



FONDUL DE GARANTARE A DEPOZITELOR IN SISTEMUL BANCAR
BANK DEPOSIT GUARANTEE FUND

15
YEARS
1996 - 2011

ANNUAL
REPORT
2011

The background of the report cover is a composite image. It features a close-up of a white computer keyboard with several keys visible. Overlaid on the keyboard is a circular compass with a black face and white markings for degrees and cardinal directions (N, E, S, W). A blue needle points towards the South-East. In the upper left corner, a portion of a blue bar chart is visible. The overall color scheme is dominated by light blues and whites, with dark blue accents from the text and compass.

THE BANK DEPOSIT GUARANTEE FUND

3 Negru Vodă St., 2nd floor, Bucharest, 030774

Phone: +40314 232 804, +40314 232 805

Fax: +40314 232 800

E-mail: office@fgdb.ro

www.fgdb.ro

Note: In this report, "leu/lei" stands for the Romanian leu/lei (RON).

FOR THE YEAR

REPORT 2011

of the **Bank Deposit Guarantee Fund**



1996 - 2011

TABLE OF CONTENTS

1. FGDB Profile and Governance.....	7
Profile and a Brief History of the FGDB.....	7
Organisation and Operation of the FGDB. Human Resources.....	10
FGDB Administration and Management.....	13
2. Activity Framework in 2011.....	17
International Framework Regulating the Activity of	
Deposit Guarantee Schemes.....	17
The Banking Sector in the European Union and in Romania.....	19
Domestic Regulations	22
National Cooperative Relations.....	24
International Relations.....	24
3. Deposit Guarantee.....	27
Evolution of Deposits in 2011.....	27
Compensation Payouts.....	32
Relationships with FGDB-member Credit Institutions.....	34
4. Risk Management.....	37
5. Public Information.....	39
6. Liquidation of Bankrupt Credit Institutions.....	43
Results of Liquidation Procedures for Banks Where the FGDB Is Creditor and/or	
Liquidator.....	43
Recovery of FGDB Claims.....	46
7. The FGDB's Financial Resources and Financial Statements.....	49
Financial Resources and Financing Policy	49
Financial Statements.....	51
8. Internal Audit.....	55
9. The Independent Auditor's Report, the Balance Sheet, the Profit and Loss Account and	
Notes to the FGDB's Financial Statements	57
ANNEXES.....	70
List of FGDB-Member Credit Institutions as at December 31, 2011.....	70
Deposits with FGDB-Member Credit Institutions as at December 31, 2011.....	71

BOARD OF DIRECTORS



**Chairperson
of the Board**

Lia Rodica Tase
Adviser
National Bank
of Romania



**Dumitru Laurențiu
Andrei**
Deputy General
Director
Ministry of Finance



Constantin Barbu
Director
Romanian
Banking
Association



Florin Dănescu
Executive
President
Romanian Banking
Association



Florin Aurel Moțiu
Secretary of State
Ministry of Justice



Romulus Palade
Adviser
National Bank
of Romania



**Lucia Sanda
Stoenescu**
Adviser
National Bank
of Romania

ORGANIZATIONAL CHART



Eugen Dijmărescu
CEO

Financial
Resources
Management
Committee

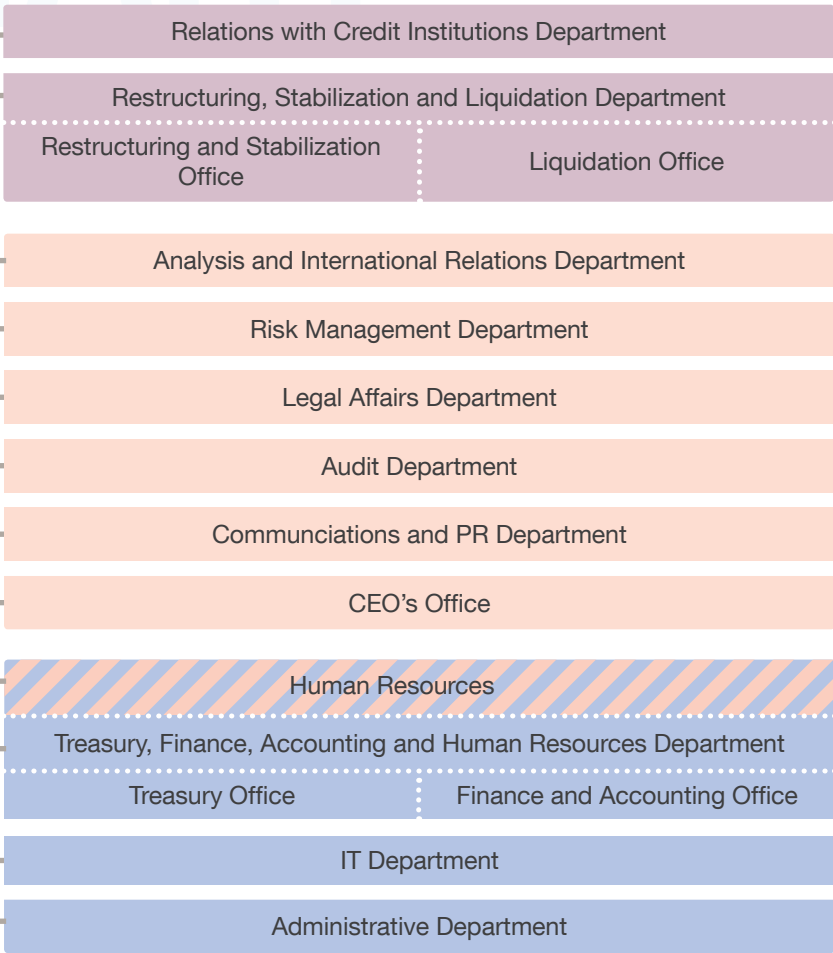
Business
Continuity
Committee



Alexandru Matei
Director for
Relations with
Credit Institutions



Vasile Bleotu
CFO



Mr. Radu Constantin Ragea (29.05.2008 - 31.12.2011) and Ms. Lidia Barac (01.01.2012 - 21.05.2012) were members of the Board of Directors as representatives of the Ministry of Justice.

Effective starting with January 2012

1. FGDB PROFILE AND GOVERNANCE



1.

FGDB PROFILE AND GOVERNANCE

PROFILE AND A BRIEF HISTORY OF THE FGDB

The Bank Deposit Guarantee Fund (FGDB) was set up during the challenging process of restructuring the Romanian banking system in light of the need to protect depositors and, implicitly, to contribute to maintaining and increasing their confidence in the banking system, its creation going down as an important step towards consolidating the stability of the financial and banking system in Romania.

Along the 15 years of activity, the responsibilities of the FGDB have grown more and more complex as the Fund turned into a dynamic institution, capable of fulfilling such goals as safeguarding depositors and financial stability.

At present, the FGDB falls into the category of deposit guarantee schemes with extended mandates as its duties include, besides the core one related to deposit guarantee,

a number of other responsibilities whereby it contributes to securing financial stability, namely:

- financing operations implying transfer of guaranteed deposits
- fulfilling the role of special administrator, interim administrator or liquidator of credit institutions;
- managing funds created to secure financial stability
- acting as delegated administrator and, as the case may be, as shareholder of a credit institution for which the National Bank of Romania (NBR) introduced stabilisation measures
- fulfilling the role of sole shareholder and the duties of the supervisory council of a bridge bank.

In light of its increasingly complex responsibilities and importance as a pillar of financial stability, the FGDB became a member of the National Committee for Financial Stability in 2011¹.

¹ Members of the National Committee for Financial Stability also include the Ministry of Public Finance, as well as the authorities regulating and supervising various financial sectors, namely the National Bank of Romania, the National Securities Commission, the Insurance Supervisory Commission and the Private Pension System Supervisory Commission.

BRIEF HISTORY

1996

- the FGDB became operational with support from the NBR and with specialised assistance under the PHARE programme. Its creation was one of the steps taken under the Financial Enterprise Structural Adjustment Loan – FESAL agreement between Romania and the International Bank for Reconstruction and Development
- guarantee of natural persons' deposits with credit institutions
- the guarantee ceiling for each guaranteed depositor was first set at 10,000,000 lei - the equivalent of the present-day RON 1,000

1997

- adjustment of the guarantee ceiling according to the Consumer Price Index (CPI) every six months

1998

- introduction of the possibility to demand higher contributions from credit institutions that pursue risky and unhealthy policies

1999

- start of compensation payouts in the case of Banca "Albina"

2000

- start of compensation payouts in the case of Banca Internațională a Religiiilor and Bankcoop
- payment of special contributions by FGDB member credit institutions
- taking of loans from the NBR to supplement the financial resources needed for compensation payouts

2001

- the possibility of appointing the FGDB as liquidator of bankrupt credit institutions

2002

- extension of the guarantee scope to deposits with credit cooperative organisations
- the FGDB was appointed judicial liquidator of Banca Română de Scont and Banca Turco-Română
- start of compensation payouts in the case of Banca Română de Scont and Banca Turco-Română

2003

- the possibility of appointing the FGDB as special administrator, as well as sole liquidator when liquidation procedures open on the initiative of shareholders or when the NBR disposes dissolution followed by liquidation

2004

- the possibility of appointing the FGDB as interim administrator of credit institutions
- full transposition into FGDB legislation of the provisions of Directive 94/19/EC of the European Parliament and of the Council of the European Union on deposit guarantee schemes
- extension of the guarantee scope to legal persons
- rise in the guarantee ceiling per guaranteed depositor, natural or legal person, to 6,000 euros starting the second semester of 2004, without CPI-linked indexation
- diversification of the forms of investment of the FGDB's available financial resources as investments in deposits, certificates of deposit and other financial instruments of credit institutions were added to investment in government securities

2005

- rise in the guarantee ceiling per depositor, natural or legal person, to 10,000 euros
- in the first half of the year, the FGDB became member of the International Association of Deposit Insurers (IADI) and, implicitly, of its Europe Regional Committee (ERC)
- the FGDB paid off at maturity the loans taken from the NBR to payout compensations in the

2006

- starting October 1, 2006 the FGDB's guarantee scope was extended to natural persons' deposits at Casa de Economii și Consemnațiuni (C.E.C. – S.A.)
- rise in the guarantee ceiling per guaranteed depositor, natural or legal person, to 15,000 euros
- shift in the FGDB's financing policy by implementing a mixed formula under which added to the member credit institutions' annual contributions were also stand-by lines of credits which could have been drawn upon only when the FGDB's own resources proved insufficient to pay compensations in the event of deposits' unavailability
- the FGDB's appointment as administrative liquidator of Nova Bank
- start of compensation payouts in the case of Nova Bank

