

To
The Special Administrator – SC KPMG Advisory SRL and
The shareholders of SOCIETATE ASIGURARE – REASIGURARE ASTRA S.A.

FINANCIAL AUDITOR'S REPORT ON REGULATORY ISSUES

This report is to be read together with our audit report on the individual financial statements of **SOCIETATE ASIGURARE – REASIGURARE ASTRA S.A.**, ("the Company"), prepared in accordance with Order of the Insurance Supervision Commission("ISC"), currently Financial Supervision Authority (hereinafter "FSA") no. 3129/2005 as revised, for the year ended December 31, 2013 and dated August 7, 2014.

1. We were engaged to audit these individual financial statements of the Company for the year ended December 31, 2013. However and as stated in our audit report dated August 7, 2014, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and we did not express an opinion on these individual financial statements. In addition we are required to report on regulatory issues stated in art. 7, section 2, paragraphs (g) to (j) of Order of ISC no. 22/2008, as revised, regarding the criteria for approving the financial auditors that audit the financial statements of insurers, as per the format and contents described in paragraph 2 below. There is no specific reporting framework issued by the Financial Auditors' Chamber of Romania or by ISC, actual Financial Supervisory Authority.
2. In accordance with art. 7, section 2, paragraphs (g) to (j) of Order of ISC no. 22/2008, as revised, regarding the criteria for approving the financial auditors that audit the financial statements of insurers, we are required to report on the following specific regulatory matters as follows:
 - i. The technical reserves, which as stated in Note 13 to the individual financial statements of the Company, have been calculated and recorded in accordance with:
 - a. Order of ISC no. 8/2011, with the subsequent amendments, regarding the Norms on the technical reserves for life insurance, the assets allowed to be used to cover the technical reserves and the dispersion of the assets allowed to cover the gross technical reserves ("ISC Order no.8/2011"); and
 - b. Order of ISC no. 3109/2003, with the subsequent amendments, regarding the Norms on the methodology of calculating and recording the minimal technical reserves for the non-life insurance activity ("ISC Order no. 3109/2003").
 - ii. The assets categories covering the technical reserves, as included in the report of the Company sent to ISC:
 - a. Report entitled "Admitted Assets for Covering the Gross Technical Reserves for whole life insurance activity" dated December 31, 2013 is in accordance with the investments allowed as stated in article 6 of Annex 1, from ISC Order no. 8/2011, with the subsequent amendments and does not exceed the maximum percentages stated in article 8 of Annex 1, from ISC Order no. 8/2011 with the subsequent amendments; and
 - b. Report entitled "Non-Life Insurance Activity. Assets Covering the Gross Technical Reserves" as at December 31, 2013 are in accordance with the investments allowed as stated in article 4 of Annex 1, from ISC Order no. 9/2011, with the subsequent amendments, regarding the Norms on the the assets

allowed to be used to cover the technical reserves for nonlife insurance, the dispersion of the assets allowed to cover the gross technical reserves and the liquidity coefficient ("ISC Order no. 9/2011") and does not exceed the maximum percentages stated in article 6 of Annex 1, from ISC Order no. 9/2011, with the subsequent amendments.

iii. The solvency margin included in the report of the Company sent to ISC:

- a. Report entitled "Reporting Form Regarding the Available Solvency Margin, the Minimum Solvency Margin and the Safety Fund for Life Insurance" as at December 31, 2013, is in accordance with ISC Order no. 4/2008, with subsequent amendments, regarding the Norms for the calculation methodology of the available solvency margin for life insurance, minimum solvency margin and safety fund ("ISC Order no. 4/2008") and ISC Order no. 12/2009, with subsequent amendments, regarding the calculation methodology of the solvency margin; and
- b. Report entitled "Reporting Form Regarding the Minimum and Available Solvency Margin for Non-life Insurance" as at December 31, 2013, is in accordance with ISC Order no. 3/2008, with subsequent amendments, regarding the Norms for the calculation methodology of the available solvency margin for non-life insurance, minimum solvency margin and safety fund ("ISC Order no. 3/2008") and Order no. 12/2009, with subsequent amendments, regarding the calculation methodology of the solvency margin.

