Deposit Guarantee Fund in the Banking System - Romania

ANNUAL REPORT



DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM

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DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM ROMANIA

ANNUAL REPORT

2006

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The Board

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Chairman

Advisor to the Governor, National Bank of Romania

Cristian Păunescu,

Member

Director, National Bank of Romania

Radu Grațian Ghețea,

Member

President of the Romanian Banking Association

Radu Negrea,

Member

Secretary General of the Romanian Banking Association

Petrică Grama,

Member

Advisor to the State Secretary, Ministry of Public Finance

Costel Todor,

Member

Secretary General of the Ministry of Justice

The Executive Management

Alexandru Matei,

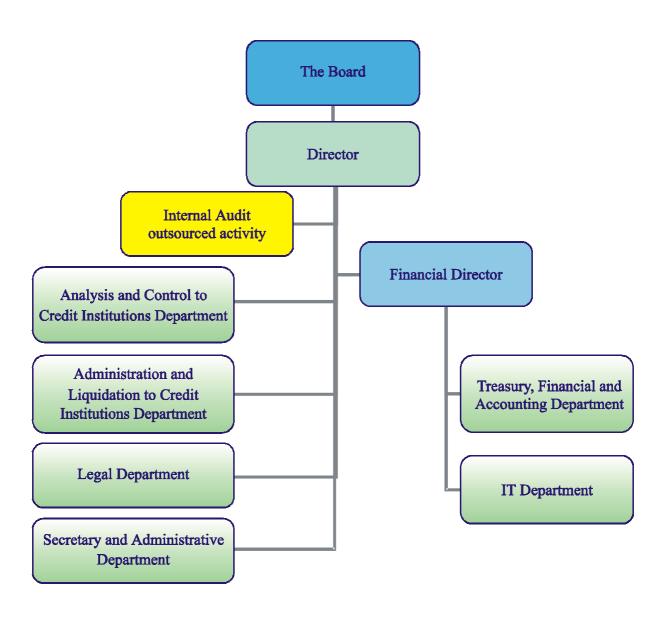
Director

Vasile Bleotu,

Financial Director

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ORGANIZATIONAL CHART OF THE DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM



CHAPTER ONE

GENERAL INFORMATION ON THE DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM

The Deposit Guarantee Fund in the Banking System – hereinafter referred to as the Fund – carries out its activity pursuant to Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, republished, as subsequently amended and supplemented and is established as a public law legal entity.

In order to adapt its activity to new situations occurred, its legislation had a distinctive dynamics, the last modification being the Government Emergency Ordinance No. 23 of March 22, 2006, through which it has been implemented a new financing policy of the Fund.

The Fund's fundamental purpose is to guarantee the deposits of individuals and legal persons with credit institutions participating in the deposit guarantee scheme and repay them as compensations, under the terms and limits set forth by the law, in case a credit institution is declared in bankruptcy.

Since its establishment until end-2006, the Fund paid compensations to depositors (individuals) having deposits with six member banks declared bankrupt during that period.

All credit institutions authorized by the National Bank of Romania to take deposits from the public have the obligation to participate in the deposit guarantee scheme. Starting with October 1, 2006, due to the inclusion in the deposit guarantee scheme of individuals' deposits with Casa de Economii şi Consemnațiuni C.E.C. – S.A., there have been eliminated the exceptions from the guarantee of all deposits with credit institutions. Starting with January 1, 2007, once Romania acceded to the European Union, the branches in Romania of credit institutions having their head offices in European Union member states ceased to have the obligation to participate in the deposit guarantee scheme.

In line with the increasing of Fund's activity complexity, its second major component is the liquidation of credit institutions. Accordingly, the Fund may be appointed as liquidator by the court in case of credit institutions declared bankrupt, namely it can be, according to the law, sole liquidator in case where the liquidation occurs at the initiative of the shareholders or when the National Bank of Romania orders the dissolution followed by liquidation. Also, among Fund's activities are the special and interim administration (for the period starting on the date of filing an application for opening the bankruptcy proceedings and ending on the date of liquidator's appointment).

In 2002, the Fund was appointed liquidator to two banks declared bankrupt, namely Banca Română de Scont and Banca Turco-Română, while in 2006 it was administrative liquidator of Nova Bank for more than two months, until the bank has been declared in bankruptcy.

The Fund, in its capacity of unsecured creditor of the banks declared bankrupt, monitors the progress in implementing the bankruptcy proceedings in order to recover in a high degree the claims resulting from its subrogation to the rights of guaranteed depositors of these banks.

The Fund is member of the two international professional associations in the deposit guarantee field, namely the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI), in the latter the Fund being member of the Europe Regional Committee – ERC.

CHAPTER TWO

MAIN FEATURES OF THE FUND'S ACTIVITY IN 2006

Year 2006 marked a decade from the establishment of the Deposit Guarantee Fund in the Banking System being at the same time a year in which its activity entered into a new stage of development.

1. One of the most important amendments of the Fund's legal framework in 2006 has been represented by the modification of its financing policy through the implementation of a mix financing formula consisting in decreasing the annual contribution rate due to the Fund by credit institutions participating in the guarantee scheme, and concurrently, supplementing the Fund's financial resources through stand-by credit lines granted by credit institutions so that its own resources plus the respective credits to ensure an adequate targeted exposure coverage ratio, computed as a ratio between Fund's necessary financial resources and total amount of guaranteed deposits.

The decision of adopting a new financing policy has been based on the study made during 2005 in the "Convergence" Program, conducted under the auspices of the World Bank and in collaboration with specialists from the deposit guarantee scheme in Italy – Fondo Interbancario di Tutela dei Depositi (FITD). The final recommendations and conclusions of the study have been presented in January 2006 and the Romanian institutions involved, namely the Fund, the Romanian Banking Association and the National Bank of Romania agreed to implement a Fund's mix financing formula. With this purpose, an emergency ordinance draft has been promoted for amending and supplementing the Fund's functioning law.

Consequently, in March 2006 there has been adopted the Government Emergency Ordinance No. 23 on the amendment and supplement of the Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, republished, as subsequently amended and

supplemented, emergency ordinance that was approved with amendments and supplements through Law No. 280 of July 6, 2006.

Through the above mentioned emergency ordinance, for 2006 there have been established the following Fund's financing policy coordinates: a Fund's targeted exposure coverage ratio of 2.3 %, an annual contribution rate of credit institutions to the Fund of 0.2% (representing half of the rate previously stipulated in legislation, namely 0.4%), as well as a total amount of stand-by credit lines of EUR 150 million in lei equivalent which could be used by the Fund only in case of bankruptcy of a credit institution.

For 2007, the Fund's functioning law, amended during 2006, provides for a new decreasing by half of the annual contribution rate of credit institutions, reaching thus to 0.1% of the total guaranteed deposits.

Starting with 2008, the Fund, with the approval of the Board of the National Bank of Romania, shall annually establish the annual contribution rate and the total amount of the stand-by lines of credit in connection with the targeted exposure coverage ratio, the latter being the core objective of its financing policy, which has to be establish so that to ensure the necessary resources for maintaining a good capitalization of the deposit guarantee scheme.

- 2. According to the legal provisions related to the new financing policy, until April 15, 2006, the Fund concluded stand-by credit lines agreements in total amount of EUR 150 million, in lei equivalent, with the 40 credit institutions participating in the deposit guarantee scheme at that date, but the credit lines have not been used by the Fund. The amount of the stand-by credit lines granted to the Fund by each credit institution has been determined proportionally with the weight of the guaranteed deposits of the credit institution's clients in the total amount of deposits guaranteed by the Fund as of December 31, 2005.
- 3. According to the provisions of the Fund's functioning law, starting with January 1, 2006, the guarantee ceiling per guaranteed depositor has been increased from EUR 10,000, in lei equivalent, to EUR 15,000, in lei equivalent.
- 4. According to the same emergency ordinance that legislated the modification of the Fund's financing policy, the category of deposits guaranteed by the Fund has been enlarged with collateral deposits representing guarantees for operations made

by depositors with credit institutions, this kind of deposits being previously excluded from guaranteeing. Through this amendment, the Fund's list of non-guaranteed deposits has been correlated with the corresponding annex of EU Directive 94/19/EC on the deposit guarantee schemes, which does not include collateral deposits in the category of non-guaranteed deposits.

- 5. In order to correlate the Fund's regulations with the modifications and supplementations made to its functioning law, the Regulation No. 4/2006 has been issued, which has modified and supplemented the Fund's Statute and Regulations No. 2 and 4/2004 regarding the contributions due to the Fund and information that has to be provided by credit institutions to depositors related to deposit guarantee scheme in the banking system. Furthermore, in 2007 specific regulation will be issued for the annual establishment of the Fund's financing policy coordinates.
- 6. Also following to the Fund's financing policy modification, each credit institution paid in 2006 a contribution rate of 0.2% of the total balance of the guaranteed deposits as of December 31 of the previous year. The total amount of annual contributions collected by the Fund in 2006 amounted to 104,863,620 lei, including the contribution related to individuals deposits with C.E.C for the period October December 2006.
- 7. In May 2006 there has expired the final payment deadline of the compensations to depositors (individuals) of the last bank declared bankrupt during 1999–2003, namely Banca "Columna" and toward whose depositors the Fund still had payment obligations.
- 8. Starting with October 1, 2006, the Fund's scope has been expanded by including the individuals deposits with Casa de Economii şi Consemnaţiuni C.E.C. S.A. The transition of these deposits from the state scope to the Fund's has been made according to Law No. 237/2006 for approving the Government Emergency Ordinance No. 199/2005 regarding some measures for continuing the privatization of Casa de Economii şi Consemnaţiuni C.E.C. S.A.
- 9. By Decision No. 20 of August 9, 2006, entered into force at the date of publishing in the Official Gazette of Romania, namely August 22, 2006, the National Bank of Romania decided on the withdrawal of Nova Bank's functioning authori-

zation and the dissolution followed by the bank liquidation. According to the same decision, the Fund has been appointed the bank's liquidator, being for the first time administrative liquidator according to the provisions of Law No. 58/1998 on banking activity. The Fund had this capacity during the period September 4 – November 9, 2006, date at which the Bucharest Court decided on the bank's bankruptcy and on the appointment of new liquidators.

Regarding the other two banks in bankruptcy at which the Fund has been appointed liquidator in 2002, namely Banca Română de Scont and Banca Turco-Română, the Fund continued its specific activity required by the bankruptcy proceedings.

During 2006, the Fund collected a remuneration amounting to 317,898 lei for the activity carried out as liquidator, out of which 291,380 lei from Banca Română de Scont and 26,518 lei from Banca Turco-Română.

10. Another important target pursued in the activity performed by the Fund in 2006 was the constant monitoring and support of the liquidators in implementing the bankruptcy proceedings both to banks where the Fund was creditor (usually, major creditor) and to banks where the Fund has been appointed as liquidator, with a view to recovering as much amounts as possible out of the Fund's claims against these bankrupt banks.

