

EXIM ROMANIA INSURANCE AND REINSURANCE 2012 ANNUAL REPORT

The current Report is written according to the provisions of C.S.A. Order 113.119/2006 for the approval of the Regulations regarding the minimal information the insurers have to publish annually.

Company name: SC COMPANIA DE ASIGURĂRI – RESIGURĂRI EXIM ROMÂNIA (CARE ROMANIA) S.A.

Legal status: joint stock company managed in a dual system

Insurers Register No: RA-067-09.08.2010

National Trade Register Office No: J40/3151/2009

Fiscal number: 25252500.

Share capital: 32,909,990 lei.

Address: 89-97 Gr. Alexandrescu St, 6th floor, sector 1, Bucharest

E-mail: office@eximasig.ro;

Phone: 0040-(0)21211.06.50,

Fax: 0040-(0)21.211.06.57,

www.eximasig.ro.

On December 31, 2012:

Shareholders structure:

EximBank S.A.: 90.84%

Individuals: 9.16%

Board of Directors:

Radu Frîncu – President

Marius Banu – Member

Alexandru Neferoiu – Member

Company's Profile

EXIM ROMÂNIA Insurance and Reinsurance (EximAsig România) S.A. is a company specialized in financial risk insurance, both for export and domestic operations.

EximBank România is the founder and majority shareholder of EximAsig Romania, owning over 90% of the shares. For compliance with the EU Directives that provide the separation of the short term insurance credit and the other types of operations carried on by the Bank, EximBank decided to externalize the former by setting up EXIM ROMÂNIA Insurance and Reinsurance S.A.

EximAsig România started in August 2010 and was authorized to pursue credit and suretyship insurance. Its products can be used by companies carrying on commercial external and domestic operations in trade, production, transport, civil engineering, oil, IT.

INSURANCE CLASSES PURSUED BY THE COMPANY

General Information

On December 31, 2012 EximAsig România was authorized to pursue:

Accidents insurance;
Aircraft hull and liabilities insurance;
Goods in transit insurance;
Fire and allied perils insurance;
Damages to property insurance;
Civil liability insurance;
Credit insurance;
Bonds insurance;
Financial loss insurance.

EximAsig Romania provides:

- Short term export and domestic insurance credit;
- Suretyship insurance (Bid Bond, Performance Bond, Maintenance Bond, Advance Payment Bond, Professional Transportation Bond)
- Property insurance;
- CARGO insurance;
- Electronic equipment insurance ;
- Machinery breakdown insurance
- Constructor's All Risk insurance;
- Aircraft liability insurance;
- Aircraft hull insurance;
- Civil liabilities insurance
- Professional liabilities (electronic archive, project companies, judicial administrators, insurance brokers, lawyers, doctors, dentists, marine authorities);
- Sportsmen accidents insurance;
- Group accidents insurance;
- Employees accidents insurance.

PREZENTAREA REȚELEI DE DISTRIBUȚIE

The distribution network is composed of specialized insurance brokers, insurance agents and its own employees.

The company has a selective distribution, namely it provides its products through channels made of mediators specialized in financial risk insurance that help speed up the selling process by previously selecting clients before starting the offering process.

CLAIMS HANDLING NETWORK

EximAsig România has structured its claims handling operations considering the dimensions of its client portfolio and products. EximAsig Romania can easily provide high quality claims handling services through its specialized division within its Central Offices premises.

APPLICABLE LAW

The applicable laws are Law no. 136/1995 regarding insurance and reinsurance in România, with the subsequent amendments and completions and Law no.32/2000

regarding insurance activity and insurance supervision, as well as the Regulations issued by the Insurance Supervisory Commission and the New Civil Code.

AUDIT REPORT

To the Supervision Committee and Shareholders of
Compania de Asigurari-Reasigurari Exim Romania (C.A.R.E. Romania) S.A.