2007

- following Romania's accession to the European Union, branches in Romania of credit institutions from other EU member states were no longer obliged to participate in the FGDB

- rise in the guarantee ceiling per guaranteed depositor, natural or legal person, to 20,000 euros
- diversification of the forms of investment of the FGDB's available financial resources by introducing other instruments such as "government securities issued by European Union member states, securities issued by their central banks and securities issued by the United States Department of the Treasury"
- the FGDB became member of the European Union Committee (EUC) within the EFDI
- as EUC member, the FGDB was analysing the development of common voluntary approaches to include risk-based elements for deposit guarantee schemes

2008

- October 2008 – as a prompt response to the crisis hitting international markets, the guarantee ceiling for natural persons was raised to 50,000 euros

2009

- rise in the guarantee ceiling per guaranteed depositor, also in the case of legal persons, to 50,000 euros starting June 30, 2009
- elimination from legislation of the possibility to request higher contributions from banks pursuing risky and unhealthy policies
- the possibility of taking government loans if FGDB resources prove insufficient to pay out compensations

- strengthening the FGDB's capacity to protect depositors and better inform them was one of the legislative amendments brought about by the need to comply with the 2009 amendments to the EU Directive regulating this sector

2010

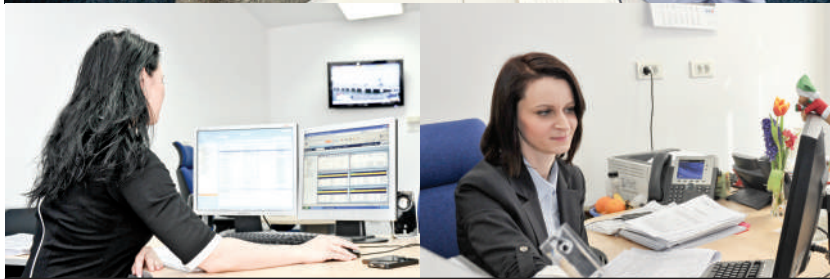
- the FGDB's appointment as administrator of the funds set up to secure financial stability (the first such fund was the special compensation fund of entities prejudiced by the measures taken as part of the special administration of credit institutions)
- rise in the guarantee ceiling per guaranteed depositor to 100,000 euros for both natural and legal persons (starting December 30, 2010)
- elimination of financing through stand-by lines of credit under agreements with FGDB member credit institutions
- September 2010 – the FGDB signed the EFDI Multilateral Memorandum of Understanding
- institutional development and implementation of good governance principles

2011

- possibility of using FGDB resources (including by issuing guarantees) to facilitate the restructuring measures authorised by the NBR on the transfer of guaranteed deposits, including P&A transactions (purchase of assets and assumption of liabilities)
- the FGDB was co-opted as member of the National Committee for Financial Stability (CNSF) in a move to consolidate the institutional framework for safeguarding financial stability in Romania
- the FGDB became a member of the EFDI working group on bank resolution

ORGANISATION AND OPERATION OF THE FGDB. HUMAN RESOURCES.

The year 2011 as a whole and the early months of 2012 meant the continuation of the policy targeting institutional modernisation in light of the FGDB's new responsibilities, developments in the deposit guarantee sector and the new demands of the financial and banking system.



In 2011, a new FGDB Statute was adopted, whereby some of the internationally acknowledged good governance principles were implemented.

Starting January 1, 2012, the FGDB was given a new organizational structure, in line

with its extended duties, to be able to participate in applying measures aimed at stabilising credit institutions facing difficulties whose situation could jeopardise financial stability.

Along this line, a Department for Restructuring, Stabilisation and Liquidation of Credit Institutions was created to replace the Department for Administration and Liquidation of Credit Institutions.

At the same time, the attributes of a number of departments were redistributed with a view to rendering FGDB activities more fluid and more efficient.

Another novelty is the creation of the Business Continuity Committee to optimally manage situations that might have an adverse impact on the mission and functions of the FGDB. The decision to set up this Committee is consonant with international developments in the process of consolidating deposit guarantee schemes, as concerns have intensified recently for the development of business continuity plans, contingencies included.

In line with its new organisational structure, the FGDB focuses its activities on:

Management of relationships with credit institutions – focuses on actions and measures needed in the relationships with FGDB-member credit institutions in order to ensure the accuracy and efficient management of information about depositors and their guaranteed deposits.

Likewise, in view is the maintenance of an optimal permanent operation of IT systems to ensure a rapid and safe flow of information on depositors between credit institutions and the FGDB. Consequently, in the event deposits with a FGDB-member credit institution become unavailable, conditions are in place for FGDB intervention through compensation payouts in the shortest possible time and in safety conditions.

Moreover, the management of relationships with credit institutions also includes activities related to their restructuring and stabilisation, or, as the case may be, their liquidation.

Management of financial resources and funding policies - focuses on the supply and management of the resources needed by FGDB-administered funds, namely the deposit guarantee fund, of which compensation payouts are made in the event of deposits being unavailable, and the bank resolution fund, which finances bank stabilisation measures and compensates entities prejudiced by measures taken during special administration procedures.

The main goal is the continuous consolidation of the FGDB's funding capacity in order to be able to easily cover the costs of its potential interventions consisting of either compensation payouts or support for stabilisation measures.

The investment policy targets primarily the safety and liquidity of these investments, and subsidiarily their yield.

Risk management - is aimed at monitoring and analysing potential sources of instability in the banking sector on the basis of the Fund's own risk analyses and stress testing; conducting the Fund's own analyses to

assess possible vulnerabilities of credit institutions where investments can be made; examining the level of risk of investing in each of



the instruments wherein the FGDB can do so. At the same time, a Fund infrastructure was also implemented to manage risk in the administration of FGDB resources.

Human resource management – FGDB employees carry on their activity targeting the highest standards of integrity, competence, responsibility and correctness.

To the FGDB staff, the protection of depositors and ensuring financial stability are priorities in the rigorous fulfillment of their duties.

FGDB employees were selected according to strict competitiveness criteria from among highly trained and highly experienced people, 34 of the 37 members of the FGDB's staff on December 31, 2011 being higher education graduates and 8 of them holding a Ph.D. in

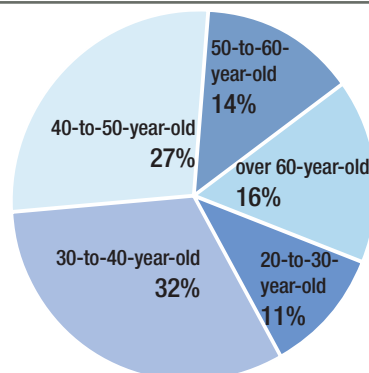
1. FGDB PROFILE AND GOVERNANCE

economics or law.

The development of human capital is an important internal goal for the FGDB, which focuses on its staff's continuous training, increased competence and professional satisfaction. At the same time, the employees' performance is assessed annually on the basis of well-defined relevant criteria.

Since the FGDB is a dynamic institution, constantly expanding and redefining itself, 43 percent of its employees are in the 20-to-40-year-old age group, all trained in the market economy environment.

Distribution of
Personnel by Age
Groups



In 2011, 19 percent of the FGDB staff attended professional training courses, which contributed to their higher competence and efficiency in various operational activities. On average, each employee received 17.5 days of professional training in 2011.

Public communication – one of the principles underlying FGDB activities resides in the ensurance of the highest possible institutional transparency and of access of depositors and

of other interested parties to all relevant public information about deposit guarantee and the FGDB's involvement in implementing stabilisation measures.

Through the communication means employed, including the FGDB's INFO bulletins and website, as well as in the direct relationships with depositors, mass media and other interested parties, the FGDB aims at offering them prompt and exact information about its activity and about other topics of interest in this sector.

Moreover, the FGDB promotes actions to inform and educate the public and to raise their awareness, thus contributing to boosting their confidence in the financial and banking system in Romania.

International relations target the maintenance and development of collaboration relationships with professional associations in this sector, as well as with similar institutions all over the world.

Of late, given the international financial and banking crisis and the reforms carried out in this sector, cooperation between deposit guarantee schemes in the European Union and the world over is chiefly aimed at experience exchanges to find the best solutions to crisis-generated national and international issues.

The FGDB is an active participant in ongoing debates on draft international norms, especially within the European Union, concerning deposit guarantee and the resolution of credit institutions facing difficulties.

Support activities carried out by the IT Department, the Legal Office and the Internal Audit Department

The main responsibilities of the IT Department are the implementation of information technology and communications, the preparation of solutions for the modernisation, development and adaptation of its working procedures and operation rules, as well as the elaboration and application of a policy for data base security and data protection.

The Legal Office provides legal consultancy on issues specific to the FGDB, represents the FGDB in its relations with public authorities, including courts of law, as well as with other legal and natural persons and supports collaboration with the liquidators of bankrupt credit institutions.

The Internal Audit Department certifies the fulfillment of the FGDB's targets, strategy and responsibilities, compliance with rules and procedures and an adequate management of risks.

FGDB ADMINISTRATION AND MANAGEMENT

In line with good governance principles and standards, the FGDB administration and management represent a two-tier structure consisting of: (i) the Board of Directors and (ii) the executive management, ensured by Fund's CEO

and two deputies.

The key principles underlying the Fund's activities are responsibility, transparency and efficiency. The FGDB is an operationally

Lia Rodica Tase – Chairperson of the Board

Adviser, National Bank of Romania

Lia Rodica Tase graduated from the Faculty of Commerce, the Foreign Trade Department, of the Bucharest University of Economic Studies in 1971 and attended numerous international conferences and seminars on macro-economic policies, foreign debt, the balance of payments, international reserves management, market operations, etc. Lia Rodica Tase boasts long-standing, recognised experience in international relations and the banking sector.

Over 1971-1991, Lia Rodica Tase worked as an economist at the ICE Forexim (1971-1976) and in the Foreign Exchange Directorate of the Ministry of Finance (1976-1991). From 1991 to date, Lia Rodica Tase has worked in the National Bank of Romania as Deputy Director of the International Relations Department (1991-1992), Director – Balance of Payments Department (1994-1999), Director – the Market Operations Department (1999-2010) and NBR Adviser and Chairperson of the FGDB's Board of Directors (2010-to date). Over 1992-1994, Lia Rodica Tase was Romania's representative to the International Monetary Fund.