By December 31, 2006, the total amount collected by the Fund from the bankrupt banks was 157.98 million lei, namely 30.78% of the total compensations payments made.

The total amount collected in 2006 from bankrupt banks was significantly reduced, representing about 15% from the one recovered the previous year (1.6 million lei in 2006 as compared with 10.35 million lei in 2005).

11. In 2006, the Fund invested its financial resources according to its exposure strategy approved by the National Bank of Romania's Board, strategy that has as main objectives the minimization of risks and the liquidity of investments, and as additional objective their efficiency.

In the financial investments portfolio, term deposits and credit institutions' certificates of deposit had the highest weight, while the government securities from the secondary market were in a smaller proportion.

- 12. During 2006 there have been taken steps in order to implement an adequate internal audit mechanism, activity that has the purpose to provide objective and independent services, aimed at adding value and at improving the Fund's functioning, as well as the to guarantee the fact that Fund's activities are performed according to the legal norms, internal procedures, and to the best practices. The internal audit activity has been outsourced, the contract being concluded in May 2006.
- 13. There have been put into practice the December 2005 and May 2006 decisions of the National Bank of Romania's Board, by which the Fund has been asked to make biannual analysis and studies regarding the evolution, the determinants and the prospects of the population savings and of the deposits in the banking system.
- 14. The celebrating year of a decade of Fund's activity corresponded with the one of changing its financing policy, offering the occasion of organizing at the beginning of March 2006, the Symposium "The Activity of the Deposit Guarantee Fund in the Banking System and the Updating of its Financing Policy".
- 15. In December 2006, the Fund festively marked the 10th anniversary event of a decade of existence, occasion on which a special publication has been issued which synthesized the institution's activity during the period of these 10 years, as well as the Fund's role in consolidating and preserving the Romanian banking system's stability.
- 16. During 2006, the Fund's visibility has increased. In this respect, there has been noticed a sudden change in the public's information process regarding the Fund's activity, both through the symposium organized in March, the presentation made on an international seminar that was held in Albania in May, the launching of the biannual publication in November, the anniversary event from December 2006 and through organizing press conferences and publishing articles in the national specialized press and in the international professional organizations publications.

CHAPTER THREE

DEPOSITS WITH CREDIT INSTITUTIONS

1. The total volume of deposits* with credit institutions, reported to the Fund as at December 31, had an ascending trend during 2006 with an annual growth rate of 41.63%.

An important dynamics has been recorded in case of the guaranteed deposits, whose annual growth rate has reached 57.21%. This unprecedented growth, as compared to the one recorded in the past years, has been due mainly to the two important extensions of the Fund's scope which have been made in 2006 through the inclusion of individuals' deposits with Casa de Economii şi Consemnaţiuni C.E.C. – S.A.** and of the collateral deposits representing guarantees for operations made by depositors with credit institutions.

The summary of individuals and legal persons' deposits as of December 31, 2006 as compared to the same date of the previous year is shown in the following table:

^{*} According to Fund's functioning law deposit means "any credit balance, including related interest, in any type of bank account, including a joint account, or from transitory situations arising from bank operations and which a credit institution owes to an account holder in compliance with the applicable legal and contractual terms, as well as any debt evidenced by a certificate issued by a credit institution, except the bonds purchased by collective investment undertakings".

^{**} According to art. 6 of Government Emergency Ordinance No. 199/2005 regarding some measures for continuing the privatization of Casa de Economii şi Consemnațiuni C.E.C. – S.A. approved with amendments and supplements by Law No. 237/2006 amended and supplemented, the individuals' deposits with C.E.C. – S.A. should have been included in the Fund's scope at the date of transferring the property rights on the major block of shares of C.E.C. – S.A. to the new shareholders, but no later than October 1, 2006.

		Dogombor	Dogombor	Differences		
No.	Indicator	31, 2005 31, 2006 601. 3 -		col. 3 – col. 2	col. 4 / col. 2 (%)	
0	1	2	3	4	5	
1.	Holders of guaranteed deposits – total, of which:	12,030,837	15,846,302	3,815,465	31.71	
1.	– individuals	11,177,311	15,027,380	3,850,069	34.45	
	– legal persons	853,526	818,922	-34,604	-4.05	
	Total guaranteed deposits (row 3 + row 4) (million lei)	44,326.1	69,686.5	25,360.4	57.21	
2.	% of total deposits	51.55	57.22			
	of which: – in lei	27,466.6	38,822.1	11,355.5	41.34	
	- in foreign currency (in lei equivalent)	16,859.5	30,864.4	14,004.9	83.07	
	Guaranteed deposits held by individuals Total (million lei)	30,550.9	45,860.2	15,309.3	50.11	
3.	% of total guaranteed deposits	68.92	65.81			
	of which: – in lei	17,052.0	24,783.1	7,731.1	45.34	
	- in foreign currency (in lei equivalent)	13,498.9	21,077.1	7,578.2	56.14	
	Guaranteed deposits held by legal persons Total (million lei)	13,775.2	23,826.3	10,051.1	72.97	
4.	% of total guaranteed deposits	31.08	34.19			
	of which: – în lei	10,414.6	14,039.0	3,624.4	34.80	
	- in foreign currency (in lei equivalent)	3,360.6	9,787.3	6,426.7	191.24	
	Total non-guaranteed deposits (million lei)	41,664.3	52,102.4	10,438.1	25.05	
5.	% of total deposits	48.45	42.78			
	of which: - in lei	20,845.9	24,839.7	3,993.8	19.16	
	- in foreign currency (in lei equivalent)	20,818.4	27,262.7	6,444.3	30.95	
6.	Total deposits (row 2 + row 5) (million lei)	85,990.4	121,788.9	35,798.5	41.63	
	% of total deposits	100.00	100.00			
	of which: – in lei	48,312.5	63,661.8	15,349.3	31.77	
	- in foreign currency (in lei equivalent)	37,677.9	58,127.1	20,449.2	54.27	

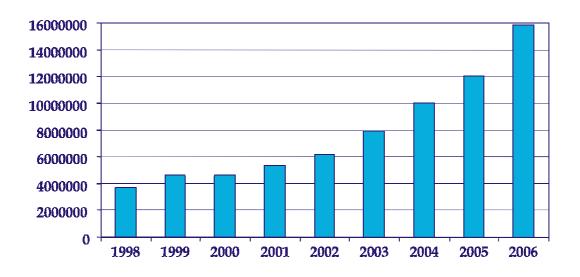
2. At the end of 2006, the number of guaranteed depositors, individuals and legal persons, was 15,846,302, the growth as against the same period of the previous year being of 3,815,465 depositors (+31.71%).

The major weight in the total number of guaranteed depositors had been held by individuals (94.83%) who amounted to 15,027,380 at December 31, 2006, 34.45% higher than at the end of 2005.

Unlike individuals, in the case of legal persons it has been recorded a slightly regress, their number at the end of 2006 diminishing with 4.05% as compared to December 31, 2005.

The chart below shows the evolution of the number of guaranteed depositors, the data being recorded at the end of each year.

Evolution of the number of guaranteed depositors



3. As regards the volume of deposits with credit institutions, in lei and foreign currency, it has been noticed a superior annual growth rate with 22.5 percentage points for deposits in foreign currency as compared with the one of deposits in lei (+54.27% for deposits in foreign currency as compared with +31.77% for deposits in lei). This evolution has caused the modification of the deposit structure by currencies, namely the increase in the weight of deposits in foreign currency in detriment of the one of deposits in lei. Thus, at the end of 2005 the foreign currency

deposits represented 43.82% of total deposits while at the end of 2006 it reached a weight of 47.73%.

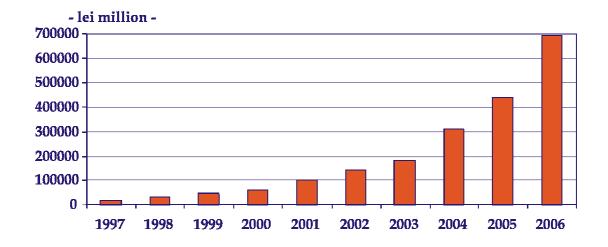
Out of the individuals and legal persons' deposits with credit institutions at December 31, 2006, 57.22% were guaranteed deposits, namely 69,686.5 million lei. As compared to the end of 2005, we could notice an increase of around 6 percentage points for the guaranteed deposits' weight in total deposits, evolution caused by a slower increase of the non-guaranteed deposits as compared to the guaranteed ones (+25.05% as compared to +57.21%).

The annual growth rate of the foreign currency denominated-guaranteed deposits was almost double as compared to the one of lei denominated-guaranteed deposits (+83.07% as compared to +41.34%).

Guaranteed deposits of legal persons have recorded a faster increase as compared with the one of individuals (+72.97% as against 50.11%).

The evolution of guaranteed deposits with credit institutions is shown below:

Evolution of guaranteed deposits with credit institutions participating in the Fund



As of December 31, 2006, the guaranteed deposits of individuals represented 65.81% of the total guaranteed deposits, which means a decrease with more than 3 percentage points as compared with their weight at the end of 2005.

4. The summary of the deposits holders and guaranteed deposits as of December 31, 2006 as against December 31, 2005, taking into account the guarantee ceilings for the respective dates:

			of which:		
No.	Indicator	Total	within the guarantee ceiling	over the guarantee ceiling	
0	1	2	3	4	
1.	Holders of guaranteed deposits - as of 31.12.2005 - as of 31.12.2006 % of total - as of 31.12.2005 - as of 31.12.2006	12,030,837 15,846,302 100 100	11,765,632 15,719,757 97.8 99.2	265,205 126,545 2.2 0.8	
2.	Total guaranteed deposits (million lei): - as of 31.12.2005 - as of 31.12.2006 % of total - as of 31.12.2005 - as of 31.12.2006	44,326.1 69,686.5 100 100	20,651.9 31,975.7 46.6 45.9	23,674.2 37,710.8 53.4 54.1	

On December 31, 2006, 99.2% of the total number of guaranteed deposits' holders had deposits below the guarantee ceiling, more with 1.4 percentage points as against the end of 2005, although the guarantee ceiling raised by 33.3%. This situation has been caused mainly by the relative small size of deposit per depositor as compared with the guarantee ceiling, another factor of influence being the potential cautious attitude of depositors which had savings with more credit institutions.

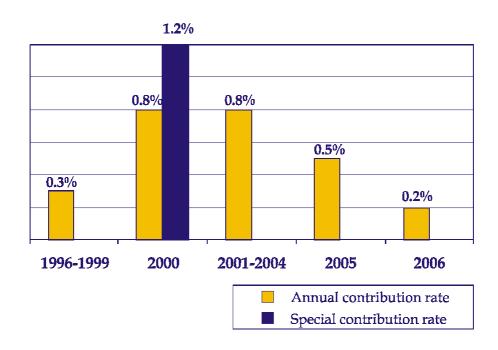
CHAPTER FOUR

FINANCIAL RESOURCES OF THE FUND

1. The contributions collected from credit institutions participating in the guarantee scheme as initial, annual, annual increased and special contributions represent the most important category of Fund's financial resources.

