

CARDIF ASIGURĂRI S.A.
Annual Report for 2007

1. Company presentation

"Cardif Asigurări" S.A. is a Romanian insurance company authorized by the Insurance Supervisory Commission by the Decision no.114 171/28.12.2006, registered in the Romanian Insurance Register under the number RA 058/28.12.2006, having the headquarter in Bucharest, 153-155 Dacia Bvd., 2nd floor, district 2.

The majority shareholder of the Company is Cardif SA, member of BNP Paribas Group. Cardif SA is known today as BNP Paribas Assurance.

The Group warmly integrates insurances companies including around 109 companies in 37 counties.

Cardif started the insurance activity in Romania at the beginning of 2007.

2. The structure of the company's shareholding

Shareholders	Numbers of Shares	Unit Values	Total Value	Percentage
BNP Paribas Assurance	11.999.996	1 RON	11.999.996 RON	99,999968%
Cardif Assurance Vie	1	1 RON	1 RON	0,000008%
Cardif-Assurance Risques Divers	1	1 RON	1 RON	0,000008%
Eric Roger Pierre Lombard	1	1 RON	1 RON	0,000008%
Pierre Jean Marie de Portier de Villeneuve	1	1 RON	1 RON	0,000008%

According to the decision of the General Shareholders Meeting from 20.11.2007, the name of the majority shareholder – Cardif SA- has changed into BNP Paribas Assurance. There were no other changes in the structure of the registered share capital during the year 2007. The registered share capital of 12.000.000 lei has been subscribed and paid up integrally on the date of the company's establishment.

Also, the General Shareholders Meeting from 20.11.2007 has approved the increase of the share capital with the amount of 1.770.000 lei by contribution in cash of the majority shareholder. This increase has been registered at the Trade Register Office on 31.01.2008, according to the certificate for mentions' registration no. 27897 from 28.01.2008.

3. Management structure of the Company

The management structure of the Company is as follow:

- 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, according to the legislation in force and with the Articles of Incorporation of the Company. The General Meeting of Shareholders can be convoked in Ordinary General Meetings and in Extraordinary General Meetings.

The Articles of Incorporation of the Company and the legislation in force entirely regulate the competences, the convening and the decisions to be adopted during the meetings for both meeting categories.

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

The first members of the Board, having a three (3) years mandate, 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 Articles of Incorporation of the Company and can be delegated to the General Manager or to the Deputy General Manager, according to the legal provisions in force.

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

The current activity of the Company is organized and led by the General Manager who is empowered to represent the Company in front of each and every authority public or private, especially in front of the Insurance Supervisory Commission.

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

The first members of the Executive Management are:

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

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

The operational management is appointed with the consent of the Board of Administrators and their responsibilities are established within the job description of the respective position and within the Company's Organization and Functioning Regulation.

4. Administrators' report for the year ended at 31.12.2007

4.1. General information

Cardif Asigurări SA company was set up in November 2006 and it is identified by the following:

- Share capital: 12.000.000 lei
- Trade Register no: J40/18918/22.11.2006
- Fiscal Identification Code: 19221991
- Address: 153-155 Dacia Blvd., 2nd floor, Bucharest, district 2

Cardif Asigurări SA is authorized to operate as 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) excepting those stipulated under item II and III, provided that the legal provisions in force are observed.

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 specific European norms in insurance activity, approved by the Insurance Supervisory Commission -Order no. 3129/2005;
- The accounting records were chronologically prepared, correctly booked and reflected in legal documents;
- The balance Sheet was set-up based on the synthetic accounts from trial balance.

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 the Law 32/2000, as subsequently amended and completed, bancassurance activity, that is being carried on by subordinated agents. Thus, the commercial activity of Cardif Asigurări SA in 2007 is represented by the partnership with Cetelem IFN SA, all the revenues afferent to the insurance premiums reported on 31.12.2007 being registered in relation with this company.

4.2. Operating result

The operating result represents 1.889.912 (loss) and the financial result is amounting to 554.576 lei (profit). Thus, the year result is 1.335.336 lei (loss).

The operating result represents the difference between operating expenses of 5.747.663 lei and the operating revenues of 3.857.751 lei. The operating expenses include mainly the purchase expenses (the intermediation commission of Cetelem), the salaries, the rent, other services carried on by the third parties, and the operating revenues are represented by the insurance premiums resulted from the partnership with Cetelem.

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

4.3. Financial instruments / financial investments

On 31.12.2007, Cardif Asigurări SA has 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 of 3 months.

Also, Cardif Asigurări SA has deposits in lei at four banks for a good dispersion of the risk of these assets. The deposits are between one month and three months and the interests are negotiated each time with each bank separately.

Thus, by the prudent management, the liquidity risk is low and the cash necessities are covered in permanence.