Dumitru Laurențiu Andrei – Board Member

Deputy General Director, Ministry of Finance

Dumitru Laurențiu Andrei graduated from the School of Domestic and International Commercial and Financial Banking Relations of the Romanian-American University of Bucharest in 1997, with a diploma in Economics. He acquired a Master's degree in public organisation management in 2005.

He took part, at home and abroad, in numerous professional training courses and seminars on treasury and payment systems, public administration and financial instruments. Since 1999, Dumitru Laurențiu Andrei has held various positions in the Ministry of Public Finance in such sectors as State's Treasury, Payments and Public Debt. At present, Dumitru Laurențiu Andrei is Deputy General Director in the General Treasury and Public Debt Directorate – the Middle Office Department.

1. FGDB PROFILE AND GOVERNANCE

independent institution, its entire activity focusing chiefly on the protection of depositors through both deposit guarantee and the stabilisation measures in the application of which it is involved.

National Bank of Romania, and of the banking community, through the Romanian Banking Association. Therefore, one can note the FGDB's multiple responsibilities before authorities in Romania and before all interested parties, the Fund's priority residing in its actions

Constantin Barbu – Board member

Director, Romanian Banking Association

Constantin Barbu graduated from the Bucharest University of Economic Studies in 1974 with a diploma in Economics. He has a long-standing experience in the banking sector where he has worked ever since graduation.

Over 1974-1993 he held successive positions as accountant (1974), economist (1977), head of department (1980), Deputy Director (1990) and Director (1991) with the Banca Română de Comerț Exterior, Deputy General Director (1996) and Vice-Chairman (1996-2003) of Banca Comercială Ion Țiriac. He has held a position as Director of the Romanian Banking Association from 2003 to date.

Florin Dănescu – Board member

Executive President, Romanian Banking Association

Florin Dănescu graduated from the Bucharest University of Economic Studies in 1995 and holds an MBA from the University of Vienna. He took part in numerous professional training courses and programmes at home and abroad in areas such as treasury, financial instruments and markets, trading systems, risk analysis.

Florin Dănescu boasts a long-standing experience in the commercial banking system. He was a dealer (1996-1997) and Head of the Foreign Exchange and Money Market Department (1997-1999) at the Banca Agricola SA. Over 2000-2011 he worked with the Romanian International Bank as Head of the Treasury Department (2000-2003), Vice-President (2006), First Vice-President (2007), Interim President (2008) and President (2011). At present, Florin Dănescu is the Executive President of the Romanian Banking Association.

Florin Aurel Moțiu – Board Member

Secretary of State, Ministry of Justice

Florin Aurel Moțiu graduated from the Faculty of Law of the University of Bucharest in 1994. He has a Ph.D. degree in commercial law from the West University of Timișoara (2005). He was a participant in numerous scientific sessions, symposia, seminars and conferences at home and abroad and published numerous works on commercial law, civil law etc.

Over 2003 – May 2012, he was a judge with the Court of Appeal of Timișoara. Since 2010 he has been a member of the Managing College of the Court of Appeal of Timișoara. He boasts a long-standing academic experience and since 2000 he has been a lecturer with the Faculty of Law of the West University of Timișoara. Since May 2012, Florin Aurel Moțiu has been Secretary of State at the Ministry of Justice.

The FGDB's administration structure is representative for the credibility and solidity of the deposit guarantee scheme in Romania, and it includes representatives of the Government, through the Ministry of Public Finance and the Ministry of Justice, of authorities regulating and supervising credit institutions, namely the

aimed at serving depositors' best interest.

The way in which the FGDB is administered and managed is subject to both internal audit and an annual control by an independent auditor offering a faithful image of all the significant aspects of the Fund's real financial

position. In this way, depositors' trust in the FGDB's financial capacity to fulfil its payment obligations in the event deposits with a credit institution become unavailable is given a boost.

In 2011, following amendments to its legislation, the FGDB was assigned new duties and responsibilities related to the preservation of financial and banking stability. Along this line, the Board of Directors was given a significant role in fulfilling these new duties as it

Romania and the International Monetary Fund.

In 2011, a number of FGDB regulations on aspects related to FGDB activities were looked into and endorsed, including a new Statute whereby certain good governance principles were implemented, relevant documents put out annually were analysed – such as activity report, financial statements, revenue and expenditure budgets and the collective labour contract – the credit institutions

Romulus Palade – Board member

Adviser, National Bank of Romania

Romulus Palade graduated from the Faculty of Foreign Trade of the Bucharest University of Economic Studies in 1969. He holds a Ph.D. in Economics, obtained in 1983. He attended numerous professional training courses at home and abroad and he carries on an intense academic activity as Associate Professor at the Bucharest University of Economic Studies.

Romulus Palade has had a long-standing scientific research activity at the Institute for World Economy and has contributed with numerous studies and articles to specialised publications. Since 1997 he has been working at the National Bank of Romania as Head of Department, Deputy Director and Adviser.

Lucia Sanda Stoenescu – Board member

Adviser, National Bank of Romania

Lucia Sanda Stoenescu graduated from the Faculty of Cybernetics and Statistics of the Bucharest University of Economic Studies in 1977. She boasts numerous specialisations in such fields as financial analysis of companies, risk in credit activities, bank audit. She was a participant in professional training courses in banking at home and abroad.

Lucia Sanda Stoenescu has a long-standing experience with the National Bank of Romania where she has successively held positions as Inspector (1993-1994), Inspector General (1994-2000) in the Supervision Department, Adviser to the NBR Governor (2000-2005), Adviser to the Secretariat Department (2005-2011) and Adviser to the NBR Chancellery (2011-to date).

approves the operational, procedural and risk management framework applicable to the activities of the FGDB's departments and offices.

The decisions adopted in FGDB's Board of Directors meetings in 2011 concerned the approval/endorsement and/or review of the Fund strategies and policies on such matters as resources needed to fulfil obligations related to deposit guarantee and compensation payouts and to implement provisions expressly stipulated in the agreement in force between

entrusted with a mandate to make compensation payments were established etc.

Moreover, the FGDB's views were approved on draft legislation to amend Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy and Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund.

1. 2. ACTIVITY FRAMEWORK IN 2011



2.

ACTIVITY FRAMEWORK IN 2011

INTERNATIONAL FRAMEWORK REGULATING THE ACTIVITY OF DEPOSIT GUARANTEE SCHEMES

Internationally, the year 2011 meant the continuation of the extensive reforms initiated in various economic and financial sectors in line with the decisions made by G20 leaders, the key promoter of a coordinated global approach in response to the worldwide crisis.

The critical functions of deposit guarantee schemes were acknowledged and underscored by all international bodies responsible for maintaining financial stability. Throughout 2011, international deposit guarantee guidelines – *The Core Principles for Effective Deposit Insurance Systems*² – were assumed by the Financial Stability Board in the *Compendium of Key Standards for Sound Financial Systems*, and the International Monetary Fund and the

World Bank expressed their intention to include an assessment of the extent to which deposit guarantee schemes comply with these principles in the reports on the observance of standards and codes.

On the other hand, 2011 was also the year when debates continued in the European Parliament and the European Union Council on the European Commission's proposal for a revision of the Directive governing these institutions. In the last quarter of 2011 there were three dialogues between the European Parliament, the EU Council and the European Commission on the proposed revision of the Directive 94/19/EC on deposit guarantee schemes.

² *The Core Principles for Effective Deposit Insurance Systems* was published in June 2009 by the Basel Committee on Banking Supervision and the International Association of Deposit Insurers (IADI). In December 2010, a methodology was adopted to assess the extent to which deposit guarantee schemes comply with the core principles. The IADI, the European Forum of Deposit Insurers (EFDI), the Basel Committee, the International Monetary Fund and the European Commission cooperated in working out that methodology.

1. ACTIVITY FRAMEWORK IN 2011

The radical amendments under this proposal include:

- dominant ex-ante³ funding of deposit guarantee schemes, accompanied by ex-post⁴ financing;
- definition of a target level;
- introduction of risk-based contributions according to the risk profile of the credit institutions participating in the scheme;
- definition of restrictions on the possible investment of schemes' resources;
- introduction of the possibility to use the deposit guarantee schemes' resources to finance early interventions, preventive measures and nonviable banks resolution actions;
- progressive reduction of the compensation payout period from 20 working days to 7 from the date deposits become unavailable, with the possibility of making partial emergency payouts to depositors;
- extension of the guarantee coverage to include the deposits of all companies;
- borrowing among deposit guarantee schemes on a voluntary basis.

At the same time, proposed revisions of other directives were discussed, including the Capital Requirements Directive (CRD), the Investor Compensation Schemes Directive (ICSD), the Markets in Financial Instruments Directive (MiFID), the Market Abuse Directive (MAD), the accounting directives, the Transparency Directive, along with proposed reforms of credit rating agencies and of audit and a draft system for risk capital operations.

The financial crisis highlighted the need to redesign *financial safety nets*, as well as the relations between their components with a view to most effectively managing the effects of

potential shocks on the financial system. The process implies a revision of the role of deposit guarantee schemes and a redefinition of their optimal characteristics in correlation with the other components of the financial safety nets. One of the tendencies of the reforms underway in the financial sector, both in Europe and internationally, is the assignment of extended goals to deposit guarantee schemes. Primarily, this means the involvement of deposit guarantee schemes in nonviable financial institutions resolution, with emphasis on financial stability.

Romania took a number of steps along this line, the FGDB's duties being successively extended in the second half of 2011, mostly in response to the key structural criteria that Romania assumed under the letters of intent Romanian authorities sent to the International Monetary Fund Board, as well as the attached economic and financial policy memoranda.

Thanks to its new duties, the FGDB is among the first deposit guarantee schemes in the European Union actually involved in implementing resolution measures for credit institutions in difficulty, whose situation might jeopardise financial stability.

In August 2011, Ordinance no. 13/2011 to amend and complement FGDB legislation transposed into law a structural criterion allowing FGDB-managed resources to be used for financing, including by issuing guarantees, the operations that entail the transfer of a member credit institution's guaranteed deposits, including P&A transactions if such use of funds proves less costly than the direct payment of compensations.

In January 2012, amendments were adopted to legislation on the liquidation of banks introducing the bridge bank and other

³ The ex-ante funding mechanism means regular (usually, annual) contributions paid by credit institutions to build a fund to cover interventions by deposit guarantee schemes.

⁴ The ex-post funding mechanism means that credit institutions pay their contributions after a decision is reached on the deposit guarantee scheme's intervention.

stabilisation competences to deal with the situation of problem banks and consolidate conditions in which the FGDB can rapidly increase its resources.