As of the establishment date of the Fund, the annual contribution rate was 0.3% of total deposits held by individuals, subsequently modified in 1999 to 0.8% and applied from 2000. In 2005, the annual contribution rate was 0.5%, while in 2006 was 0.2%.

Evolution of credit institutions' contribution rate



The annual contribution in 2006, communicated to the Fund at the beginning of the year on the basis of the statements sent by credit institutions, was paid within the legal term, without any delay.

2. Contributions paid by credit institutions in 2006, as compared to 2005, are shown below:

- thousand lei -

Contribution type	2005	2006
– initial contributions	250.0	-
– annual contributions	159,338.2	104,863.6
– special contributions	-	-
TOTAL	159,588.2	104,863.6

The annual contributions collected by the Fund in 2006 comprise the amount of 13,217.1 thousand lei, representing the differences due as result of the verification made by the Fund at the credit institutions regarding the calculation of the annual contribution base for 2005.

3. According to its new financing policy adopted in the first part of 2006, the Fund has concluded with all credit institutions participating in the deposit guarantee scheme stand-by credit lines agreements amounting to EUR 150 million, in lei equivalent.

These credit lines, in force until February 28, 2007*, have not been used whereas during year 2006 it has been recorded only the bankruptcy of Nova Bank, the compensations related to the guaranteed deposits with this bank, paid starting with January 2007, being insignificant as compared with Fund's own resources.

According to the legal provisions, the Fund pays to credit institutions, within 30 banking working days from the expiration of the stand-by credit lines validity, a non-utilization fee of 0.5%.

4. A summary of the financial resources and payments as from the date of the Fund's establishment until December 31, 2006, as compared to December 31, 2005, is shown below:

20

^{*} The stand-by credit lines granted by the branches in Romania of credit institutions having their head offices in European Union member states have expired, according to the law, at the date of Romania joining EU, namely on January 1, 2007.

- thousand lei -

No.	INDICATOR	31.12.2005 Cumulative data	2006	31.12.2006 Cumulative data	%
0	1	2	3	4	5 = (col. 4 – col. 2) / col. 2
A.	RESOURCES – total, of which:	1,499,699.8	144,100.9	1,643,800.7	9.61
	 Banks' contribution Fund's profit distributed 	681,433.5	104,863.6	786,297.1	15.39
	during 1996 – 2006	310,787.0	37,894.1	348,681.1	12.19
	3. Borrowings	350,000.0	_	350,000.0	_
	4. Collections from recovered claims from bankrupt banks5. Collections from liquidator's	156,955.1	1,025.3	157,980.4*	0.65
	remuneration	524.2	317.9	842.1	60.64
B.	PAYMENTS DUE – total, of which:	970,984.6	1,919.4	972,904.0	0.20
	1. Payments of compensations	512,209.7	_	512,209.7	_
	2. Payments on borrowings, of which:	458,774.9	_	460,694.3	-
	2.1. repayment of principal	350,000.0	_	350,000.0	-
	2.2. interest payment	108,774.9	_	108,774.9	-
	3. Payments due related to the non-utilization fee				
	for stand-by credit lines	_	1,919.4	1,919.4	-
C.	Year-end balance	528,715.2	144,100.9	670,896.7	27.25

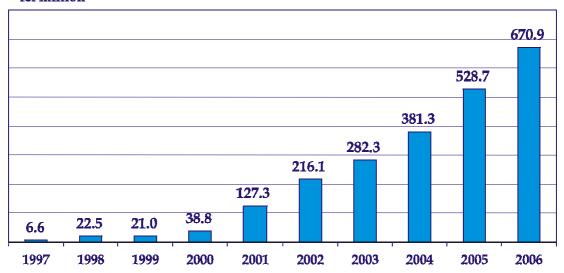
^{*} This amount comprises the contributions due to the Fund and collected from Bankcoop and Banca Turco-Română.

As shown above, the available resources of the Fund intended for deposit guarantee as of December 31, 2006, increased by 144,100.9 thousand lei as compared to December 31, 2005, that is by 27.25%, provided that the Fund owes, for the period until December 31, 2006, a non-utilization fee of 0.5% per year for the stand-by lines granted by credit institutions, amounting to 1,919.4 thousand lei. The total amount of the non-utilization fees related to all stand-by credit lines in 2006 has been entirely paid by the Fund up to the due dates provided for in the stand-by credit lines agreements, namely during April 2007.

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Evolution of Fund's financial resources as of December 31

- lei million -



CHAPTER FIVE

INVESTMENT OF FINANCIAL RESOURCES

- 1. Starting with the second semester of 2005, the financial resources investment has been made based on an exposure strategy on each financial instrument and issuer, strategy established by the Fund, endorsed by the Fund's Board and approved by the National Bank of Romania's Board, according to the law. This strategy has as main objectives the minimization of risks and the liquidity of investments, and as additional objective their efficiency.
- 2. During 2006, the investment of financial resources has been made under difficult circumstances caused both by the lack of government securities on the primary market, which led to a scarce secondary market, and by the significant reduction of the interest rate of term deposits and certificates of deposit.

Thus, the Fund's financial resources were invested mainly in term deposits with credit institutions, with a view to obtaining the best possible return on investment at the lowest risk.

3. Investment of Fund's financial resources in 2006 is shown below:

		1st H	alf	2nd Half		Total	
No.	Financial instruments	Average invested capital - lei thousand -	Average interest rate %	Average invested capital - lei thousand -	Average interest rate %	Average invested capital - lei thousand -	Average interest rate %
0	1	2	3	4	5	6	7
1.	TOTAL INVESTMENTS of which:	576,099.20	8.31	647,204.87	7.74	611,490.65	8.12
	Investments in government securities, of which:	69,231.43	7.69	98,126.34	7.74	83,563.69	7.85
	1.1. government securities on the primary market	-	-	-	-	-	_
	1.2. government securities on the secondary market	69,231.43	7.69	98,126.34	7.74	83,563.69	7.85
2.	Investments in certificates of deposit	105,031.99	10.59	7,042.89	7.55	56,282.58	10.42
3.	Investments in term deposits	401,835.78	7.81	542,035.64	7.75	471,644.38	7.90

4. The share of the average capital invested by the Fund in financial instruments in 2006 is presented below:

No.	Financial instruments	Average invested capital (%)		
		1st Half	2nd Half	
0	1	2	3	
	TOTAL INVESTMENTS of which:	100.00	100.00	
1.	Investments in government securities, of which:	12.0	15.2	
	1.1. government securities on the primary market	-	-	
	1.2. government securities on the secondary market	12.0	15.2	
2.	Investments in certificates of deposit	18.2	1.1	
3.	Investments in term deposits	69.8	83.7	

5. As shown in the above tables, the investments in term deposits have the biggest weight, 69.8% in the first semester, respectively 83.7% in the second semester.

As regards the weight of the certificates of deposit in total investments, the Fund did not make investments in 2006 in such instruments, the related figures representing certificates of deposit from previous years that came to due date in 2006.

The average interest rate at Fund's investments in 2006, of 8.12, has considerably been reduced by almost 3.6 percentage points as against the one in 2005.

CHAPTER SIX

INFORMATION FOR PUBLIC

During 2006, the Fund has promoted an active policy for informing the public on the principal aspects of its activity, including the ones related to its capacity of liquidator, making known the progresses recorded both through mass media, its website and publications and through the events organized on various occasions.

In the category of events organized by the Fund during 2006, a special place had the Symposium "The Activity of the Deposit Guarantee Fund in the Banking System and Updating of its Financing Policy", which took place in March 2006 and to which participated representatives of member credit institutions, of the National Bank of Romania, of mass-media and interested public. The symposium had a double signification, being occasioned both by the anniversary of 10 years from the Fund's establishment and by the change of the financing policy.

The Symposium has widely been presented in mass-media, showing both the Fund's upward evolution during its 10 years of activity and the rationale of changing the Fund's financing policy and implications thereof upon the credit institutions participating in the deposit guarantee scheme.

This event enjoyed the presence of the National Bank of Romania's top management. In his opening speech, Mr. Mugur Isărescu, the governor of the National Bank of Romania, emphasized the role and position of the Fund in the Romanian banking system, the increase of the Fund's activity complexity during a decade of existence, and the necessity of developing new tasks in the Fund's activity.

The event of one decade of activity has been festively celebrated in December 2006, issuing on this occasion an anniversary coin and a special publication highlighting the most important aspects of institution's activity during the 10 years,

as well as the Fund's role both in consolidating and maintaining the stability of the banking system in Romania, and in increasing the public's confidence in the banking system.

Along with the representatives of credit institutions, of the Romanian Banking Association and of the Romanian Banking Institute, to this event participated the members of the National Bank of Romania's Board, as well as the management of the central bank's departments. As emphasized in the speeches, the Fund's activity expanded and continuously improved during these 10 years and the Fund successfully accomplished its tasks laid down in the law.

At the beginning of November 2006, there has been launched the first number of the Fund's biannual publication, that has been added to institution's annual report, the aim being the presentation of the evolution of deposits reported to the Fund by credit institutions, especially by those from its guarantee scope, of the saving process, as well as other features of the Fund's activity, the publication being also a means of making known the Fund's specific activity. The first number of the biannual publication included also the results of a survey, the main sections presenting the savings behavior, evolution and prospects, the preferences for banking products and services, the guarantee of banking deposits, the perception of the banking system, the sources of information in the field. The respondents to the survey were individuals of over 18 years old, from rural and urban area, who had at least one financial-banking instrument, the sample being composed of 1,515 respondents.

The biannual publication was launched in a press conference in which participated representatives of mass-media. In addition to the information comprised for the analyzed period until June 30, 2006, data regarding credit institutions as of September 30, 2006 were also disclosed.

There have also been published articles in the specialized press from country and abroad and interviews have taken place on issues like the guarantee of deposits and the progress in the implementation of the bankruptcy proceedings to the bankrupt banks to which the Fund has the capacity of liquidator and/or creditor.

During the information process, according to the legal provisions, the Fund made known to depositors, through communications published in the Official Gazette of Romania, mass-media and on the Fund's website:

- the updated list of credit institutions whose depositors benefit from the guarantee of the reimbursement of the deposits with the respective institutions;
- the deadlines for the compensations payments to the depositors who had deposits with the bankrupt banks;
- the terms, conditions and formalities that have to be fulfilled for the compensations' collection.

At the same time, the Fund promptly replied to the depositors' inquiries regarding various aspects related to the guarantee of deposits (categories of guaranteed deposits by the Fund, guarantee ceiling, etc.), as well as to the compensations payments for the deposits with bankrupt banks.