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

1 We have audited the accompanying financial statements of Compania de Asigurari-Reasigurari Exim Romania (C.A.R.E. Romania) S.A. ("the Company"), which comprise the balance sheet as at 31 December 2012, 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, presenting the following:

■ Net assets/Total equity and reserves:	RON 18,301,981
■ Net result of the year:	RON 6,668,718, loss

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Order of the Insurance Supervision Committee no. 3129/2005 with the related amendments and as described in the accounting policies presented in the notes to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Auditing Standards 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 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 accompanying financial statements present fairly, in all material respects, the financial position of Compania de Asigurari-Reasigurari Exim Romania (C.A.R.E. Romania) S.A. as of December 31, 2012, and of its financial performance and its cash flows for the year then ended, in accordance with the Order of the Insurance Supervision Committee no. 3129/2005 with the related amendments and as described in the accounting policies presented in the notes to the financial statements.

Emphasis of Matter

- 7 We draw attention to Note 4, letter e) describing continuing operating losses of the Company and significant inherent economic uncertainties regarding future development of the markets and demand for goods and services of the Company and its ability to reach financial stability in the foreseeable future. The Company is dependent on continued financial support from its parent company. The parent company has committed to provide a financial support to the Company for a period of at least 12 months from the balance sheet date.
- 8 In addition, The Company is not in compliance with the Minimum Required Safety Fund. The value of the Fund recorded as at December 31, 2012 is in amount of 15.465.326 RON, below the level established by CSA Order No. 3/2008, updated by CSA Order No 18/2012 of EUR 3.700.000 . The management and the parent company are taking active steps to comply with the above ratio.
- 9 We further draw attention to Note 4, letter aa) stating that due to internal operational issues, the parent Company imposed a partial temporary curtailment on the Company's business operations. In addition, changes to the Supervisory Board have been approved by the majority shareholder. Any such changes are subject to regulatory approval.
- 10 In addition the parent company conducted an investigation in 2013 with the assistance of the independent advisor regarding the business performance of Exim Asigurari S.A. All investigative work was finalized on 2 April, 2013 without material adjustments to the financial statements of the Company as of and for the year ended December 31, 2012. If there are further developments to this case, then is possible that adjustments or additional disclosures will be necessary in the future financial statements.

11 Our opinion is not modified in respect of these matters.

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, respectively, Order of the Insurance Supervision Committee no. 3129/2005.

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

In accordance with the Order of the Insurance Supervision Committee no. 3129/2005, article no. 312 we have read the Administrators' Report attached to the financial statements. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2012.

Ahmed Hassan, Audit Partner

<i>Free translation from the original Romanian version</i>
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*Registered with the Romanian Financial Auditors' Chamber
under no. 1529/25.11.2003*

On the behalf of:

DELOITTE AUDIT SRL

*Registered with the Romanian Financial Auditors' Chamber
under no.25/25.06.2001*

Bucharest, Romania
April 4, 2012

EXIMASIG'S 2012 ACTIVITY

On December 31, 2012, EximAsig România had an available solvency margin of 15,454,326 lei calculated according to ISC's legal provisions on solvency, 1.981.213,30 lei over the minimum margin the company has to have in relation to its business volume.

The liquidity coefficient represents the ratio between the liquid assets and the sure obligations of the insurer towards the insureds (Net claims reserve plus 50% of the part ceded in reinsurance of the claims reserve).

On December 31, 2012 the company had a liquidity coefficient of 246,52. The company had enough liquid assets to fulfill its obligations that may arise from the genera; insurance business.

On December 31, 2012, the company had liquidities as investments at public institutions, banking accounts and treasury certificates.

At the end of 2012, the company's solvency degree was 750.22 and the ratio between the available solvency margin and the safety fund was 1.92. The calculations fall under the minimum solvency requirements.

The ratio between the solvency margin and the minimum solvency margin representing the company's solvency degree was 7.8 at the end of 2012.

The ratio between the available solvency margin and the safety fund was 0.92.

The company's management was informed about this situation and will act consequently as per art. 13¹ of the Regulations no. 3/2008 regarding the calculation methodology of the solvency margin, the minimum solvency margin and the safety fund.