Furthermore, also in response to assumed pledges, Romanian authorities took steps to consolidate institutional arrangements and the coordination among participants in the financial safety net. The FGDB became member of the National Committee for Financial Stability. At the same time, a joint work group was created including representatives of the FGDB and of the National Bank of Romania to develop specific rules towards stabilisation measures. Moreover, talks were held on the conclusion of a memorandum of understanding between the

FGDB and the National Bank of Romania on cooperation between the two institutions and on information exchange⁵, so that the FGDB can benefit from an early warning about potential problem banks to be able to get ready in due time to fulfil its obligations.

The National Bank of Romania and the FGDB are to finalise intra- and inter-institution procedures of assigning bank liquidation and bridge bank competences, as well as competences referring to P&A. These will rely on the experience of other EU member states which recently adopted such competences and will be renewed and revised on the basis of experience, including the lessons learned during the 2012 crisis simulation exercise.

THE BANKING SECTOR IN THE EUROPEAN UNION AND IN ROMANIA

Despite initial expectations for a relaunch of the economy in 2011, economic growth actually slowed down worldwide and forecasts were revised downwards throughout the year.

Economic and financial conditions remained difficult in 2011 and the issues facing a number of EU states, particularly Greece, Ireland, Portugal, Italy and Spain, generated further tensions on international financial markets and a deterioration of the situation of some European banks. Dexia is one example of a big European banking group confronted with severe difficulties which, despite the aid coming in previous years from France, Belgium and Luxembourg, required additional measures in 2011 as well, including the acquisition of Dexia Bank Belgium by the Belgian state.

In the second half of 2011, the sovereign debt crisis deepened, with the growing public

debt and budget deficits of several states in the euro zone heightening concerns over their sustainability and the possible default of the respective states. Adding to all this was mounting uncertainty and higher aversion to risk on the part of investors whose confidence was relatively severely depressed despite fiscal and structural reforms that were initiated. This proved that the measures taken throughout 2011 failed to fully achieve the expected result, namely the restoration of market credibility. One of the reasons behind all this was investors' perception of slow, inefficient reactions to certain situations on the part of authorities and other institutions.

Furthermore, rating agencies downgraded the investment ratings of a number of states and of several financial institutions, the latter group including banks holding large amounts of Greek government securities in

⁵This memorandum was signed by the legal representatives of the two institutions in early April 2012.

their portfolios. Because of the exposure to Greece, several cross-border credit institutions in EU states, especially in Germany, France and Great Britain, faced the risk of significant losses, further expanded by a potential contagion to other countries, such as Spain and Italy. One of the possible effects of these negative developments was that parent banks might trim down the lines of credit for their subsidiaries and other institutions outside the euro zone, which triggered the respective countries' concern over massive withdrawals by parent banks.

Under these circumstances, states in difficulty in particular, but also financial institutions found it harder to get funding as costs hit record levels in certain situations. Both government securities yields and CDS spreads increased considerably reflecting a higher perceived risk.

In a bid to counter tensions in financial markets, the European Central Bank extended several emergency loans and bought securities from states facing financial difficulties.

The financial sector went through several reforms in regulation and supervision also in 2011 and the European Council agreed at the end-October 2011 meeting on the need for a package of measures to recapitalise and fund banks in order to ensure medium-term financing of banks, to avoid a credit crisis, to protect access to credits of entities in the real economy and to increase the size and quality of the bank's capital so that they could withstand shocks.

In early December 2011, the European Banking Authority issued bank recapitalisation recommendations as part of a plan of measures to restore confidence in the European banking sector, with institutions in Greece, Spain, Italy,

Germany, France, Portugal and Belgium facing the biggest recapitalisation needs.

The Romanian banking sector faced a number of difficulties also in 2011 because of persistent uncertainty on financial markets and the sovereign debt crisis in the euro zone.

At end-2011, the 41 credit institutions in Romania held assets amounting to 354 billion lei, up 3.5 percent from the year-ago period, as lending moved up from 272.06 billion lei in 2010 to 296.74 billion lei in 2011 on the back of laxer credit standards.

The share/endowment capital of credit institutions in Romania rose in its turn to stand at 18.3 billion lei at the end of 2011.

The solvency ratio stayed well above the minimum requirement of 8 percent, hitting 14.5 percent as at December 31, 2011.

The banks taking part in the European Bank Coordination Initiative fulfilled their pledges to maintain their exposure unchanged and keep solvency ratio at minimum 10 percent, which had a positive impact on financial stability.

The leverage ratio computed as a ratio of Tier 1 capital to total average assets, lost 0.24 percentage points from December 2010 to reach 7.87 percent at end-2011 as credit institutions' average assets increased faster than their Tier 1 capital.

The loan-to-deposit ratio stood at 116.7 percent at the end of 2011, up 3.24 percentage points from the same period the previous year. However, that ratio deteriorated to a larger extent in the case of credits and deposits in foreign currency, especially those of companies. Lending remained dependent

on other financing sources, which represents a structural vulnerability for corporate and household indebtedness.

Because of unfavourable market conditions, the share of past-due and doubtful loans in the total credit portfolio headed up from 2.23 percent in December 2010 to 2.40 percent at end-2011.

In its turn, the share of past-due and doubtful claims in total assets picked up 0.1 percentage points from December 31, 2010 to 1.57 percent in December 2011.

As the quality of assets deteriorated and provisions increased significantly, the banking system as a whole registered losses, with profitability indicators staying in negative territory, namely -0.1 percent for ROA and -1.4 percent for ROE.

The ratio between total operating income and total operating expenses diminished from 154.2 percent in December 2010 to 146.6 percent at the end of 2011. Credit institutions in Romania focused mainly on maintaining

operating expenses at low levels or on cutting them, while banks' operating incomes moved in the opposite directions on the back of revenues from interest rates, commissions and trading operations.

Liquidity in the banking system in 2011 stayed above the minimum requirement of 1, hovering between 1.30 and 1.37. The liquidity indicator ended 2011 at 1.36 on December 31.

The quality of the loan portfolio in the banking system deteriorated further in 2011 as the non-performing loans ratio for credit institutions in Romania added 2.2 percentage points to reach 14.05 percent on December 31, 2011. However, the expected losses were adequately managed through provisions.

Credit risk was one of the main vulnerabilities of the banking sector in 2011, standing at 23.28 percent at end-December, up 2.46 percentage points from December 31, 2010. The deterioration of credit institutions' asset quality indicators led to capital injections or, in some cases, the use of share capital to cover losses.

DOMESTIC REGULATIONS

The need for stronger depositor protection and restored public trust in financial markets is one of the main lessons of the developments brought about by the economic crisis. In line with the deposit guarantee schemes' Directive, the start of 2011 coincided with the mandatory amendment of essential coordinates relative to depositor protection. As a result, at the end of 2010 and the start of 2011, provisions came into force whereby the guarantee ceiling in Romania doubled from 50,000 euros to 100,000 euros⁶ and the period of compensation payouts to guaranteed depositors through mandated credit institutions was reduced

from 3 months to 20 working days⁷ from the date deposits become unavailable.

2011 was a reference year for the 15-year long activity of the FGDB as its mandate was added new duties in implementing stabilisation measures, which, in their turn, represent a first in the financial and banking system in Romania.

As compared to other deposit guarantee schemes in the European Union, the assignment of responsibilities for the resolution of problem banks places the FGDB in the category of

⁶The Government Emergency Ordinance no. 131/2010 to amend and complement Government Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund.

⁷Government Emergency Ordinance no. 80/2009 to amend and complement Government Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund.

pilot-schemes as far as the new guidelines for crisis management within the EU framework are concerned.

Starting August 2011, the FGDB was given the possibility to use its resources (including by issuing guarantees) to facilitate the implementation of NBR-endorsed restructuring measures for the transfer of guaranteed deposits, including P&A transactions if they prove less costly than the direct payout of compensations⁸.

In consideration of the pledges Romania has made under its stand-by agreement with the International Monetary Fund, as well as of international economic and financial circumstances and prospects, which could pose potential risks to financial stability, discussions were held throughout 2011 between representatives of the FGDB, the National Bank of Romania and the Ministry of Public Finance on the need to draft amendments to existing legislation by introducing multifarious provisions concerning the implementation of stabilisation measures as instruments at the disposal of the supervisory authority to settle situations likely to jeopardise financial stability. In this respect, Ordinance no. 1/2012 to amend and complement laws related to credit institutions was adopted and came into force in January 2012.

Three main categories of stabilisation measures, which the National Bank of Romania will be able to adopt, were set, as follows:

a) total or partial transfer of a credit institution's assets and liabilities to one or several eligible institutions;

b) involvement of the Bank Deposit Guarantee Fund as delegated administrator and, as the case might be, as shareholder of a credit institution in difficulty if the voting rights of the shareholders controlling the respective credit institutions were previously suspended;

c) transfer of assets and liabilities from a credit institution to a bridge bank created for this purpose.

The FGDB was given new duties allowing it:

- to be a delegated administrator and, as the case might be, a shareholder of a credit institution going through the stabilisation measure taken by the National Bank of Romania;

- to be the sole shareholder of bridge banks and to exercise the tasks of their supervisory committee.

The FGDB will finance the stabilisation measures disposed by the National Bank of Romania from resources in the bank resolution fund⁹.

If the bank resolution fund is depleted, resources will be provided from the deposit guarantee fund made up of credit institutions' contributions, FGDB's recovered receivables, loans and other incomes, including the FGDB's earnings from activities as special administrator, interim administrator, liquidator, or as delegated administrator and, as the case may be, as shareholder of a credit institution, or from sales of bridge banks, within the law.

In the event that the deposit guarantee fund is resorted to in order to finance stabilisation measures, its resources cannot be used in full as they cannot drop below a minimum level 0.5 percent of the total value of guaranteed deposits.

If FGDB resources are insufficient to cover the cost of implementing the stabilisation measures decided by the National Bank of Romania, the difference will come from loans extended to the FGDB from the Government via the Ministry of Public Finance within a period of five working days at the most – considerably less than the previous period of 15 working days.

⁸ Government Ordinance no. 13 of August 24, 2011 on legal remuneratory and penalisation interest for monetary indebtedness, as well as for the regulation of some financial-fiscal measures in the banking field.

⁹ The bank resolution fund resulted from the former special compensation fund. It maintained its original destination, namely to compensate persons who were prejudiced by measures taken as part of special administration procedures and acquired a new possible utilisation, namely financing of stabilisation measures decided by the National Bank of Romania.