CHAPTER SEVEN

OTHER ASPECTS OF THE FUND'S ACTIVITY

1. As of December 31, 2006, thirty-one banks, Romanian legal persons, one credit co-operative network CREDITCOOP (central house and affiliated credit co-operatives) and six branches of foreign banks authorized to operate in Romania participated in the deposit guarantee scheme, as shown in Appendix 1.

Pursuant to the legal provisions, the Fund published in the Official Gazette of Romania the updated list of credit institutions participating in the deposit guarantee scheme in Romania whenever changes occurred. During 2006, the list has been updated and published twice in the Official Gazette of Romania.

Starting with the date of Romania's accession to the European Union, namely January 1, 2007, five branches in Romania of credit institutions having their head offices in the European Union member states ceased to participate in Fund's guarantee scheme, the deposits of individuals and legal persons with these institutions being guaranteed by the guarantee scheme from the home country of the parent credit institution.

2. The guarantee ceiling per depositor had a significant increase, from EUR 3,300, in lei equivalent, in the first semester of 2004, to EUR 15,000, in lei equivalent, in 2006.

The evolution of the guarantee ceiling per depositor during 1997–2006 is shown in Appendix 2.

3. Also in 2006, the Fund has been preoccupied of the proper implementation of its legislation provisions, of norms and regulations issued for their implementation, having a good collaboration with the credit institutions participating in the deposit guarantee scheme.

4. According to the legal requirements, the Fund examines on-site both the accuracy of reports regarding the calculation of annual contributions due and paid to the Fund, and the contribution calculation base representing the total balance of the guaranteed deposits as of December 31 of the previous year respectively.

In 2006 there has been continued the activity of verifying the annual contributions declared and paid to the Fund in 2005, and of the ones effectively due, activity that started in 2005 and was finalized during 2006. The credit institutions paid to the Fund a difference of contribution in amount of 14,993.7 thousand lei, out of which the amount of 13,217.1 thousand lei has been collected in 2006. This difference represents around 9% of the contributions due to the Fund by credit institutions in 2005.

Taking into account the Fund's numerous tasks in 2006, and the lack of staff with control responsibilities, the verification of calculation base at credit institutions for the annual contribution paid in 2006 could not be started in 2006, and is to be finalized during 2007.

CHAPTER EIGHT

PAYMENT OF COMPENSATIONS TO DEPOSITORS OF BANKRUPT BANKS

1. Having in view that the legal term for the payment of compensations by the Fund is within 3 years from the date of starting the payments, the only bank in bankruptcy for which its depositors could have asked for the compensations was Banca "Columna". Nevertheless, until the deadline, namely May 26, 2006, no entitled depositor made any such application.

The compensations paid for individuals' deposits with bankrupt banks and the outstanding amounts as of December 31, 2006, are shown in the table below:

No.	Bankrupt bank	-	ons as per the ent list	Payments made		
110.		No. of depositors	Amount (lei thousand)	No. of depositors	Amount (lei thousand)	
0	1	2	3	4	5	
1.	Banca "Albina"	33,528	36,105.86	24,461	36,056.49	
2.	Bankcoop	467,993	275,494.87	197,252	273,236.06	
3.	Banca Internațională a Religiilor	284,121	187,738.81	102,787	186,149.27	
4.	Banca Română de Scont	1,871	921.43	229	873.10	
5.	Banca Turco-Română	10,026	18,043.27	2,724	15,877.97	
6.	Banca "Columna"	171	146.29	2	16.76	
Total:		797,710	518,450.53	327,455	512,209.65	

As results from the above table, the Fund paid compensations in amount of 512.2 million lei to 327,455 individuals, representing 98.8% of the total initial amount. The remainder of 470,255 depositors did not claim their due amounts totaling nearly 6.2 million lei, that is 1.2% of the total amounts which ought to have been

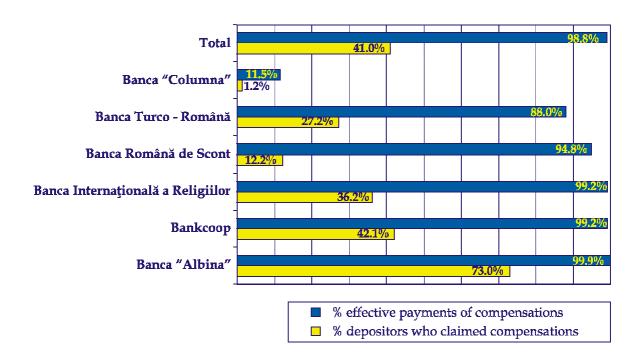
paid. Despite the fact that the Fund has repeatedly notified on the payments deadlines through mass media and its website, the over 470 thousand depositors did not collect the compensations they were entitled to, due to their lack of interest in the respective amounts as almost 94% of the deposits thereof were of very low value, up to 10 lei respectively.

It should be underlined that compensations were paid without any problems and there were no conflict situations, litigations or other significant difficulties in the relations with the depositors entitled to compensation or with the credit institutions mandated by the Fund to effect the payment of compensations.

2. Based on the data from the previous table, the summary of the effective payments as compared to the ones due by the Fund, as well as of the deposit holders who claimed compensation as compared to the ones from the payment list are shown both in the table and chart below:

No.	Bankrupt bank	Effective payments of compensations, as compared to Fund's obligation written down in the payment list (subrogation to the rights of guaranteed depositors) - % -	Share of depositors who claimed compensation, as compared to the total number of depositors in the payment list - % -
1.	Banca "Albina"	99.9	73.0
2.	Bankcoop	99.2	42.1
3.	Banca Internațională a Religiilor	99.2	36.2
4.	Banca Română de Scont	94.8	12.2
5.	Banca Turco-Română	88.0	27.2
6.	Banca "Columna"	11.5	1.2





3. Payments of compensations effected by December 31, 2006, in USD equivalent, at the exchange rate from the date of payment, were the following:

	USD thousand -
– Banca "Albina"	22,510.4
-Bankcoop	136,020.0
– Banca Internațională a Religiilor	75,194.0
– Banca Română de Scont	262.2
– Banca Turco-Română	4,747.2
– Banca "Columna"	5.1
TOTAL	238,738.9

CHAPTER NINE

RECOVERY OF CLAIMS FROM BANKRUPT BANKS

1. During 2006, the Deposit Guarantee Fund in the Banking System has been involved, in capacity of creditor and/or liquidator, in handling the bankruptcy proceedings for seven banks in such situation, out of which six that went bankrupt during 1999–2003 and one bank, namely Nova Bank, in bankruptcy from November 9, 2006, according to the commercial court decision no. 2926, issued by Bucharest Court.

In 2006, the Fund monitored the progress of the bankruptcy proceedings implementation and permanently supported the liquidators activity at the banks where the Fund has the capacity of creditor in order to recover as much as possible of the Fund's claims from the six banks declared bankrupt during 1999–2003.

Following the initiation of the bankruptcy proceedings to these banks, the Fund subrogated to the rights of depositors (individuals) for the compensations payable, being granted the capacity of unsecured creditor in case of all banks in bankruptcy mentioned above, except Banca "Columna".

By December 31, 2006, the Fund collected claims in amount of 157.98 million lei from the distributions made by the liquidators of bankrupt banks, representing 30.78% of the Fund's total claims.

In 2006, the total amount collected from the bankrupt banks was of 1.60 million lei, out of which 0.19 million lei from Bankcoop, 0.53 million lei from Banca Internațională a Religiilor and 0.88 million lei from Banca Turco-Română. This amount represents almost 15% of the claims recovered during the previous year, which means that the respective banks are nearly in the final stage of the implementation of the bankruptcy proceedings, the most part of their claims and assets, excepting Banca Turco-Română, being recovered and realized.

It is to be mentioned that in the case of Banca Turco-Română, the first distribution of amounts to creditors has been made during 2005 to the former employees, while in 2006 it has been made the second distribution to the Fund and budgetary creditors.

Regarding Nova Bank, the claims of the Fund against this bank have entirely been recovered following their assignment during April 2007 to the main creditor. The amount collected was of 277,406 lei.

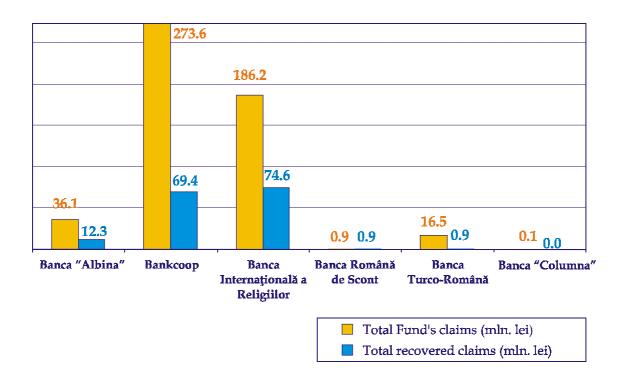
The table below shows the recovered claims as against the compensations paid until December 31, 2006:

	To	tal claims*	Recovered claims		Recove	ry ratio
Bankrupt bank	million lei	USD thousand equivalent (at the exchange rate** on the date of setting up the claim)	million lei	USD thousand equivalent (at the exchange rate** on the date of each distribution)	lei (percent)	USD (percent)
0	1	2	3	4	5 = 3/1	6 = 4/2
Banca "Albina"	36.06	22,510.42	12.26	5,000.64	34.00	22.21
Bankcoop	273.64	136,236.27	69.39	22,414.92	25.36	16.45
Banca Internațională a Religiilor	186.15	75,194.03	74.57	23,772.81	40.06	31.62
Banca Română de Scont	0.87	262.17	0.87	280.31	100.00	106.92
Banca Turco-Română	16.45	4,918.15	0.89	321.49	5.41	6.54
Banca "Columna"	0.09	27.66	-	_	_	-
Nova Bank	_	_	_	_	_	_
TOTAL	513.26	239,148.70	157.98	51,790.17	30.78	21.66

^{*} For Bankcoop, Banca Turco-Română and Banca "Columna", total claims include also the claims due and unpaid to the Fund until the bankruptcy date.

^{**} Exchange rate communicated by the National Bank of Romania.

Comparative summary of total claims and recoveries of claims as of December 31, 2006



In case of Banca "Columna", although the final list of claims has been approved prior to year 2005, the Fund did not collect any amount up to the end of 2006 whereas the bank liquidation was not made according to the specific provisions of credit institutions' bankruptcy legislation, which would have placed the Fund in a priority position at distribution, but according to general bankruptcy legislation, namely Law no. 85/2006 regarding the insolvency proceedings (which replaces Law no. 64/1995 regarding the judicial reorganization and bankruptcy), situation in which the Fund is placed amongst the last positions in the order of priority for the payment of claims.