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

Also, the currency risk is controlled by the company, the company being exposed to the fluctuations of the currency rate exchange following to the transactions with the suppliers, made 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 the activity in the foreseeable future. The management

analyses the prediction of future inflow of cash so that, if needed, to ask the shareholders to take a decision in respect of increasing the share capital. Therefore, there are no solvability or liquidity issues expected and the company will respect the principle of business continuity.

As a consequence of this analysis, on 31st of January 2008 has been registered with the Trade Registry Office the increase of share capital with the amount of 1.770.000 lei. Thus, the conditions stipulated in the calculation of the solvability margin and of the security fund are met.

Cardif Asigurari SA intends to conclude several partnerships with top financial institutions on Romanian market by the end of 2008.

5. Practiced insurance classes

The Company has as unique object of activity "**Life insurance activities**" – **CAEN code 6601** and it undertakes life insurance activities and also supplementary life insurance, according to the Annex no.1 at Law 32/2000 regarding the activity of insurance and supervision of insurances as was amended, as follows:

- Life insurance: death insurance (regardless of the cause);
- Supplementary life insurance: accidental death insurance, total and permanent disability insurance, temporary disability insurance and involuntary unemployment insurance.

6. Insurance products

Throughout his partners, the Company distributes life insurance products associated to various types of credits (personal loans, consumer loans, auto loans, mortgage loans). These products aim for protection of the financial institutions and also for their clients, against the risks that could affect seriously the family budget.

The insurances associated to the credits guarantee partial or full reimbursement of the credit if an unexpected situation covered by the insurance occurs.

The insured risks covered by these insurance products are:

- Death risk - covers the outstanding balance due to the creditor in the event of the insured persons' death (due to an accident or sickness).
- Total and Permanent disability risk - 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 sickness).
- Temporary disability risk - covers the agreed monthly installments due to the creditor in the event of the insured person being unable to work as a consequence of accident or sickness.
- Involuntary Unemployment risk - covers the agreed monthly installments due to the creditor following the insured person becoming unemployed following redundancy.

7. Fiscal deductions and governing insurance legislation

According to the fiscal legislation in force, the insurance premiums are not subject to VAT and are not deductibles at fee calculation of tax income (profit). Any indemnity that comes with the insurance contract is not taxed as income.

The applicable insurance legislation is Law no. 136/1995 regarding insurance and reinsurance activity in Romania, as was amended and Law no 32/2000 regarding insurance companies and supervision of

the undertaking insurance, as was amended, completed by the Insurance Supervisory Commission's Norms.

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 network: banks, leasing companies and consumers finance.

The distribution strategy is constructed on the group insurance contract signing with its partners, in the following terms:

- the financial institution has both the capacity of contracting party and of insurance's beneficiary (the insurance compensation is assigned to it);
- the clients subscribe to the group insurance in their capacity as insured persons through the signing of a section related to insurance which would be included in the credit/leasing documents;
- the insurance is concluded for the duration of the credit/leasing contract
- when the client signs the contract, he/she receives an excerpt regarding the terms and conditions of the insurance product

Cardif Asigurari S.A. aims to become a leading provider in terms of creditor protection insurance on the Romanian market.

9. External Auditor's Report - PricewaterhouseCoopers

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of SC Cardif Asigurări SA ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income Statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements mentioned refer to:
- Total equity: RON 10.577.306
 - Net result of the year: RON 1.335.336 loss

Management's Responsibility for the Financial Statements

- 2 The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Insurance Supervisory Commission no. 3129/2005 and as described in the accounting policies presented in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion, the financial statements have been prepared, in all material respects, in accordance with the Order of the Insurance Supervisory Commission no. 3129/2005 and as described in the accounting policies presented in the notes to the financial statements.

Other matters

- 7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them 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.
- 8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements including the Order of the Insurance Supervisory Commission no. 3129/2005.

Report on conformity of the Administrators' Report with the Financial Statements

In accordance with the Order of the Insurance Supervisory Commission no. 3129/2005, article no. 312, we have read the Administrators' Report attached to these financial statements. 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.

PricewaterhouseCoopers Audit SRL
Registered with the Chamber of Financial Auditors of Romania
under no 6/25 June 2001

Bucharest, 11th of April 2007

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County 40 PROPERTY FORM 34
Bucharest Municipality Trading joint-stock company
 LEGAL PERSON Cardif Asigurări SA MAIN ACTIVITY
 ADDRESS: Bucharest, District 2 (name CAEN class)
Bd. Dacia 153-155 Life insurance activity
 TELEPHONE: 031.226.11.11 FAX: 031.226.11.00 6601
 REGISTRATION NUMBER WITHIN TRADE REGISTRY CODE CAEN CLASS
 J40/18918/2006 FISCAL CODE / CUI 19221991