In 2011, the FGDB Statute was changed in order to allow for the implementation of several internationally acknowledged good governance principles and to make it consonant with amendments to legislation in this sector¹⁰.

At the same time, a new regulation was issued concerning the deposit guarantee information that credit institutions should provide to their depositors in a bid to promote more flexible ways to inform depositors, all while achieving

harmonisation with the amendments in the legal framework¹¹.

In consideration of the creation of the special compensation fund for entities prejudiced by measures disposed and implemented during credit institutions' special administration procedures¹², a specific regulation¹³ was issued concerning the establishment, declaration and payment of annual and additional fees to this fund by credit institutions.

NATIONAL COOPERATIVE RELATIONS

Following the deposit guarantee schemes' demonstrated role of pillars of financial stability during the crisis, in November 2011, the FGDB was co-opted by the National Committee for Financial Stability (NCFS), which also includes the Ministry of Public Finance, the National Bank of Romania, the Romanian National Securities Commission, the Insurance Supervisory Commission and the Private Pension System Supervisory Commission.

The main goal of the National Committee for Financial Stability is to ensure the stability of the financial system by promoting permanent and efficient information exchanges between authorities in charge of regulating

and supervising the different sectors of the financial system, the Ministry of Public Finance and the Bank Deposit Guarantee Fund and to assess, prevent and, if the case may be, manage financial crises at individual financial institutions level, financial groups or the financial market as a whole.

The NCFS includes several working bodies to which the FGDB is represented.

The FGDB has also maintained close collaboration relationships with representatives of the banking community in Romania, through the Romanian Banking Association, on deposit guarantee-related aspects and other related activities.

¹⁰ FGDB Order no.1/2011 to approve the Statute of the Bank Deposit Guarantee Fund.

¹¹ FGDB Regulation no. 1/2011 on deposit guarantee information that credit institutions should supply to depositors.

¹² On the basis of Government Emergency Ordinance no. 131/2010 to amend and complement Government Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund.

¹³ FGDB Regulation no. 3/2011 on the establishment, declaration and payment by credit institutions of annual and additional contributions to the special compensation fund at the Bank Deposit Guarantee Fund.

INTERNATIONAL RELATIONS

The development and maintenance of co-operative ties with deposit guarantee schemes all over the world and with other international entities, the promotion of experience exchanges and the identification of the best practices in this sector were constant features of FGDB international activity also in 2011.

As a member of the two international professional associations in the deposit guarantee field – the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI) – the FGDB was an active participant throughout 2011 in events organised under their aegis, including annual general meetings, meetings of the IADI Europe Regional Committee and of the EFDI European Union Committee, the annual international exhibition of deposit guarantee schemes, conferences and seminars on themes of interest for FGDB activities, such as funding of deposit guarantee schemes, the need to strengthen financial stability, the role deposit guarantee schemes play during financial crises, the new framework for the resolution of the nonviable banks and the assessment of the extent to which deposit guarantee schemes comply with the core principles at work in this field as well as the impact of adopting these principles.

Throughout 2011, the FGDB answered individual requests for information on specific issues from a number of deposit guarantee schemes, including by answering extensive questionnaires and, in its turn, requested information relevant for its activity from other deposit guarantee institutions.

In 2011, the FGDB received several visits from representatives of the International Monetary Fund and of the European Commission, its links with these international bodies proceeding in line with the conditionalities and evaluations under the stand-by agreement between Romania and the IMF. Talks centred on main FGDB indicators, the size of its resources, exposure coverage ratio and FGDB-related legislative proposals and initiatives and their implementation.

The FGDB maintained a continuous dialogue with the Permanent Representation of Romania to the European Union expressing on several occasions its viewpoint on draft amendments to the EU Directive 94/19/EC on deposit guarantee schemes as they resulted from the dialogues between the European Commission, the European Parliament and the Council of the European Union.



Forum Finance 2011 – Deposit guarantee schemes : Instruments of financial stability ¹⁴

¹⁴ Order of appearance in the picture, from left to right:

- András Fekete-Győr, Director, National Deposit Insurance Fund of Hungary
- Alex Kuczynski, Director of Corporate Affairs, Financial Services Compensation Scheme, United Kingdom, and EFDI EU Committee Coordinator
- Jerzy Pruski, President, Bank Guarantee Fund, Poland and Vice Chairman of IADI Executive Council
- Eugen Dijmărescu, Director, Bank Deposit Guarantee Fund, Romania
- Camelia Spătaru, Forum Invest Vicepresident
- Josip Nevjestić, Director, Deposit Insurance Agency, Bosnia and Herzegovina
- Thierry Dissaux, President, Deposit Guarantee Fund, France
- Alessio Vecchia, Vice Head of the Research and Data Analysis Department, Interbank Deposit Protection Fund, Italy
- Dirk Cupei, Director, Deposit Protection Association of German Banks, Germany, and EFDI Vice Chairman

1. 2. 3. DEPOSIT
GUARANTEE



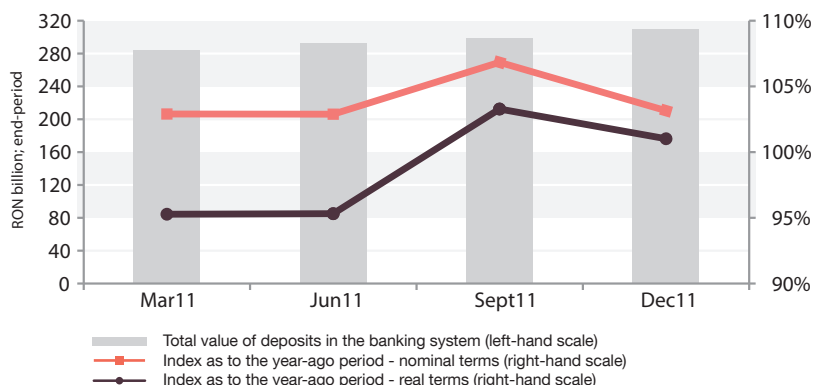
3.

DEPOSIT
GUARANTEEEVOLUTION OF DEPOSITS¹⁵ IN 2011

At the end of 2011, the total value of deposits in the banking system as a whole hit the peak of the last few years at 309.4 billion lei, corresponding to a 3.2 percent year-on-year growth. The rise in the total value of deposits was mainly a result of the upward move of RON-denominated household deposits at FGDB- member credit institutions (an annual variation of +11.6 percent, or an absolute growth of 6.9 billion lei).

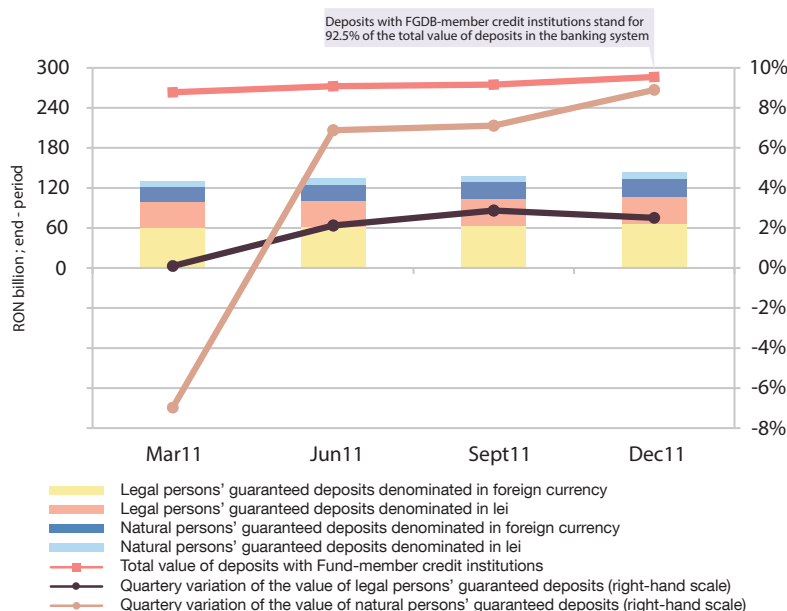
On December 31, 2011, the 33 FGDB-member credit institutions accounted for 92.5 percent of the total value of deposits in the entire banking system in Romania, namely 286.2 billion lei (up 2 percent from December 31, 2010), of which 106.7 billion lei were in household deposits and the rest in deposits held by legal persons.

Evolution of the total value of deposits in the banking system



¹⁵ According to the law on the FGDB's operation, a deposit is "any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay under the legal and contractual conditions applicable, and any debt evidenced by a certificate issued by a credit institution, except bonds mentioned in paragraph (6) of art. 159 of Regulation no. 15/2004 regarding the authorization and functioning of investment management firms, collective investment undertakings and depositories, approved by Romanian National Securities Commission's Order 67/2004, as subsequently amended".

Evolution of the value of guaranteed deposits in 2011, by denominations and holders



By categories of depositors, 2011 registered a more marked growth in the total value of household deposits as compared to legal persons' deposits (the absolute rise in the total value of household deposits in the banking system as a whole was more than 12 times higher than in the case of legal persons' deposits). The course of these components at the level of FGDB-member credit institutions moved in opposite directions. The value of household deposits increased in each of the four quarters of 2011 (an annual variation of +7.9 percent, corresponding to a 7.8 billion lei rise), while legal persons' deposits only partially recovered the first-quarter loss, dropping 1.2 percent, or 2.1 billion lei, over 2011 as a whole.

By currency denomination, deposits denominated in the national currency held with FGDB-member credit institutions in 2011 continued to take a majority weight of the total (53.6 percent on December 31, 2011). Compared to the end of the previous year, these deposits registered a 5 percent increase, while the total value of foreign currency-denominated deposits slipped by 1.3 percent.

In November 2011, following improved inflation rates and forecasts, the Board of Directors of the National Bank of Romania decided to cut the monetary policy rate from 6.25 percent to 6 percent, mainly targeting a relaunch of the lending activity by diminishing interests on loans and, implicitly, fostering corporate interest in investment.

In the last month of 2011, average interest rates on new loans denominated in lei and euros granted by banks to both households and non-financial corporations headed lower.

Another important goal is to stimulate domestic savings which contribute to strengthening the sustainability of external deficit and reducing dependence on foreign funding.

Average interests on new RON-denominated time deposits decreased to 6.58 percent in December 2011 from the year-ago period, staying in real positive territory in the case of natural persons and jumped to 5.78 percent in the case of non-financial corporations.