Until December 31, 2006, the Fund recovered from the banks in bankruptcy claims in lei in proportion of 30.78%, while in foreign currency consolidated amounts where both the set up claims and collections from claims are expressed in USD

equivalent, based on the exchange rate at those dates, the Fund collected claims in proportion of 21.66%.

Consequently, having in view the long time for the liquidation proceedings at the six banks declared bankrupt during 1999–2003, and also the fact that the major part of the claims and their assets, excepting Banca Turco-Română, have been recovered and realized, the possibility of recovering the claims during 2006 has significantly been reduced, the respective banks having in their portfolio assets and claims in a small portion or difficult to recover, case in which the Fund's recoveries for the following period will be insignificant.

CHAPTER TEN

FUND'S ACTIVITY AS LIQUIDATOR

1. Since 2002, the Fund has performed, in accordance with the applicable law, the liquidation-related activity for two bankrupt banks, namely Banca Română de Scont (starting April 16, 2002) and Banca Turco-Română (starting July 3, 2002).

During 2006, the Fund has carried on the actions required by the bankruptcy procedures of the above-mentioned bankrupt banks and, in September 2006, has started the administrative liquidation of Nova Bank.

The Fund's activity as judicial liquidator has observed the provisions of the applicable general and specific legal framework, namely the Law No.83/1998 on credit institutions' bankruptcy procedure, as amended and supplemented by the Emergency Ordinance of the Romanian Government No.138/2001 and the Law No.85/2006 on insolvency procedure, which repealed as of the date of entry into force, i.e. July 21, 2006, the Law No.64/1995 on judicial reorganization and bankruptcy procedure.

In keeping with the legal provisions on the sale of immovables, the Fund issued at the start of 2006 the Regulation No.2/2006 on the sale of bankrupt credit institutions' immovables by public auction or negotiation. The Regulation represented the general framework for realization of assets in the patrimony of Banca Română de Scont and Banca Turco-Română and became applicable after its approval by the Creditors' Assemblies of the two failed banks. For the purpose of harmonization with the Law No.85/2006 on insolvency procedure, said Regulation has been repealed in January 2007 by the Regulation No.2/2007 on the sale of credit institutions' immovables, approved by the Creditors' Assemblies of both failed banks.

With a view to establishing the general framework for the implementation of the bankruptcy procedure at the two failed banks where the Fund has been appointed judicial liquidator, the Regulation No.3/2006 has been issued on the carrying out of Fund's activity as liquidator at Banca Românâ de Scont – bank in bankruptcy and Banca Turco-Română – bank in bankruptcy, whereby the following mainfields have been settled: the management of failed banks and performance of operations in the interest of bankruptcy procedure; realization of failed banks' assets under the conditions and with the observance of the relevant regulation as approved by the Creditors' Assemblies; efficient management of existing funds and permanent reduction of expenditures related to the bankruptcy procedure; collection of failed banks' receivables with a view to ensuring the necessary funds for procedure-related expenditures and distributions to creditors; drawing up of monthly progress reports on the status of bankruptcy procedure and fulfillment of liquidator's tasks.

The Fund as judicial liquidator of the two failed banks has focused also on the upholding of legal actions filed in the competent courts with the aim to collect the claims over banks' debtors. Despite the efforts made, the Fund's activity as judicial liquidator was difficult to perform having in view the criminal nature of various operations carried out by the two banks prior to bankruptcy. In addition, the courts set long terms and in many cases ruled in favor of debtors. Under such circumstances, both the Fund and its representatives to the failed banks asked for support to criminal investigation bodies, courts of appeal, the Ministry of Justice and the Superior Council of Magistracy with a view to ruling with celerity the pending lawsuits.

2. Issues related to Fund's activity

A. As judicial liquidator of:

Banca Română de Scont (BRS) – bank in bankruptcy

In 2006, the liquidation activity related to BRS bankruptcy proceedings resulted mainly in:

a) Finalization of legal actions for completion of creditors' list against recourses filed by some creditors for claims disputed by the liquidator.

In May 2006, the last recourse against courts decisions on settlement of claims over the bank was rejected, thus being irrevocably set the creditors' list for an amount

of 38.51 million lei. In the course of bankruptcy procedure, over 65% of total claims were rejected for an amount of 74.24 million lei.

By the joint efforts of the syndic judge and the liquidator, disputed claims of over EUR 21 million were rejected in the process of completion of creditors' list, with favorable impact on the creditors with valid claims.

b) Carrying on the collection of receivables from loans, interests and other claims as well as the realization of assets in BRS patrimony.

In 2006, the recovery ratio for "other assets" item was 54% of total collections in the reporting year and 86.8% of total assets as of bankruptcy date.

Collections during April 16, 2002 – December 31, 2006 were as follows:

- million lei -

Explanation	Claims and other assets as of April 16, 2002 (bankruptcy date)	Cash collections during April 16, 2002 – December 31, 2006	Set-offs	Total recoveries	of which, in 2006:	%
0	1	2	3	4 = 2 + 3	5	6 = 4 / 1
Total claims and other assets, of which:	54.57	22.8	9.0	31.8	3.5	58.3
1. Claims	37.75	5.8	9.0	14.8	1.3	39.2
1.1. credits	27.09	4.4	9.0	13.4	1.2	49.5
1.2. interests	6.06	1.2	_	1.2	0.1	19.8
1.3. other claims	4.60	0.2	_	0.2	_	4.3
2. Other assets	16.82	14.6	_	14.6	1.9	86.8
3. Other collections (rents, dividends, interests on available funds)	-	2.4	-	2.4	0.3	_

Total collections of 14.8 million lei represented 39.2% of total claims as of bankruptcy date (37.75 million lei) as most debtors lacked resources needed for payment of outstanding credits granted by the bank as well as real guarantees, because loans were extended in breach of legal crediting norms. Over 540 legal and extrajudicial actions have been filed by the liquidator for collection of claims. During 2006, 3.5 million lei were recovered being 11% of total collections.

Sale of 9 bank premises (8.5 million lei) and recovery of investment works at rented buildings (2.8 million lei) had the major weight in total collections of 14.6 million lei at "other assets" item, while the difference came from assignment of participations in TransFond and the Romanian Fund for Guarantee of Credits to Private Entrepreneurs (2.0 million lei), sale of vehicles and other assets, recovery of guarantees put for the EUROPAY cards implementation contract. During 2006, collections at "other assets" item represented 13% of total collections.

In 2006, the bank operated with 20 employees, less by 20% as compared to previous year.

c) Distributions to creditors from amounts collected

As a result of the bankruptcy proceedings implementation, the liquidator made in 2006 two distributions to general creditors for 7.66 million lei.

From the bankruptcy date until December 31, 2006, five distributions were made for 13.16 million lei, being 34.18% of total enrolled claims of 38.51 million lei.

The Fund collected in full, in 2004, its claim from payment of compensations made until legal deadline, BRS being thus the only bankrupt bank which paid 100% of Fund's claim. State claims were fully paid as well. Such an achievement was possible due to other payment priority as compared to banks that went bankrupt before BRS, which ranked the Fund in the first positions as well as to the relatively small amount of Fund's claim. So far, general creditors collected over 31% of their claims.

d) Drawing up of monthly progress reports on the status of bankruptcy proceedings and fulfillment of liquidator's tasks.

Reports were analyzed by the Fund's Board. After discussions and approval of proposals, on a case-by-case basis, the monthly reports were submitted as provided by law to the syndic judge for approval and to the National Bank of Romania for information purposes. In accordance with the Law No. 85/2006, starting with the second semester of 2006 the monthly reports were presented to Creditors' Committee as well.

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e) In 2006, Braşov Court, through the Civil Decision No.956/SIND, irrevocably and finally ruled on the accountability based on Law No.83/1998 of the former president of BRS, who was thus obligated to cover the existing liabilities of the bank. Based on the decision enforced with executory clause, the forced enforcement has been started by the bank executor.

There were evidences that prejudices suffered by BRS came from a fraudulent mechanism put in place by the former president in collaboration with former employees of Bucharest branch and some clients. In essence, said mechanism consisted in:

- use of bank's resources by the former president and some clients in their own interest;
- embezzlement of a portion of bank's assets by way of credits extended in a fraudulent manner and in breach of legal and banking norms to clients in special relations with the major shareholder of the bank;
- changing of the legal destination of bank's raised funds so as to serve the particular interests of some clients in close relations with the former president;
- embezzlement of funds by cash withdrawals from petty cash and making accounting records without substantiating documents, in complete violation of Law No.82/1991 – the Accounting Law.

For recovery of bank's prejudice resulted from the above fraudulent mechanism, civil and penal actions were filed to the competent courts. As of December 31, 2006, BRS had a portfolio in different procedural stages of over 540 files for recovery of claims, of which commercial 116, civil 97, 48 for debtors' bankruptcy, forced seizure 165, penal 110 and contentious matters 5.

In relation to civil files, until end-2006 a number of 62 files for damages compensation (for claims totalling 116.1 million lei and USD 2.08 million) were suspended on the basis of art. 244 para.1 point 2 of the Civil Procedure Code until settlement of the penal aspects having in view the intrinsic relationship among issues under penal investigations in the penal file of BRS bankruptcy.

The penal file for a series of illicit aspects identified at BRS is under penal investigation by the Prosecutor's Office attached to the High Court of Cassation and

Justice. A financial and accounting audit started in June 2002 and was discontinued in the first semester of the following year due to lack of funds. The audit resumed at the beginning of the second semester of 2005, and the objectives were updated by the Prosecutor's Office by taking into consideration the objectives proposed by the liquidator as well. Some objectives had as deadline December 31, 2005, while the whole audit report had to be completed in 2006. The term has been postponed until May 31, 2007. BRS covered the most part of audit-related expenditures.

- f) Three meetings of Creditors' Committee took place in 2006 as well as one Creditors' Assembly in November 2006. Creditors were informed on measures taken, approved assessment reports, sale methods and initial prices for public auctions, plans for funds' distribution to creditors and other current issues of the liquidation activity.
- g) In terms of Fund's financial effort as judicial liquidator of BRS, the costs for personnel involved in the bankruptcy procedure were not covered as of December 31, 2006 by the Fund's remuneration as liquidator which is according to the law 3% of total collections. The costs in relation to BRS were 2.5 times higher than the remuneration received. Taking into account the prospects of significantly smaller future collections, it is estimated that the Fund as liquidator shall not cover the costs with the personnel involved in the activity of liquidation.

Banca Turco-Română (BTR) – bank in bankruptcy

In 2006, the liquidation activity related to BTR bankruptcy proceedings resulted mainly in:

a) Carrying on the legal actions for settlement of two claims disputed by the liquidator and of the recourses filed by three creditors for demands totalling 101.72 million lei, with a view to finalizing the creditors' list. Until end-2006 such actions were still pending.

Based on decisions issued by competent courts, the debt of BTR towards its creditors, excluding unsettled claims, has been set to 111.15 million lei. As compared

to total demands of 259.41 million lei, the debt as stated by the courts represented 42.85% of total claims.

b) Carrying on the collection of receivables from loans, interests and other claims as well as the realization of assets in BTR patrimony.