iv. The liquidity ratio included in the report of the Company sent to ISC:

- a. Report entitled "Life Insurance Activity. Liquidity Ratio Computation" as at December 31, 2013, is computed in accordance with the computation methodology stipulated by article 16 of Annex 1, from ISC Order no. 8/2011 with the subsequent amendments; and
 - b. Report entitled "Non-Life Insurance Activity. Liquidity Ratio Computation" as at December 31, 2013 is computed in accordance with the computation methodology stipulated by article 8 of Annex 1, from ISC Order no. 9/2011 with the subsequent amendments.
- v. The compliance by the Company with the internal regulations relating to its reinsurance program, on the way of complying with the obligations specified under the reinsurance contracts concluded, irrespective of their type, as well as the recording of all the reinsurance elements in the calculation of the solvency margin, according to the relevant legal requirements.

Moreover, we are required to comment on the control practices and procedures and the internal audit of the Company, including any possible deficiencies noted and to make recommendations regarding the remedial actions to be taken.

3. The management is responsible for the preparation and fair presentation of: the technical reserves recorded in the individual financial statements; the report "Admitted Assets for Covering the Gross Technical Reserves for whole life insurance activity"; the report "Non-Life Insurance Activity. Assets Covering the Gross Technical Reserves"; the report "Reporting Form Regarding the Available Solvency Margin, the Minimum Solvency Margin and the Safety Fund for Life Insurance"; the report "Reporting Form Regarding the Minimum and Available Solvency Margin for Non-Life Insurance"; the report "Life Insurance Activity. Liquidity Ratio Computation" and the report "Non-Life Insurance

Activity. Liquidity Ratio Computation". The management is also responsible for the compliance by the Company with the internal regulations regarding the reinsurance program and its degree of adequacy, as well as for the design, implementation and maintenance of the internal control system and internal audit function.

4. Our responsibility is to report according to the specific aspects related to regulation, based on the audit on the individual financial statements and the additional procedures deemed necessary.
5. In our opinion:
 - i. The technical reserves presented in Note 13 to the individual financial statements have been computed, in all material respects:
 - a. In accordance with ISC Order no. 8/2011, as revised, regarding the Norms on technical reserves for life insurance, the assets allowed to cover those reserves and the dispersion of the assets allowed to cover the gross technical reserves; and
 - b. In accordance with ISC Order no.3109/2003, as revised, regarding the Norms on the assets allowed to cover the gross technical reserves for the insurer that operates a non-life insurance activity, dispersion of the assets allowed to cover the gross technical reserves, as well as the liquidity coefficient.
 - ii.
 - a. The assets that cover the technical reserves included in the report of the Company to ISC entitled "Admitted Assets for Covering the Gross Technical Reserves for whole life insurance activity" dated December 31, 2013, are in all material respects, in accordance with the investments allowed by article 6 of Annex 1, from ISC Order no. 8/2011, with the subsequent amendments and are also compliant with regard to the fact that they are not in excess of maximum ratios specified in article 8 of Annex 1, from ISC Order no. 8/2011 with the subsequent amendments; and
 - b. The assets that cover the technical reserves included in the report of the Company to ISC, entitled "Non-Life Insurance Activity. Assets Covering the Gross Technical Reserves" as at December 31, 2013, is in all material respects in accordance with the investments allowed by article 4 of Annex 1, from ISC Order no.9/2011, with the subsequent amendments and are also compliant with the fact that they are not in excess of maximum ratios specified in article 6 of Annex 1, from ISC Order no. 9/2011, with the subsequent amendments.