In December 2011, the average interest rates on new euro-denominated time deposits stayed almost unchanged from end-2010 for households (3.46 percent in December 2011) and inched down to 2.38 percent for non-financial corporations.

Considering current circumstances on the financial market, the more difficult access to foreign financing is expected to intensify inter-bank competition to attract deposits.

In point of deposit guarantee, the start of 2011 brought about major changes in the essential coordinates of depositor protection. These changes included a rise in the guarantee ceiling to the equivalent in lei of 100,000 euros, or twice the previous level of 50,000 euros, starting December 30, 2010 in a bid to boost depositor confidence and stimulate savings.

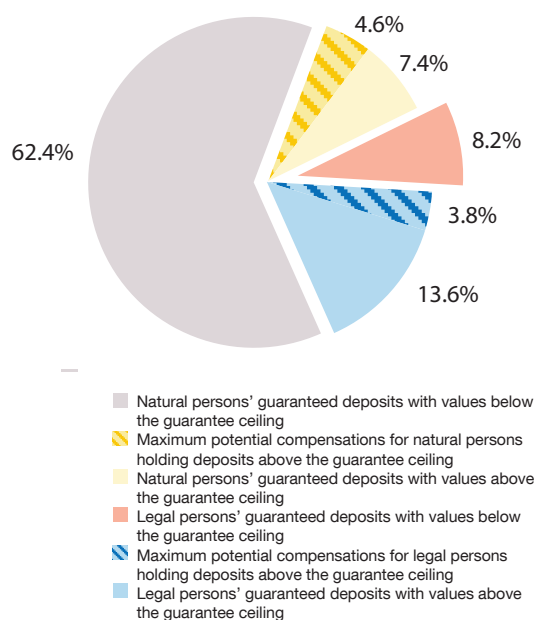
On December 31, 2011, guaranteed deposits and deposits excluded from guarantee¹⁶ held equal weights in the total value of deposits with FGDB-member credit institutions.

The overall value of FGDB-guaranteed deposits gained 7.8 percent in 2011, which accounts for a growth rate that was 2.5 percentage points faster than in 2010 to stand at 143.1 billion lei at the end of 2011. The value of non-guaranteed deposits shrank by 3.2 percent from end-2010.

On December 31, 2011, depositors with FGDB-member credit institutions numbered 15,648,226¹⁷ natural and legal persons, with natural persons accounting for 93.9 percent.

The significant rise in the guarantee ceiling in Romania led to the expansion of the coverage guaranteed by the FGDB. Data on December 31, 2011 show that, for the 100,000-euros ceiling, the amount of maximum potential compensations in the event of deposits being unavailable accounted for around 79 percent of the total value of guaranteed deposits, namely 113.2 billion lei (an annual variation of +8.7 percent).

The number of guaranteed depositors benefiting from full coverage of their deposits at FGDB-member credit institutions accounted for 99.8 percent of the total number of guaranteed depositors at the end of 2011.



Structure of guaranteed deposits as at December 31, 2011 in relation with the guarantee ceiling of 100,000 euros

Natural Persons' Guaranteed Deposits

On December 31, 2011, the FGDB's scope of guarantee included almost all depositors, natural persons, (99.99 percent of the total number of depositors, natural persons, with the FGDB-member credit institutions, or 14,694,393 persons). Their guaranteed deposits took a 99.8 percent weight of the total value of household deposits at FGDB-member credit institutions.

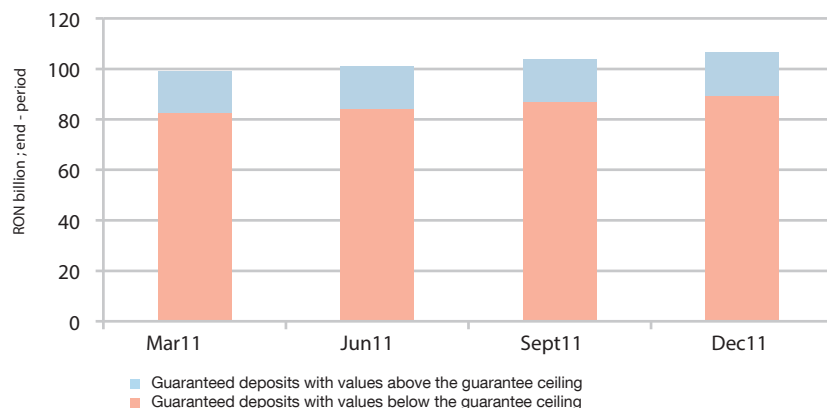
At end-2011, guaranteed natural persons held deposits worth 106.5 billion lei with FGDB-member credit institutions, of which 62.2 percent were deposits denominated in the national currency.

¹⁶ Most non-guaranteed deposits belong to entities with the necessary knowledge and experience to assess the risk of default of investments made, a category which includes credit institutions, financial institutions, insurance companies, mutual funds, pension funds, central and local public authorities, large corporations etc.

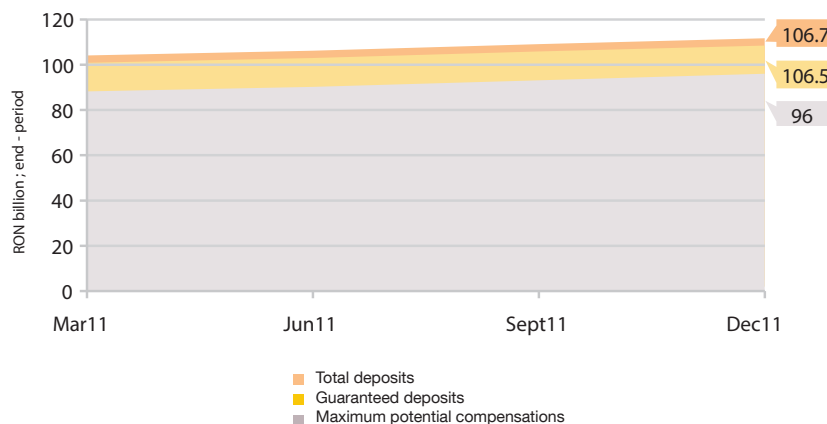
¹⁷ The total number of depositors is determined by adding up the consolidated data reported by each credit institution, so that a person that has deposits with several credit institutions is recorded several times.

1. 2. 3. DEPOSIT GUARANTEE

Evolution of household guaranteed deposits in relation to the guarantee ceiling



Evolution of household deposits with FGDB member credit institutions



The value of household guaranteed deposits followed an upward trend all along 2011, moving faster than in 2010 (an annual

variation of +7.8 percent in 2011 as against +5.4 percent in 2010). In real terms however, guaranteed household deposits moved in opposite directions in terms of value, the annual variation being of +4.5 percent in 2011 and of -2.4 percent in 2010.

Deposits denominated in lei with values below the guarantee ceiling contributed most to the rise in the value of guaranteed household deposits.

Natural persons depositors, showed a clear preference for investments in the national currency, especially in the second half of 2011. The annual variation of the household RON-denominated guaranteed deposits was of 11.6 percent (and of +8.2 percent in real terms), while the value of deposits in foreign currency posted a modest growth of 2.3 percent (which, in real terms, was of -0.8 percent).

The average value of a natural person's guaranteed deposit amounted to 7.2 thousand lei at end-2011, up 7.5 percent from the same period the previous year.

The cumulative value of deposits not exceeding the guarantee ceiling, whose holders are potential beneficiaries of compensations according to the size of their deposits, accounts for 83.8 percent of the total household guaranteed deposits.

At the end of 2011, the value of maximum potential compensations for household guaranteed deposits with FGDB-member credit institutions stood at around 96 billion lei, of which 89.3 billion lei in deposits with values below the guarantee ceiling.

Legal Persons' Guaranteed Deposits

On December 31, 2011, the value of legal persons' guaranteed deposits¹⁸ totalled 36.6 billion lei, or 20.4 percent of the total value of legal persons' deposits with FGDB-member credit institutions, going up 8 percent in nominal terms (or +4.7 percent in real terms) from December 31, 2010, mainly thanks to RON-denominated deposits with values above the guarantee ceiling.

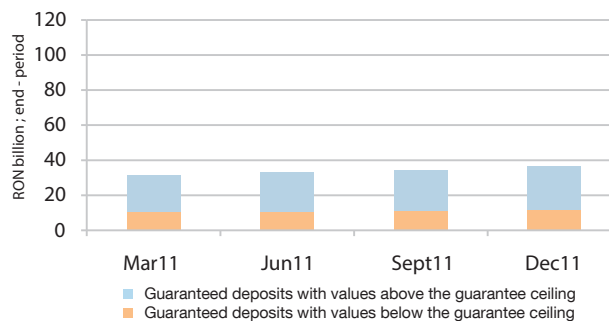
In relative terms, the annual variation was of +8.5 percent for guaranteed deposits denominated in lei and of +5.4 percent for foreign currency-denominated deposits.

Legal persons' guaranteed deposits in the national currency took the bulk of the total value of the deposits of this category of depositors, that is 73.4 percent on December 31, 2011.

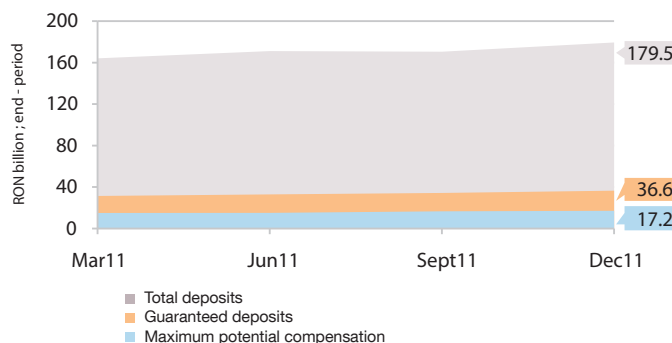
The number of guaranteed depositors, legal persons, stood at 914,327 at end-2011, representing 96 percent of the total number of depositors, legal persons, with FGDB-member credit institutions.

At the end of 2011, 98.6 percent of the total number of guaranteed depositors, legal persons, held deposits below the guarantee ceiling, being therefore fully covered. Nevertheless, the cumulative value of deposits not exceeding the guarantee ceiling on December 31, 2011 stood at only 32 percent of the total value of legal persons' guaranteed deposits.

Evolution of legal persons' guaranteed deposits in relation to the guarantee ceiling



Evolution of legal persons' deposits with FGDB member credit institutions



The average value of a legal person's guaranteed deposit amounted to 40 thousand lei at end-2011, up 7.8 percent from December 31, 2010.