Further to the measures taken in 2006 in terms of assets realization and recovery of claims, collections in the reporting year amounted to 8.80 million lei, being 58.70% of total collections since the bankruptcy date.

Collections from credits, interests and other assets during July 3, 2002 – December 31, 2006 were as follows:

- million lei -

Explanation	Claims and other assets as of July 3, 2002 (bankruptcy date)	Cash collections during July 3, 2002 – December 31, 2006	of which, in 2006:	%
0	1	2	3	4 = col. 2 / col. 1
Total claims and other assets, of which:	274.15	14.99	8.8	5.47
1. Claims	227.48	2.95	0.85	1.30
1.1. credits	98.19	1.07	0.01	1.09
1.2. interests	17.30	1.08	0.79	6.24
1.3. other claims	111.99	0.8	0.05	0.71
2. Other assets	46.67	10.56	7.67	22.63
3. Other collections	_	1.48	0.28	_

Until December 31, 2006, claims recovered by BTR amounted to 2.95 million lei, being 1.30% of total claims as of bankruptcy date. The difference of 98.70% accounted mainly for outstanding claims over two Turkish legal persons, former shareholders of the bank, namely Bayindir Holding AS and Bayindir Insaat Turizm Ticaret ve Sanayi AS. The total debt of said firms was 209.47 million lei (USD 52.87 million and EUR 10.16 million in lei equivalent), meaning 92.08% of total claims as of bankruptcy date.

In March 2003, the liquidator filed a lawsuit for damages compensation against those two Turkish companies for the joint coverage by the same of the prejudice

suffered by the bank in the amount of USD 58.05 million and EUR 11.06 million, being outstanding credits until bankruptcy and accrued interests as of December 31, 2002. Until end-2006, the court did not hear the merits of the case due to the admittance of the Romanian courts general non-competence exception and, in the appeal stage, due to lack of summons procedure with Turkish defendants.

With reference to the "claims" item, the recovery ratio in 2006 was 0.37% of total claims as of bankruptcy date as the major claims of the bank were over the two legal persons registered in Turkey.

At "other assets" item, the main portion out of 10.56 million lei accounted for sale of immovables -6 buildings and 2 lands - while the rest came from sale of movables and participations.

Significant results were recorded in 2006 at "other assets" item, the proceeds collected from the sale of 2 buildings and one land, i.e. 7.67 million lei, were 16.43% of total assets as of bankruptcy date and 73% of total collections in this category since the commencement of bankruptcy proceedings.

"Other collections" item, amounting to 1.48 million lei, included bank interests received for the existing funds, commissions for letters of guarantee and grants made by the bank prior to the bankruptcy and annulled by the court.

In 2006, the bank operated in average with 19 employees, less by 13.64% as compared to the previous year.

c) Distributions to creditors from amounts collected.

Until end-2006, the liquidator made two distributions for 2.29 million lei, being 2.06% of bank's debt towards creditors. The first distribution took place in 2005 in favor of the former employees of the bank.

The second distribution was made in August 2006 for 1.97 million lei, being 1.8% of BTR debt towards creditors. The second distribution regarded, as provided by the law, the State claims and the Fund for its claim originated from payments of compensations to guaranteed depositors.

Further to the second distribution, the Fund collected 0.88 million lei which accounted for a recovery ratio of 5.35% of Fund's total claim over BTR (16.45 million lei).

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As a result of both distributions, the Fund received remuneration as liquidator of 0.19 million lei, being 3% of total funds collected from liquidation and recovery of claims in the periods to which distributions related.

d) Drawing up of monthly progress reports on the status of bankruptcy proceedings and fulfillment of BTR liquidator's tasks.

Reports were analyzed by the Fund's Board. After discussions and approval of proposals, on a case-by-case basis, the monthly reports were submitted as provided by law to the syndic judge for approval and to the National Bank of Romania for information purposes. In accordance with the Law no.85/2006, starting with the second semester of 2006, the monthly reports were presented to Creditors' Committee as well.

e) Upholding of legal actions filed in the competent courts with the aim to collect the bank's claims.

During 2006, the liquidator focused on the settlement of existing files with a view to boosting recovery of claims over bank's debtors.

The liquidator filed in 2006 seven new lawsuits, of which 3 of civil nature, 3 commercial and one penal complaint; during July 3, 2002 – December 31, 2006, a total of 410 files were recorded to competent courts, of which 60 of commercial nature, 143 civil, 41 penal complaints and 166 contentious falling within the competence of the administrative courts.

At end-2006, only 60 files were still pending, of which 22 forced executions, 16 of commercial nature, 21 penal complaints and one penal file.

Taking into consideration the largest debt of Bayindir Holding AS and Bayindir Insaat Turizm Ticaret ve Sanayi AS (92.08% of total bank's claims as of bankruptcy date), the liquidator started 3 lawsuits, their status as of end-2006 being as follows:

1. Damages compensation filed in March 2003 against Bayindir Holding AS and Bayindir Insaat Turizm Ticaret ve Sanayi AS for joint coverage by the same of the prejudice incurred by the bank.

Until end-2006, the court did not hear the merits of the case due to the admittance of the Romanian courts general non-competence exception. The liquidator filed appeal to the above decision, still pending at end-year due to lack of summons procedure with Turkish defendants.

2. Accountability of former administrators and main shareholders up to their paid – in capital for failure of the bank.

Although said action had been filed in April 2003, the court did not hear the merits of the case due to lack of summons procedure with most of the 13 Turkish defendants, natural and legal persons, and to the long terms set by the court (every six months) derived from the foreign status of defendants.

3. Penal liability of former administrators subject to investigation for abuse of authority, intellectual forgery and other offences, in which BTR claimed for damages as civil party.

Although the court heard witnesses and the merits of the case, in September 2006, the judges were changed, and the new ones decided to cite again the foreign defendants in Turkey, so as until end-2006 the summons procedure had not been fulfilled.

As in 2006 the merits of all three above cases had not been heard due to lack of summons procedure with the Turkish defendants, the Fund as liquidator filed a petition to the Ministry of Justice asking for analysis of the causes that led to failure of the summons procedure and support for the judgment with celerity of said cases.

- f) Three meetings of Creditors' Committee took place in 2006. Creditors were informed on measures taken by the liquidator, approved the regulation for sale of immovables, the assessment reports, sale methods and initial prices for public auctions, plans for funds' distribution to creditors and other current issues of the liquidation activity.
- g) In terms of Fund's financial effort as judicial liquidator of BTR, the costs for personnel involved in the bankruptcy procedure were not covered as of December 31, 2006 by the Fund's remuneration as liquidator which is

according to the law 3% of total collections. The costs in relation to BTR were 9 times higher than the remuneration received. Taking into account the prospects of significantly smaller future collections, it is estimated that the Fund as liquidator shall not cover the costs with the personnel involved in the bankruptcy proceedings of BTR.

B. As administrative liquidator of:

Nova Bank – in liquidation

According to the Decision No.20 dated August 9, 2006, published in the Official Gazette of Romania, Part I, No.718 of August 22, 2006, the National Bank of Romania revoked the operating license of Nova Bank SA and decided, pursuant to art.130 of Law No.58/1998 on banking activity, as re-published and subsequently amended, the dissolution of the bank followed by liquidation, appointing the Fund as liquidator.

The Fund's activity as administrative liquidator of Nova Bank took place during September 4 – November 9, 2006, when the Bucharest Court – VIIth Commercial Section issued the Commercial Decision No.2929 on the opening of the bankruptcy proceedings.

The Fund as administrative liquidator of Nova Bank performed the tasks provided by the Law No.58/1998 on banking activity, as re-published and subsequently amended, the Law No.31/1990 on commercial companies, as subsequently amended and supplemented and by the Government Ordinance No.10/2004 on bankruptcy of credit institutions, as subsequently amended and supplemented. Consequently, the main tasks consisted in: management of Nova Bank activity, taking steps as required by the liquidation proceedings and reduction of operating and – liquidation related expenditures through personnel and wage cutting, closure of inefficient bank units, termination of objectless service – rendering contracts as well as of rent contracts for closed bank premises, approval of all operating expenditures and supply of funds needed to cover liquidation – related expenditures; patrimony preservation and inventory, drawing up of the opening balance sheet with a view to exactly knowing the assets and liabilities of the bank; opening of two type "credit

institution in liquidation" accounts in lei and foreign currency with a Romanian bank, with exclusive operating rights in the interest of the liquidation proceedings; notifications to correspondents of Nova Bank on the opening of the liquidation proceedings and immediate transfer of the existing balances in the new account in foreign currency as well as payments for ongoing operations of the bank; drawing up of progress reports on the implementation of the liquidation proceedings and fulfillment of liquidator's tasks, which were presented to the Fund's Board for analysis and approval of proposals therein, on a case-by-case basis.

The costs for personnel involved in the administrative liquidation activity of Nova Bank were fully covered in April 2007 as a result of Fund's claim assignment, as mentioned in Chapter Nine.

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CHAPTER ELEVEN

THE BOARD'S ACTIVITY

- 1. During its monthly meetings in 2006 the Board analyzed, endorsed and approved, on a case-by-case basis, documents regarding the main issues of the Fund's activity, such as:
 - organizational and personnel chart as well as the Fund's salary policy;
 - the Fund's income and expenditure budget and the financial statements;
 - the classification of credit institutions participating in the Fund by annual contribution rates and setting up the increased annual contributions due to the Fund;
 - monitoring the collection of the contributions due by credit institutions;
 - the conclusion of the agreements with the credit institutions regarding stand-by credit lines;
 - monitoring the progress of the implementation of the bankruptcy proceedings
 to credit institutions in bankruptcy where the Fund is creditor in order to
 recover in a high degree the claims, as well as analyzing and approving
 solutions to various issues resulting from the implementation of the
 bankruptcy proceedings to these banks;
 - annual strategy regarding the Fund's exposure, strategy that has as main objectives the minimization of risks and the liquidity of investments, and as additional objective their efficiency;
 - investment of the Fund's financial resources in compliance with the limits and conditions of the strategy approved by the Board of the National Bank of Romania;
 - payment of compensations for the individuals' guaranteed deposits with bankrupt banks where the Fund was still owing compensations, other payments required by the current functioning of the Fund;
 - the activity to the bankrupt banks where the Fund was appointed as liquidator, according to the law, taking the proper steps on the basis of the

- monthly progress reports and other reports drawn up by Fund's representatives at these banks;
- on-site inspections with a view to checking the accuracy of the calculations made as to the contributions due to the Fund;
- changing the Fund's financing policy;
- amendment and supplement of the Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System by Government Emergency Ordinance No. 23/2006, approved with amendments and supplements through Law No. 280/2006;
- amendment and supplement of the Statute, norms and regulations issued by the Fund in correlation with the amendments and supplements of the law on the functioning thereof;
- Fund's internal regulations, their amendment and supplement;
- internal audit and control activities;
- regulation on selling the goods of credit institutions in bankruptcy where the Fund has the capacity of liquidator;
- regulation of Fund's activity in its capacity of liquidator to Banca Română de Scont – bank in bankruptcy and Banca Turco-Română – bank in bankruptcy;
- implications on Fund's activity and steps to be taken as result of entering into force of Law No. 85/2006 regarding the insolvency proceedings, both in capacity of liquidator and creditor to credit institutions in bankruptcy;
- implications on the Fund of the court decision regarding the initiation of the bankruptcy proceedings of Nova Bank and deciding, based on director's proposals, about the measures to be taken by the Fund;
- organizational norms and internal audit planning;
- the proper implementation of laws and regulations related to Fund's activity;
- realization of the indicators from the income and expenditure budget;
- selection of internal auditor and of the external financial auditor;
- annual report;
- distribution of the Fund's annual profit.
- 2. The Chairman of the Board was permanently concerned with the proper conducting of the Board's activity and put into effect the decisions of the National Bank of Romania's Board and of the Fund's Board, constantly reported on the manner

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decisions were implemented as well as on other circumstantial issues influencing the Fund's activity and exercised control over the director's activity.