The company complied the Regulations regarding the categories of assets admitted to represent the technical reserves as well as the conditions and criteria to assess assets.

The total technical reserves for general insurance are of 16,635,827,17 lei and the total assets admitted to cover the technical reserves is of 28,149,690 lei lei.

In 2012 the company paid 5,185,208 lei worth of claims, from 47 claims files, of which, the reinsurance part was of 4,383,170 lei.

In 2012, the company underwrote 2894 insurance contracts of which 2655 under suretyship insurance and credit insurance and the rest for property, CARGO, liabilities, accidents and financial loss.

REINSURANCE

In 2012, EximAsig's reinsurance program followed the development trajectory of the company.

The objective was to increase the reinsurance capacity, especially for the financial risk business (credits and bonds) that the company is specialized in. Another objective of the reinsurance activity in 2012 was the long term consolidation of our relationship with the reinsurers so that we can secure the stability of the company and obtain better conditions to our contracts.

The reinsurance program, currently a more complex one, has been composed of contracts placed at prestigious global companies.

The financial risk insurance is still supported by Munich Re, contract lider, Atradius, Novae re and Polish Re.

For the other insurance classes, the reinsurance program is covered by Lloyd's, Scor Global P&C, Hannover Re, Partner Re and Polish Re.

For the activity abroad, based on the freedom to provide services within the EU EximAsig has the support of Barents Re. The company's net exposure to catastrophic risks, on December 12, 2012, was of 500,000 euro.

PLASAMENTELE INVESTIȚIONALE

The company has a prudent investment policy, mainly investing in deposits in financial institutions. The deposits in lei had bore an interest between 4.5% and 7.25 %. These deposits are made for a one month or three months period. The certificates have a contractual maturity of 36 months and a residual maturity if up to 6 months.

SHORT MANAGEMENT REPORT/ AUDITED FINANCIAL STATEMENTS

Annual financial statements have been drawn up according to ISC Order no.3129/2005, with the subsequent amendments and completions, in compliance with the Accounting Act no. 82/1991, republished. The external auditor opinion confirms that the financial statements accurately present in all significant aspects the financial status of the company on December 31, 2012 and the results of the conducted operations, the changes in the equity and the treasury flows

FINANCIAL DATA ON DECEMBER 31, 2012

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BALANCE SHEET	2012
ASSETS	
Intangible assets	2,847,655
Investments in tangible assets	414,381
Financial investments	16,842,242
Ceding from the technical reserves	9,386,970
Claims	5,562,701
Other assets	2,617,142
Expenses made in advance	4,287,890
Total assets	41,958,981
LIABILITIES	
Equity	18,301,981
Technical reserves	16,635,827
Provisions	52,040
Debts	6,932,169
Deferred incomes	36,964
Total liabilities	41,958,981

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PROFIT AND LOSS ACCOUNT	2012
Gross written premiums	22.083.347
Premiums ceded in reinsurance	12.259.795
Change of premium reserve, net of reinsurance	3.554.158
Change of catastrophic reserve	75.879
Claim expenses, net of reinsurance	928.406
Acquisition expenses net of the change in the reported acquisition expenses	3.574.975
Other technical incomes	671.303
Administration expenses	12.462.940
Reinsurance commissions	2.426.856
Technical account result (loss)	7.674.647
Investment incomes	1.178.407
Other non-technical incomes	135.986
Other non-technical expenses	308.464
Non-technical account result (loss)	6.668.718

STRATEGIES AND DEVELOPMENT PERSPECTIVES

EximAsig România is determined to consolidate its position on credit and bonfd segment. As planned, the company extended its activity on two new classes, so that it can offer full coverage to clients, without the necessity of risk fragmentation.

The company's objectives include providing efficient financial protection products and assisting its clients in laying a financial protection scheme adequate to their business.

EximAsig România will continue to develop its portfolio by creating new products and updating the ones it already has to the new market conditions.