As at December 31, 2013, admitted assets to cover technical reserves for non-life insurance do not comply with stipulations of ICS Order no. 9/2011 because they are not sufficient, the Company is recording a deficit of RON (752,801,050) between technical reserves and admitted assets to cover them.
 - iii.
 - a. The solvency margin included in the report of the Company "Reporting Form Regarding the Available Solvency Margin, the Minimum Solvency Margin and the Safety Fund for Life Insurance" as at December 31, 2013, is in accordance, in all material respects, with ISC Order no 4/2008, as revised, and ISC Order no. 12/2009, as revised, regarding the calculation methodology of the solvency margin; and

- b. The solvency margin included in the report of the Company “Reporting Form Regarding the Minimum and Available Solvency Margin for Non-Life Insurance” as at December 31, 2013, is not in accordance with stipulations of article 2, paragraph (1) from Annex 1 from ISC Order no. 3/2008, with subsequent amendments, and ISC Order no. 12/2009, as revised, regarding the calculation methodology of the solvency margin.

As at December 31, 2013, the available solvency margin for non-life insurance is in amount of RON -810,151,361, minimum solvency margin for non-life insurance is in amount of RON 144,770,548 and the safety fund for non-life insurance is in amount of RON 48,256,849. Therefore the Company does not comply with the requirement to have an available solvency margin of at least the level of minimum solvency margin computed in compliance with stipulations of norms mentioned above.

We draw the attention to the fact that the available solvency margin is below the value of safety fund, the management of the Company having the obligation to gather the extraordinary general shareholders meeting for the increase of the share capital. The extraordinary general shareholders meeting was gathered on May 12, 2014 and approved a share capital increase of 490.000.000 RON. At the date of the audit opinion, the share capital increase was not subscribed and paid.

iv.

- a. The liquidity ratio included in the report of the Company “Life Insurance Activity. Liquidity Ratio Computation” as at December 31, 2013, is in accordance, in all material respects, with the computation methodology stipulated by article 16 of Annex 1, from ISC Order no. 8/2011, with the subsequent amendments. As at December 31, 2013, the Company recorded a liquidity ratio of 0.92 for the life insurance activity, which is not in compliance with the stipulations of the article 16, paragraph (6) from Annex 1 from the ISC Order no. 8/2011 with subsequent amendments, which mentions that the insurance companies have the obligation to have a liquidity ratio for life insurance of at least 1; and
- b. The liquidity ratio included in the report of the Company to ISC entitled “Non-Life Insurance Activity. Liquidity Ratio Computation” as at December 31, 2013 is computed, in all material respects, in accordance with the computation methodology stipulated by article 8 of Annex 1, from ISC Order no. 9/2011, with the subsequent amendments. As at December 31, 2013, the Company recorded a liquidity ratio of 0.12 for the non-life insurance activity, which is not in compliance with the stipulations of the article 8, paragraph (6) from Annex 1 from the ISC Order no. 9/2011 with subsequent amendments, which mentions that the insurance companies have the obligation to have a liquidity ratio for non- life insurance of at least 1.

- v. Our audit procedures have not identified any exception of unconformity with the internal policies of the Company with regard to the reinsurance program.

We considered, in accordance with Romanian Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors the internal controls of the Company to determine our auditing procedures for the purpose of expressing our opinion on the individual financial statements of the Company and not to provide assurance with regard to the internal control system of the Company. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk

assessments, we consider internal control relevant to the entity's preparation and fair presentation of the individual 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. Our assessment of internal controls would not necessarily disclose those matters that might be material weaknesses under standards established by the Romanian Chamber of Financial Auditors. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the individual financial statements being audited may occur and not be detected and corrected within a timely period by employees in the normal course of performing their assigned functions.

During the course of our work performed, we have not identified material weaknesses in the design and implementation of the internal control of the Company, which could lead to material misstatements of the standalone financial statements. However and as stated in our audit report, we would like to draw the attention to the fact that we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and we did not express an opinion on these individual financial statements. Other observations related to the internal control, together with the recommendations to solve them, will be reported, if the case, to the Company's management and Special Administrator through a "Management letter".

Ahmed Hassan, Audit Partner

*For signature, please refer to the
original Romanian version*

*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
August 7, 2014