In 2006, the Chairman was directly involved in the main issues of the Fund's activity, such as: changing of Fund's financing policy, drawing up of the draft of Government Emergency Ordinance No. 23/2006 for amending and supplementing the Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, of certain regulations issued by the Fund in order to correlate them with the new provisions of the Fund's functioning law, and of other Fund's regulations, the recovery of the Fund's claims against the bankrupt credit institutions where the Fund is a creditor and monitoring the progress of the bankruptcy proceedings, the activity related to the bankrupt banks where the Fund was appointed as liquidator and the support of the Fund's representatives in the said capacity in settling certain special problems deriving from the exercise of the legal tasks thereof, drawing up other regulations, other documents required by the National Bank of Romania's Board.

In accordance with the legal provisions, the Chairman of the Board, together with the Fund's director, submitted to the Board of the National Bank of Romania, for approval, the annual report and the financial statements of the Fund for 2005, the implementation of the 2005 income and expenditure budget and the rectification of 2006 income and expenditure budget and 2007 forecasted budget, the 2007 strategy regarding Fund's exposure related to its investments, credit institutions' categorization by annual contributions and increased annual contributions due to the Fund in 2007, and the draft of the emergency ordinance regarding the amendment of Fund's functioning law with a view to implementing the new financing policy, the draft of regulation on amending and supplementing the Fund's Statute and other regulations issued with a view to aligning them with the mentioned legislative amendments.

CHAPTER TWELVE

FINANCIAL RESULTS FOR 2006

The Board of the Fund has monthly analysed the Fund's financial activity, based on the reports submitted by the executive management as to the collection of contributions, recovery of claims from the bankrupt banks, payment of compensations, investment of available financial resources and current expenditures of the Fund.

1. The summarised financial statements of the Fund

The balance sheet of the Fund

- lei -

ASSETS			LIABILITIES			
	31.12.2005	31.12.2006		31.12.2005	31.12.2006	
1. Fixed assets – total, of which: – intangible assets	187,231 12,235	171,057,928 7,786	1. Own funds – total, of which: – reserves	536,043,186 536,043,186	685,296,736 685,296,736	
tangible assetsfinancial assets	174,995 0	140,572 170,909,570	profit of the yearallotted profit	52,413,254 52,413,254	45,410,820 45,410,820	
2. Current assets – total, of which:	536,594,801	516,857,097	2. Payables – total, of which:	738,846	2,618,289	
short time investments	535,854,673	516,746,680	 debts payable within a year 	738,846	2,618,289	
bank accounts	93,306	34,902				
other claims(settlements with banks)	646,822	75,515				
TOTAL ASSETS	536,782,032	687,915,025	TOTAL LIABILITIES	536,782,032	687,915,025	

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Profit and loss account

The profit and loss account at the end of 2006, as compared to 2005, is shown below:

- lei -

	31.12.2005	31.12.2006
Operating income	-	-
Operating expenditures	3,269,269	4,395,237
Financial income	55,682,557	49,807,124
Financial expenditures	34	1,067
Total income	55,682,557	49,807,124
Total expenditures	3,269,303	4,396,304
Gross profit	52,413,254	45,410,820
Profit tax	_	_
Net profit	52,413,254	45,410,820

2. External auditor's report on Fund's summarised financial statements



PricewaterhouseCoopers
Audit SRL
Opera Center
1-5 Costache Negri Street
050552 Bucharest 5, Romania

Telephone +40 21 202 8500 Facsimile +40 21 202 8600 www.pwc.com/ro

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF FONDUL DE GARANTARE A DEPOZITELOR ÎN SISTEMUL BANCAR

- 1. The accompanying summarised financial statements presented in section XII.1 have been derived from the financial statements of Fondul de Garantare a Depozitelor în Sistemul Bancar ("Fund") for the year ended 31 December 2006 prepared in accordance with Order no 1752/2005 of the Minister of Finance and related amendments, with Notification from the Ministry of Finance no 145385/10.04.1997 for approval of "Accounting Norms of the Fund" and Notification no 460464/15.04.2003 of Ministry of Finance, Department of Accounting regulations and with Notification no III/4/AB 1723 / 14.03.2007 from National Bank of Romania, Department of Regulation and Licensing. These summarised financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived
- We have audited the financial statements of the Fund for the year ended 31 December 2006, from which these summarised financial statements were derived, in accordance with Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. In our report dated 21 March 2006 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.
- 3. In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.
- 4. For a better understanding of the Fund's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon

Pricevaterhouse Cooper Auslit SAL

Bucharest, 26 April 2006

Registered with the Chamber of Financial Auditors of Romania

Under no. 6/25 June 2001

Registration Number: J40/17223/1993

Fiscal Code: R4282940

- 3. Analysis of the reported financial information for the financial year ended December 31, 2006
- Fund's 2006 total income, amounting to 49,807.1 thousand lei, results from:
 - 49,775.0 thousand lei, interest on the Fund's investments during 2006. Interest on investments represent 99.9% of the total income obtained in 2006. For the investments made in 2006, the Fond benefited from an annual average interest rate of 8.12%, less than 11.72% as in 2005, but higher than the annual average inflation rate of 2006;
 - 32.1 thousand lei, interest collected on Fund's current accounts with banks.
- **Fund's 2006 total expenditures**, amounting to 4,396.3 thousand lei, represent 8.8% of the total income, and are made up of:
 - 3,228.7 thousand lei, **personnel expenditures**, out of which:
 - 2,630.7 thousand lei, expenditures for remuneration of the Fund's personnel (59.8% of total expenditures);
 - 598.0 thousand lei, payments to special budgets, namely social insurance, health, unemployment, accident risk fund and social fund (13.6% of total expenditures);
 - 1,038.4 thousand lei, expenditures for services performed by third parties (23.6% of total expenditures), representing the premises rent, collaborators' expenditures, commissions and fees, energy and water expenditures, internal and external audit expenditures, expenditures for internal and external delegations, as well as expenditures with the organization of events occasioned by the tenth anniversary of the Fund;
 - 67.4 thousand lei, expenditures for consumables and inventories
 (1.5% of total expenditures);
 - 60.7 thousand lei, **depreciation expenditures** for tangible and intangible assets (1.4% of total expenditures).
- The profit made in 2006, as a difference between income and expenditures, amounting to 45,410.8 thousand lei, was allotted according to the destinations

set forth in the law, within the limit of a share below 1% for the establishment of the annual profit sharing fund, nearly 15.57% for financing tangible and intangible investments of the Fund, and the remainder of nearly 83.43%, that is 37,884.7 thousand lei, for increasing the Fund's resources intended for payment of compensations related to guaranteed deposits.

By law, the Fund is exempted from the profit tax.

4. Income and expenditure budget

In summary, the 2006 income and expenditure budget provisions were achieved as follows:

- thousand lei -

		Forecasts 2006	Achieved 2006	Differences
1.	Income	48,700.0	49,807.1	+ 1,107.1
2.	Expenditures	4,526.5	4,396.3	- 130.2
3.	Total net result for the year	44,173.5	45,410.8	+ 1,237.3

In 2006, the income was exceeded by nearly 1,107.1 thousand lei. This fact was due to the increase of the invested average capital, while the average interest rate on investments was nearly identical to that forecasted. As compared to the forecasted invested average capital, of 611,340.0 thousand lei, there was invested an average capital of 611,490.6 thousand lei, that is an excess of 150.6 thousand lei. It is worth mentioning that the annual average interest rate forecasted for 2006 was 7.96%, while at end-2006 the achieved annual average interest rate was 8.12%.

Due to the executive management's concern to limit the expenditures to those strictly necessary for carrying out the Fund's current activity, there were made savings of 130.2 thousand lei as compared to the forecasted levels.

5. The Fund organised and kept its accounting records according to the Accounting Law No.82/1991. The financial statements have been made according

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to the Minister of Public Finance's Order No.1752/2005, and also in accordance with the Fund's specific accounting regulations approved by the Accounting Regulations Department within the Ministry of Public Finance, and by the Regulation and Licensing Department within the National Bank of Romania. The 2006 balance sheet was delivered in due course to the authorised bodies of the Ministry of Public Finance.

CHAPTER THIRTEEN

FUND'S INTERNATIONAL RELATIONSHIPS IN 2006

During January 2006, the experts involved in the "Convergence" Program have presented at Bucharest the recommendations and final conclusions of the study realized regarding the changing of the Fund's financing policy, in a series of meetings with the representatives of the Romanian institutions involved – the National Bank of Romania, the Romanian Banking Association and the Fund.

At the end of May 2006, the Albanian Deposit Insurance Agency and the Bank of Albania have organized a regional seminar whose theme was the financing policy of the deposit guarantee schemes from the South-Eastern Europe, the implementation of the new financing mechanism in the legislation of the deposit guarantee scheme in Romania being of interest in this respect. At this seminar, the Deposit Guarantee Fund in the Banking System had a presentation regarding its experience in changing the financing policy.

Taking into account that the Fund's financing policy which has been adopted at the end of the first quarter of 2006 entails the elaboration of an adequate methodology for credit institutions' risk analysis, in September 2006 a Fund's delegation has made a documentation visit in Italy at the premises of Fondo Interbancario di Tutela dei Depositi (FITD) whereas its experts have collaborated in the "Convergence" Program to realize the study that was the basis of changing the Fund's financing policy.

As member of the two international professional associations in the deposit guarantee field, namely the European Forum of Deposit Insurers – EFDI and the International Association of Deposit Insurers – IADI, the Fund participated in their annual meetings during the second semester of 2006.