On December 31, 2011, the value of maximum potential compensations for legal persons' guaranteed deposits with FGDB-member credit institutions totalled about 17.2 billion lei.

¹⁸ The summary of legal persons' guaranteed deposits offers a picture close to that of the deposits of small and medium-sized enterprises and other such entities, given the fact that they represent almost the entire class of depositors who are guaranteed legal persons.

COMPENSATION PAYOUTS

In 2011, the FGDB continued to pay special attention to putting all necessary conditions in place for depositors’ prompt access to their funds with credit institutions in the event of deposits becoming unavailable.

Starting January 1, 2011, a new payout period through mandated credit institutions of 20 working days from the date deposits become unavailable was stipulated¹⁹. This drastic cut off from the former 3-month payout period became mandatory to all EU member states, mainly targeting stronger public confidence in the safety of savings held with credit institutions.

At the same time, with a view to ensuring fast compensation payouts, the FGDB was connected to the Inter-Bank Communication Network administered by the National Bank of Romania. This network provides for a rapid and safe transfer of the information needed for an efficient payout process in the event deposits become unavailable.

Throughout 2011, no credit institution in the banking system in Romania encountered any difficulty and, therefore, the FGDB did not have to intervene through compensation payouts.

Preconditions for a rapid reimbursement of deposits which the FGDB already fulfilled:

- The permanent goal of improving the FGDB’s financing capacity and of adequately managing its resources on the basis of a well-defined strategy
- The possibility of resorting to loans, including the Government’s obligation to grant the funds needed to cover compensation payouts if such a necessity arises
- Annual selection of paying agents (mandated banks) in the event deposits become unavailable
- The obligation of FGDB-member institutions to run adequate IT systems able to generate, at any moment, a correct list of compensation payouts
- Periodic tests of a potential payout process

Unavailability of deposits at Bank X

List of compensation payouts

FGDB

Final list of compensation payouts + liquid funds (at least 24 hours before the start of the payout process)

Paying agent(s)
start of payout process

Extended network in the territory, depositors’ easy access to bank counters to collect their compensations

- Verification of the list of compensations
- Announcements to depositors
mass media, own website, units of the bank where deposits became unavailable, units of the paying agent(s)
- Supply of sufficient funds to cover all compensation payouts

The FGDB pays out compensations to guaranteed depositors

Identity card or other ID papers

Compensation



..... at the latest - Day 20

¹⁹ În excepțional circumstanțe, acest termen poate fi extins cu încă 10 zile lucrătoare în cel mai rău caz.

RELATIONSHIPS WITH FGDB-MEMBER CREDIT INSTITUTIONS

Participation in a deposit guarantee scheme is mandatory for each credit institution in the European Union. In Romania, all the credit institutions licensed by the National Bank of Romania are members of the FGDB, including for deposits attracted by their branches abroad. At the same time, branches of banks headquartered in other EU member states²⁰ take part in deposit guarantee schemes in their home countries.

In 2011, the number of credit institutions participating in the FGDB remained unchanged from the end of the previous year at 33 credit institutions, Romanian legal persons, of which 30 banks, 2 savings banks for housing and one credit cooperative organisation (central body and affiliated credit cooperatives), as shown in the annex.

All FGDB-member credit institutions pay an annual contribution to the deposit guarantee fund of which compensations are paid out to guaranteed depositors in the event deposits with a credit institution become unavailable. At the same time, credit institutions in the membership of the FGDB pay annual fees to the special compensation fund, which, in January 2012, became the bank resolution fund, all while maintaining its initial destination of compensating entities prejudiced by measures taken and implemented during special administration procedures, to which was added the funding of the stabilisation measures disposed by the National Bank of Romania.

In 2011, the FGDB continued its cooperation with credit institutions from which it

received information on a quarterly basis on deposits in their records and the number of depositors, the calculation base for the annual contribution to the deposit guarantee fund, the calculation base for the annual fee to the fund compensating entities prejudiced by measures disposed and implemented during special administration procedures, as well as other information on specific issues.

Furthermore, the FGDB exercised control over compliance with regulations on the calculation and payment of contributions and fees and also checked the eligibility of deposits for FGDB coverage.

The verification of the calculation bases went hand in hand with a spot check of declarations made by depositors - small and medium-sized enterprises and other entities provided for in the law, on the category in which their deposits classify. The way in which these declarations are filled in, recorded and kept was checked, as was the concordance between the category in which a deposit classifies according to a credit institution and that declared by a depositor.

Moreover, data included in the List of compensation payouts prepared as at December 31, 2010 were checked for their correctness and the capacity of credit institutions to promptly prepare compensation payout lists was verified, as these lists must be routed to the FGDB the day after deposits become unavailable.

²⁰ La 31 decembrie 2011, pe teritoriul României își desfășurau activitatea 8 sucursale ale instituțiilor de credit din alte state membre.

During these checks, the following main errors were noted:

- client identification – incomplete and incorrect information;
- authorised self-employed persons, who, according to regulations, are assimilated with legal persons, were included on lists of natural persons;
- the main identifiers, namely, the single identification code and the registration number in the Trade Registry were unavailable in case of accounts opened by companies in the process of registration;
- depositors' residence;
- erroneous calculation of compensations to be paid;
- depositors' exigible debts .

During its checks, the FGDB paid special attention also to the way in which credit institutions observe legislation on depositors' information about deposit guarantee, measures being taken to correct identified deficiencies. The need was highlighted for a unitary solution to the legal requirement of expressly offering depositors information related to deposit guarantee, a solution shared by all credit institutions in the membership of the FGDB.

The close cooperation with Fund-member credit institutions is intended to permanently improve the classification of deposits by categories, as well as the information on deposit guarantee offered to depositors.

1. 2. 3. 4. RISK MANAGEMENT



4.

RISK MANAGEMENT

In 2011, the FGDB furthered the process of risk management consolidation and also concentrated on its adaptation to the new legislative requirements impacting its activity.

To manage risks associated with resource investments, the FGDB initiated actions to improve access to information about credit institutions operating in Romania, in cooperation with the National Bank of Romania.

Given the difficulties facing financial-banking markets at home and abroad in 2011, investment-related decisions called for intensified action to monitor developments that could have an adverse bearing on FGDB resources.

In such conditions, the Financial Resources Management Committee heard frequent briefings which served as a basis for the analysis and reassessment of the FGDB's each and every investment.

Owing to an active management of investments, adjustments were made in the investment structure and in the exposure limits set for each credit institution, whenever market conditions

called for such solutions.

Also in response to the new challenges raised by the financial-banking system, the methodology whereby credit institutions are analysed was updated, in the sense that the degree of significance of risk indicators was increased. At present, this is a basic instrument in substantiating the FGDB's annual exposure policy.

As far as legislative amendments are concerned, the risk management structure was actively involved in updating regulations that impact FGDB activities. Essentially, they refer to an extension of the institution's duties as it is co-opted in actions aimed at restructuring and stabilising credit institutions in difficulty. All this led to an adjustment of the FGDB's resource management policy by shifting the emphasis to liquidity.

In 2011, the management compartment took part in a working group in charge of updating and complementing the internal regulatory framework to allow the FGDB to work efficiently and effectively whenever restructuring and stabilisation measures are needed.



5.

PUBLIC
INFORMATION

Providing information for the general public was, in 2011 as well, one of the FGDB's main goals as a means to boost public confidence in the safety of deposits at credit institutions, as a significant factor in preventing panic and system crises.

The key means used to communicate information include:

- cooperation with credit institutions in the membership of the deposit guarantee scheme so that depositors are correctly informed – this should be the key channel whereby information is conveyed to depositors either directly or through a mention in the

account/deposit opening form stating that the respective credit institution is a member of the Bank Deposit Guarantee Fund or through deposit guarantee information on posters;

- prompt and exact direct information of the public, including by answering public requests made by telephone, e-mail, fax, or website – a section including answers to frequently asked questions;
- active cooperation with mass media (print media, television, radio) representatives;
- use of modern electronic communication means.

COMMUNICATION WITH THE PUBLIC
AND WITH CREDIT INSTITUTIONS

In 2011, following cooperation between the FGDB and the Romanian Banking Association, a poster was created containing basic information about deposit guarantee as well as FGDB contact data.

The poster was printed in 11,000 copies which were distributed to all the branches of the member credit institutions to be displayed in highly visible locations.

In its relationships with depositors and bank officers, the FGDB answered promptly to every request in writing or by telephone in connection with aspects related to both deposit guarantee (categories of FGDB-guaranteed deposits, guarantee ceiling etc.) and compensation payouts on deposits held with bankrupt banks.

Throughout 2011, the information supplied on the FGDB website (bilingually, in Romanian and English) was constantly updated to cover all guarantee-related questions and concerns of the public, while statistical data were issued on a quarterly basis, along with reports sent to the FGDB by credit institutions.

With a view to informing depositors, the FGDB website contains a “Financial Education” section which explains basic terms in banking services. The “Events” section offers to the

public a calendar of the events that took place along the years, as well as details about these events and about the presentations made on those occasions.

Press releases on changes in FGDB legislation and duties, INFO bulletins and other FGDB-related information of interest to the general public are all to be found in the “News to Follow” section of the Fund’s website.

Starting June 2011, the FGDB replaced its quarterly reports with on-line monthly INFO bulletins. The INFO bulletins succinctly present analyses of the savings process, the evolution and structure of household and legal persons’ deposits with credit institutions in Romania, as well as articles on deposit guarantee-related issues and other relevant themes. The INFO bulletins address to experts in the economy, students, the specialised press and the general public.

RELATIONSHIPS WITH MASS MEDIA REPRESENTATIVES

The maintenance of close bilateral links between the FGDB and mass media representatives was a priority in 2011 and a mutual willingness was manifest to operatively solve requests in connection with issues of mutual

interest.

In 2011, the national print and on-line media carried a large number of articles on the FGDB.

THE 15TH ANNIVERSARY AND OTHER EVENTS

Several events took place in 2011 to mark the anniversary of 15 years of FGDB activity.

The FGDB printed an anniversary brochure which surveys the evolution of the guarantee scheme and of the financial and banking environment in Romania along the 15 years.

At the same time, the FGDB was a strategic partner to the Forum Finance 2011, alongside the National Bank of Romania. The Forum Finance 2011 allocated a full day to bank deposit guarantee. The speakers to this Forum were the FGDB’s invited guests representing guarantee schemes in the membership of the EFDI and the IADI. The examples given and the subjects approached referred to deposit

insurance in light of the challenges posed by current economic conditions, including the tendency to expand the duties of deposit guarantee schemes to secure financial stability.

