>38.981</b>
G. DEBTS			
V. Other debts, including fiscal debts and social security debts	124 3,10	7.944.534	6.620.326
<b>TOTAL</b>	<b>125</b>	<b>7.944.534</b>	<b>6.620.326</b>
<b>TOTAL LIABILITIES</b>	<b>129</b>	<b>31.075.845</b>	<b>28.030.852</b>

Signed on behalf of the Board of Administrators on April 07th, 2011:

**Gerard Christian Binet**

President of the Board of Administrators

**Carmen Bahrim**  
General Manager

**Izabel Cuibuș**  
Chief Accountant

**CARDIF ASIGURĂRI SA****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED AS OF DECEMBER 31ST 2010**

---

	<b>Row Note</b>	<b>Financial year ended on 31st December 2009 (lei)</b>	<b>Financial year ended on 31st December 2010 (lei)</b>
<b>LIFE INSURANCE TECHNICAL ACCOUNT</b>			
1. Revenues out of net reinsurance premiums			
a) revenues out of subscribed gross premiums	017e), 18	22.637.807	16.665.742
c) variation of the net reinsurance premium reserve	03 7	(346.871)	(1.682.337)
<b>TOTAL</b>	<b>04</b>	<b>22.984.678</b>	<b>18.348.079</b>
<b>2. Revenues out of investments</b>			
Revenues out of other investments	09 7,19	1.955.693	1.180.676
<b>TOTAL</b>	<b>12</b>	<b>1.955.693</b>	<b>1.180.676</b>
<b>5. Expenses with the net reinsurance claims</b>			
a) amounts paid	15	2.062.373	2.627.109
- gross amounts	16	1.508.005	2.270.863
	17 16	1.508.005	2.270.863
b) Variation of the claims reserve	19 7	554.368	356.246
- gross amounts	20	554.368	356.246
<b>6. Variation of the technical reserves regarding life insurance TOTAL</b>			
a) variation of the mathematical reserve	23	-	1.452.158
gross amount	24	-	1.452.158
b) variation of the reserve for the participation to benefits and rebates	26 7	1.254.110	(1.052)
- gross amount	27	1.254.110	(1.052)
<b>8. Net operating expenses</b>			
a) purchase expenses	35 7, 15	16.288.447	12.298.860
b) variation of the amount of the carried forward purchase expenses	36 7	171.907	1.119.739
c) administration expenses	37 7,17	5.161.739	5.482.316
<b>TOTAL</b>	<b>39</b>	<b>21.622.094</b>	<b>18.900.915</b>
11. Other net insurance technical expenses	45	474.233	(474.233)
13. Life insurance technical result			
- Loss	48	472.439	2.976.142

Signed on behalf of the Board of Administrators on April 07th, 2011:

**Gerard Christian Binet**

President of the Board of Administrators

**Carmen Bahrin**  
General Manager

**Izabel Cuibuș**  
Chief Accountant

**CARDIF ASIGURĂRI SA****NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED AS OF DECEMBER 31ST 2010**

---

	<b>Row Note</b>	<b>Financial year ended on 31st December 2009 (lei)</b>	<b>Financial year ended on 31st December 2010 (lei)</b>
<b>NON-TECHNICAL ACCOUNT</b>			
2. Life insurance technical result - Loss	04	472.439	2.976.142
4. Plus unachieved values out of investments	14	-	264.616
9. Other non-technical revenues	22	78.347	143.012
10. Other non-technical expenses, including provisions	23	17.707	56.353
<b>15. Current result - Loss</b>	<b>29</b>	<b>411.798</b>	<b>2.624.867</b>
19. Total income	34	24.671.847	18.254.047
20. Total expenses	35	25.083.646	20.878.914
21. Gross result - Loss	37	411.799	2.624.867
22. Profit tax	38	-	16.500
<b>24. Net result of the year - Loss</b>	<b>41</b>	<b>411.799</b>	<b>2.641.367</b>

Signed on behalf of the Board of Administrators on April 07th, 2011:

**Gerard Christian Binet**

President of the Board of Administrators

**Carmen Bahrim**  
General Manager

**Izabel Cuiuş**  
Chief Accountant