In November 2006, there took place in Rio de Janeiro, IADI's Annual General Meeting, followed by the conference "Raising the bar". As a part of the program was dedicated to IADI's regional committees meetings, the Fund participated in the meeting of the Europe Regional Committee – ERC.

On that occasion, in Rio de Janeiro there has been organized the second international exhibition of deposit guarantee schemes, where the Fund had its own stand.

At the end of November 2006, in Palermo there took place the works of EFDI's Annual General Meeting followed by a seminar regarding the developments in the European banking system and the problems arising from and for cross border activities of systemic relevant banks.

Another feature of the international activity in 2006 was the active cooperation relationships with other deposit guarantee schemes, mainly from Europe, and with international institutions on the specific issues of the activity in this field.

The progresses achieved by the Fund have been internationally made known through the articles issued by the Fund and published in the newsletters of EFDI and IADI.

CHAPTER FOURTEEN

PROSPECTS FOR 2007

Through its activity in 2007, the Fund shall endeavor to remain a stability and confidence factor for the individuals and legal persons having deposits with credit institutions.

For this purpose, the Fund shall pay an increased attention to the following fields:

1) As mentioned in chapter two, as result of the study undertaken in 2005 within the "Convergence" Program, conducted under the auspices of the World Bank, a new Fund's financing policy has been adopted consisting in decreasing the annual contribution rates of credit institutions participating in the Fund, and concurrently, supplementing the Fund's financial resources through stand-by credit lines granted by credit institutions so that its own resources plus the respective credits to ensure an adequate targeted exposure coverage ratio. The study's recommended values for the Fund's new financing policy coordinates in 2006 and 2007 have been stated in the Government Emergency Ordinance No. 23/2006.

For 2007, having in view that the annual contribution rate (0.1%) has been stated in the above mentioned emergency ordinance, the Fund set down the other two coordinates of its financing policy, with the prior consultation of National Bank of Romania's Supervision Department and Financial Stability Department and which have been approved by National Bank of Romania's Board in February 2007, namely:

- the targeted exposure coverage: 1.5% with the following components:
 - ➤ the ratio between Fund's own resources and the volume of guaranteed deposits: 0.8%;
 - ➤ the ratio between the resources related to stand-by credit lines and the volume of guaranteed deposits: 0.7%;
- the total amount of stand-by credit lines: EUR 190 mln, in lei equivalent.

Starting with 2008, the Fund shall annually establish, according to its functioning law, the targeted exposure coverage ratio, based on which there shall be computed the annual contribution rate of credit institutions and the total amount of the stand-by credit lines. The three coordinates of the Fund's will be submitted for approval to National Bank of Romania's Board.

With this aim, specific regulations regarding the Fund's financing policy coordinates need to be issued.

The first step in the process of issuing these norms was the request made to the National Bank of Romania's management in order to obtain the approval for Fund to receive data and support from the specialized divisions in order to assess the Fund's exposure risk against credit institutions participating in the deposit guarantee scheme.

After the stage of assessing the credit institutions' risk, there will be necessary to perform stress testing regarding the credit institutions' liquidity and solvency, but also to assess the recoveries of the Fund's claims against risky credit institutions.

Based on the results obtained, the Fund will be able to establish the three coordinates of its financing policy, namely its targeted exposure coverage ratio, credit institutions' annual contribution rate and the total amount of stand-by credit lines.

2) The conclusion with credit institutions of the stand-by credit lines until the end of February at the latest.

As it was mentioned above, the stand-by credit lines in 2007 amount to EUR 190 mln, in lei equivalent, being concluded within the legal term with all credit institutions participating in the deposit guarantee scheme.

- 3) The investment of the Fund's financial resources in terms of complying with the objectives and requirements of the strategy regarding the Fund's exposure, strategy that has been approved by the National Bank of Romania's Board.
- 4) Payment of compensations to individuals and legal entities that had deposits with Nova Bank-bank in bankruptcy.
- 5) Verification by the Fund at credit institutions participating in the deposit guarantee scheme, according to art. 41 of Fund's functioning law, the correctness

of the calculation base for annual contributions due and paid to the Fund in 2006 and 2007, the correctness of the classification of deposits-guaranteed and non-guaranteed as well as the manner of informing the depositors on the deposit guarantee.

6) Further monitoring on the Fund's claims recovery in its capacity of unsecured creditor to the credit institutions in bankruptcy and intensifying of this activity in order to comply with the requirements of the new provisions of the general framework of the bankruptcy procedure – Law No. 85/2006 regarding the insolvency proceeding – as for the increasing role of the creditors through participation at the monthly meetings of the creditors committees and creditors assemblies.

With this aim, there will be continued the monitoring of liquidators' activity for the banks in bankruptcy where the Fund has the capacity of creditor regarding assets' realization, the recovery of respective banks' claims and the reducing of their functioning expenditure having in view that the bankruptcy proceedings has entered into the final stage.

- 7) In its liquidation activity, the Fund, in capacity of liquidator to Banca Română de Scont and Banca Turco-Română, will focused on the following main items:
- a) the selling of buildings which are still in Banca Turco-Română's patrimony, with the observance of the law, Fund's regulations and the conditions approved by creditors general assembly;
- b) further enforcement actions based on writs of execution with a view to recovering the claims against banks' debtors, as well as running the files pending with the courts in order to recover the banks' claims from their debtors;
- c) taking legal actions, as the case may be, against those involved in prejudicing the bankrupt banks;
- d) representing to the court, carrying out legal proceedings for upholding the legal actions initiated by the liquidator in order to be admitted and to protect the banks' legitimate interests against third parties' actions;
- e) continuation of making distributions of proceeds to creditors of the two banks depending on the amounts that will be further collected;
- f) administration and conservation of existing unsold goods, reduction of banks' operating expenses in parallel with obtaining revenues from banks' investments,

banks' archives forming and handling over to the competent State bodies, according to the legal provisions, drawing up and presentation, on a monthly basis, of progress reports on bankruptcy proceedings and respectively the fulfillment of tasks by the liquidator.

8) Elaboration of the Fund's biannual publication which has as main theme the evolution, the influence factors and saving perspective of the population and the report on deposits in the banking system.

In 2007 the Fund will elaborate and publish two biannual bulletins, the first having as reference date the end of 2006 and the second the end of first semester of 2007. For the latter the Fund will order a survey to one of the public opinion research institution.

- 9) As regards the international relationship, it is foreseen an active participation of the Fund in the two international professional associations of deposit guarantee schemes EFDI and IADI, taking into consideration the possibility of organizing an EFDI symposium in Bucharest.
- 10) Taking measures in order to promote a draft piece of legislation intended for modifying the Fund's functioning law regarding specific features such as:
- \bullet taking into consideration the possibility of annually negotiating the non-utilization fee for stand-by credit lines, as currently it has a fixed value, nonnegotiable of 0.5%;
- including in the National Bank of Romania's regulation scope the norms regarding Fund's accountancy.

* *

The annual report has been analyzed and approved by the National Bank of Romania's Board in its meeting of May 2, 2007.

Appendix 1

List of credit institutions included in the deposit guarantee scheme managed by the Deposit Guarantee Fund in the Banking System as of 31 December 2006

No. Bank's name

I. Banks – Romanian legal entities

- 1. Banca Comercială Română S.A.
- 2. RAIFFEISEN BANK S.A.
- 3. BRD Groupe Société Générale S.A.
- 4. Banca pentru Mică Industrie şi Liberă Inițiativă MINDBANK S.A.
- 5. Banca Comercială HVB Țiriac S.A.
- 6. Bancpost S.A.
- 7. Banca de Export-Import a României EXIMBANK S.A.
- 8. Banca Românească S.A. Membră a Grupului National Bank of Greece
- 9. FINANSBANK (ROMÂNIA) S.A.
- 10. Banca Transilvania S.A.
- 11. ROMEXTERRA Bank S.A.
- 12. ALPHA BANK ROMANIA S.A.
- 13. PIRAEUS BANK ROMANIA S.A.
- 14. ABN AMRO Bank (România) S.A.
- 15. OTP BANK ROMANIA S.A.
- 16. Citibank România S.A.
- 17. BANCA COMERCIALĂ SANPAOLO IMI BANK ROMANIA S.A.
- 18. Emporiki Bank România S.A.
- 19. LIBRA BANK S.A.
- 20. Banca C.R. Firenze România S.A.
- 21. UniCredit România S.A.
- 22. ROMANIAN INTERNATIONAL BANK S.A.
- 23. EGNATIA BANK (ROMÂNIA) S.A.

- 24. Banca Comercială CARPATICA S.A.
- 25. BANK LEUMI ROMÂNIA S.A.
- 26. VOLKSBANK ROMÂNIA S.A.
- 27. ProCredit Bank S.A.
- 28. Raiffeisen Banca pentru Locuinte S.A.
- 29. PORSCHE BANK ROMANIA S.A.
- 30. Casa de Economii și Consemnațiuni C.E.C. S.A.
- 31. HVB BANCA PENTRU LOCUINŢE S.A.

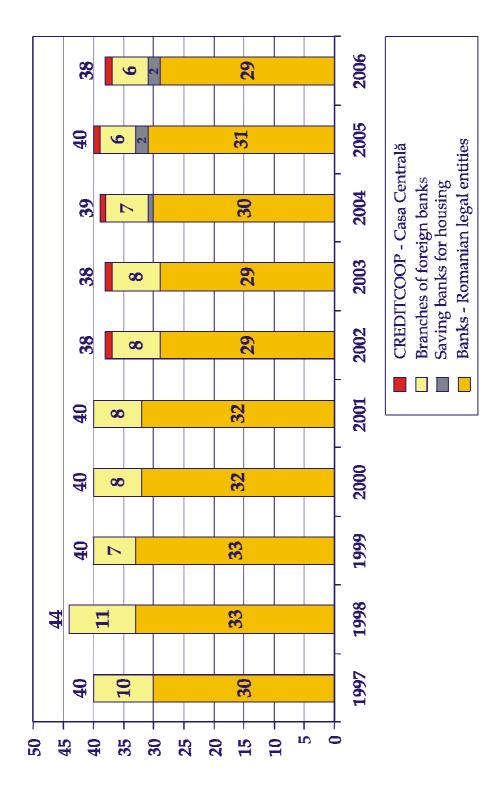
II. Branches of foreign credit institutions

- 1. Anglo-Romanian Bank Limited Anglia, Londra Sucursala București
- 2. Blom Bank Egypt S.A.E. Egypt Sucursala România
- 3. ING Bank N.V., Amsterdam Sucursala București
- 4. Banca Italo-Romena SpA, Italia Treviso Sucursala București
- 5. GarantiBank International N.V. Sucursala România
- 6. Banca di Roma SpA Italia Sucursala București

III. Credit co-operatives – Central houses

1. CREDITCOOP – Casa Centrală

Evolution of the number of participants in the deposit guarantee scheme



Appendix 2