	<u>Row</u>	<u>Note</u>	<u>31st December 2006</u>	<u>31st December 2007</u>
			(LEI)	(LEI)
A. INTANGIBLE ASSETS				
3. Concessions, patents, licences, makes, rights and similar values and other intangible capital assets	03		-	5.635
6. Other intangible capital assets	06		-	<u>8.285</u>
TOTAL	07			13.920
B. INVESTMENTS				
III. Other financial investments				
2. Debentures and other securities with fixed revenue	18		-	1.606.267
7. Other financial investments	23		-	<u>10.324.874</u>
TOTAL	24		-	11.931.141
E. DEBTS				
I. Debts deriving from operations of direct insurance				
1. Intermediation in insurance	47		-	<u>1.852.487</u>
TOTAL	49			1.852.487
F. OTHER ELEMENTS OF ASSETS				
I. Tangible capital assets and stocks				
1. Technical equipments and machines	53		-	133.689
2. Other equipments, outfits and furniture	54		-	84.701
3. Advance and tangible capital assets in operation	55		-	<u>176.094</u>
TOTAL	56		-	394.484
II. Cash and bank accounts	60		11.951.210	223.097
G. ADVANCE EXPENSES				
I. Interests and rents registered in advance	62		-	55.484
II. Purchase expenses carried forward	63		-	280.850
Purchase expenses carried forward regarding life insurance	65		-	280.850
III. Other expenses registered in advance	66		-	<u>3.260</u>
TOTAL	67		-	339.594
TOTAL ASSETS	68		<u>11.951.210</u>	<u>14.754.723</u>

CARDIF ASIGURĂRI SA**BALANCE SHEET****FOR THE FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2007**

	Row	Note 31st	December 2006 31st	December 2007
			(lei)	(lei)
A. CAPITAL AND RESERVES				
I. CAPITAL				
Capital share from which:	69		-	-
- subscribed and paid-up capital	70		12.000.000	12.000.000
V. RESULT CARRIED FORWARD				
The result carried forward representing the non distributed profit or the uncovered loss				
<u>Balance D</u>	80		-	87.358
VI. RESULT OF THE YEAR				
- Profit	<u>Balance C</u>	87	-	-
- Loss	Balance D	88	87.358	1.335.336
VII. DISTRIBUTION OF PROFIT	89		11.912.642	10.577.306
C. TECHNICAL REZERVES				
Technical reserves for life insurance	102		-	926.121
Premium reserve for life insurance	104		-	428.321
Reserves for the participation to benefits and rebates regarding life insurance	105		-	79.738
Claim reserves regarding life insurance	106		-	418.062
Reserved for the notified claims	107		-	43.174
Reserves for claims not being notified	108		-	374.888
TOTAL	111		-	926.121
G. DEBTS				
V. Other debts, inclusively fiscal debts and debts for the social insurances	124		38.568	3.251.296
TOTAL	125		<u>38.568</u>	<u>3.251.296</u>
TOTAL LIABILITIES	129		<u>11.951.210</u>	<u>14.754.723</u>

Carmen Bahrim
General ManagerBogdan Braicu
Finance Director

CARDIF ASIGURĂRI SA**BALANCE SHEET****FOR THE FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2007**

Row	Note	31st December 2006	31st December 2007
		(lei)	(lei)
TECHNICAL ACCOUNT OF LIFE INSURANCE			
1. Revenues from premiums, net of reinsurance			
a) revenues from subscribed gross premiums (+)			
01		-	3.856.946
c) variation of the premium reserve, net of reinsurance			
03		-	428.321
04		-	3.428.625
2. Revenues from investments			
b) revenues from other investments with the distinct presentation of the revenues from investments for the companies within the group			
07		-	567.325
09		-	567.325
12		-	567.325
5. Expenses with claims, net of reinsurance			
a) amounts paid			
16		-	100.676
17		-	100.676
b) Variation of the claim reserve (+/-)			
19		-	418.062
20		-	418.062
6. Variation of the technical reserves regarding life insurance (+/-)			
b) variation of the reserve for the participation to benefits and rebates			
26		-	79.738
27		-	79.738
8. Net operating expenses			
a) purchase expenses			
35		-	2.248.144
37		87.358	2.479.297
39		87.358	4.727.441
13. Technical result of life insurance			
48		87.358	1.329.967

Carmen Bahrim
General ManagerBogdan Braicu
Finance Director

CARDIF ASIGURĂRI SA**BALANCE SHEET****FOR THE FINANCIAL YEAR ENDED ON 31 OF DECEMBER 2007**

		Financial year ended on	Financial year ended on
	Row Note	<u>31st of December 2006</u>	<u>31st of December 2007</u>
		(lei)	(lei)
NON TECHNICAL ACCOUNT			
2. Technical result of life insurance			
- Loss	04	87.358	1.329.967
9. Other non technical revenues	22	-	4.645
10. Other non technical expenses, inclusively the provisions	23	-	10.014
15. Current result			
- Loss	29	87.358	1.335.336
19. Total revenues	34	-	4.428.915
20. Total expenses	35	87.358	5.764.251
21. Gross result			
- Loss	37	87.358	1.335.336
24. Net result of the year			
- Loss	41	87.358	1.335.336

Carmen Bahrim
General Manager

Bogdan Braicu
Finance Director