The event enjoyed broad media coverage and the FGDB gained in popularity.

In March 2011 a seminar on „*Building Confidence by Public Awareness*” was organised in cooperation with the IADI’s Europe Regional Committee. The event gathered experts in PR and communication from all over the world who took part in presentation and case study sessions and experience interchanges.

Speakers came from European countries, but also from Asia and the United States of

America. Represented to the seminar were the deposit guarantee schemes of 17 countries. Also present were representatives of commercial banks, the National Bank of Romania, the Romanian Banking Association and the Ministry of Public Finance.



EDUCATIONAL ACTIVITIES

In October 2011, the Bank Deposit Guarantee Fund launched the “Costin Murgescu” contest of essays on economic research as support for young Romanian researchers and candidates for a Master’s or a Ph.D. degree interested in research in contemporary economic developments.

Bearing the name of Professor Costin Murgescu, the contest encourages new ideas in Macroeconomics, multidisciplinary in approaching themes and the analysis of phenomena in light of economic and financial stability.

1. 2. 3. 4. 5. 6. LIQUIDATION OF BANKRUPT CREDIT INSTITUTIONS



6.

LIQUIDATION OF BANKRUPT CREDIT INSTITUTIONS

RESULTS OF LIQUIDATION PROCEDURES FOR BANKS WHERE THE FGDB IS CREDITOR AND/OR LIQUIDATOR

Starting 1999, the FGDB, in its capacity as creditor and/or liquidator, was involved in bankruptcy procedures at the following banks ²¹:

- Banca Comercială “Albina” SA – entered bankruptcy procedures on May 25, 1999;
- Bankcoop SA – entered bankruptcy procedures on February 8, 2000;
- Banca Internațională a Religiiilor SA (BIR) – entered bankruptcy procedures on July 10, 2000;
- Banca Română de Scont SA (BRS) – entered bankruptcy procedures on April 16, 2002;
- Banca Turco-Română SA (BTR) – entered bankruptcy procedures on July 3, 2002;
- Banca “Columna” – entered bankruptcy procedures on March 18, 2003;

- Nova Bank – entered bankruptcy procedures on November 9, 2006, after having undergone, starting 22 August 2006, dissolution followed by liquidation.

Synthetically, revenues, expenses and distribution to creditors on December 31, 2011 are presented in the table on the following page.

The five banks' total revenue on December 31, 2011 amounted to 445.2 million lei, up by 7.1 million lei (around 1.6 percent) from December 31, 2010.

Here is a revenue breakdown by banks in 2011: BTR – 4.1 million lei, BRS – 1.6 million lei, Bankcoop – 0.7 million lei, BIR – 0.6 million lei and Banca “Albina” – 0.1 million lei. In point of

²¹ To carry on liquidation procedures for these banks, the following institutions were appointed judicial liquidators, according to the law:

- RVA Insolvency Specialists SPRL (former SC Moore Stephens (RVA) SA) – for Banca “Albina”, Bankcoop and BIR;
- PricewaterhouseCoopers Business Recovery Services IPURL (former SC PricewaterhouseCoopers Management Consultants SRL) – for Bankcoop and Banca “Columna”;
- The Bank Deposit Guarantee Fund – for BRS and BTR;
- Tănăsă și Asociații SPRL (former SC Refal Star TNB SRL) and Activ Lichidator IPURL (former SC Activ Lichidator SRL) – for Nova Bank.

1. 2. 3. 4. 5. 6. LIQUIDATION OF BANKRUPT CREDIT INSTITUTIONS

				-million RON-
No.	Bankrupt bank ²²	Total liquidation-related revenues*	Total liquidation-related expenses	Total funds earmarked for distribution
	1	2	3	4
1	Banca "Albina"	26.6	7.3	19.2
2	Bankcoop	157.8	61.6	98.0
3	Banca Internațională a Religiilor	170.8	77.5	95.0
4	Banca Română de Scont	36.6	14.1	18.1
5	Banca Turco - Română	53.4	10.9	39.6
TOTAL		445.2	171.4	269.9

*Net value (excluding VAT and other deductions, as the case may be)

sources of revenue in 2011, more than 56 percent came from interest on money investments (especially in the case of BTR) and about 32 percent from recovered credits, interest and other claims, as well as from sales of assets to recoup claims.

The share held by the revenues in the main category, namely recovery of credits, interest and other claims as well as asset sales to recoup claims, in the total claims of credit institutions on the date of the bankruptcy filing is given below:

- Banca "Albina" - 16.8 million lei, that is 28.33 percent of 59.3 million lei
- Bankcoop - 91.2 million lei, that is 36.48 percent of 250.0 million lei
- BIR -133.9 million lei, that is 62.57 percent of 214.0 million lei
- BRS - 16.7 million lei, that is 44.18 percent of 37.8 million lei
- BTR - 5.0 million lei, that is 2.20 percent of 227.5 million lei

In the case of BRS, if set-off of claims against debts, as well as the takeover of assets from two debtors to recover the bank's claims are considered, the rate of claim recovery from credits, interest and other debts is of roughly 78 percent of the total claims registered at the time the bank filed for bankruptcy – the highest recovery percentage among the five banks.

It should be noted that as far as BTR is concerned, the reason behind the extremely

small – of only 2.2 – percentage of total claim recoveries from credits, interest and other debts at the time of bankruptcy filing was that the remaining unrecouped claims were debts of two legal persons in Turkey, namely Bayindir Insaat Turizm Ticaret ve Sanayi AS and Bayindir Holding AS, from which, by December 31, 2011 no funds had been recovered. That was a result of the fact that BTR's claim initiated in 2003 against those companies was irrevocably quashed following an objection to the jurisdiction of courts in Romania.

²² There are no data on Banca "Columna" and Nova Bank, as in the case of Banca "Columna" the FGDB holds a small stake in the creditor group (of roughly 0.11 percent) and the bank liquidator does not supply cumulative data on the stage of bankruptcy procedures in his periodical activity reports, while in the case of Nova Bank the FGDB is no longer a creditor as it fully recovered its claims right after the bank entered bankruptcy procedures.

To assess the liability of former administrators and shareholders responsible for the bank's bankruptcy, a civil action initiated by BTR in 2003 and a criminal complaint brought by the National Bank of Romania, as plaintiff, in 2001, prior to BTR's bankruptcy filing, are still pending before courts of law.

As to revenues from the two main sources, namely recoveries from credits, interest and other debts, including sales of assets to recover claims, as well as from sales of real estate, their share of the total revenue, by the five banks, is as follows:

a) from credits, interest and other debts, including sales of assets to recover debts:

- Banca "Albina" - 16.8 million lei, that is 63.16 percent of 26.6 million lei
- Bankcoop - 91.2 million lei, that is 57.79 percent of 157.8 million lei
- BIR - 133.9 million lei, that is 78.40 percent of 170.8 million lei
- BRS - 16.7 million lei, that is 45.63 percent of 36.6 million lei
- BTR - 5.0 million lei, that is 9.36 percent of 53.4 million lei

b) from real estate sales:

- Banca "Albina" - 7.5 million lei, that is 28.20 percent of 26.6 million lei
- Bankcoop - 48.3 million lei, that is 30.61 percent of 157.8 million lei
- BIR - 19.6 million lei, that is 11.48 percent of 170.8 million lei
- BRS - 8.5 million lei, that is 23.22 percent of 36.6 million lei
- BTR - 30.3 million lei, that is 56.74 percent of 53.4 million lei

Liquidation costs on December 31, 2011, resulting from bankruptcy procedures for the five banks, totalled 171.4 million lei.

As part of its actions to monitor liquidation procedures for bankrupt banks through both dialogue with their representatives and participation in all the meetings of creditors' committees/groups called throughout 2011, the FGDB asked liquidators to take measures to step up claim recoveries and realise the banks' assets and to cut on liquidation expenses, including by closing down branches throughout the country and by reducing the number of personnel.

Following the FGDB's request, in 2011, the liquidators of the bankrupt banks diminished the number of the failed banks' staff by roughly 37 percent and the debtor portfolio by 34 debtors. At the same time, two branches in the territory shut down.

On December 31, 2011, the volume of funds allotted for distribution, the number of distribution plans, the degree of satisfaction of creditors, as a percentage of total creditors, as well as the date of the last distribution of funds to creditors differed widely, as follows:

- Banca "Albina": 19.2 million lei through 12 distribution plans, that is 35.96 percent of total funds owed to creditors worth 53.4 million lei, November 2011;

- Bankcoop: 98.0 million lei through 23 distribution plans, that is 29.79 percent of total funds owed to creditors worth 329.0 million lei, May 2009;
- BIR: 95.0 million lei through 11 distribution plans, that is 40.27 percent of total funds owed to creditors worth 235.9 million lei, July 2006;
- BRS: 18.1 million lei through 11 distribution plans, that is 47.14 percent of total funds owed to creditors worth 38.4 million lei, December 2010;
- BTR: 39.6 million lei through 4 distribution plans, that is 35.11 percent of total funds owed to creditors worth 112.8 million lei, December 2011.

Funds distributed to creditors of bankrupt banks in 2011 amounted to 37.5 million lei, of which 0.2 million lei at Banca “Albina” and 37.3 million lei at BTR.

The funds distributed to the creditors of failed banks in 2011 are larger than those registered in 2010 (amounting to 0.7 million lei), following resumed fund distribution to BTR creditors in December 2011 (the previous distribution took place in August 2006).

In the case of this bank, the funds allotted for distribution to creditors under four distribution plans prepared by the liquidator totalled 39.6 million lei by December 31, 2011, accounting for 35.11 percent of total claims over BTR worth 112.8 million lei.

The resumption of the distribution of funds to BTR creditors was made possible by the finalisation of a tax control by the National Agency for Fiscal Administration (ANAF) over October 25, 2010-November 7, 2011 which established with certainty its claims over the bankrupt bank.

In the wake of the aforesaid control, the ANAF’s claim over BTR was set at 21.49 million lei, compared to an initial claim of 122.19 million lei, the remaining 100.7 million lei being considered as undue claim.

Of the total amount of 21.49 million lei, the BTR liquidator acknowledged as certain claim over the bankrupt bank only 19.65 million lei. For the remaining 1.84 million lei it filed an administrative appeal with the General Directorate for Administration of Large Taxpayers on December 8, 2011, which remains unresolved to date.

RECOVERY OF FGDB CLAIMS

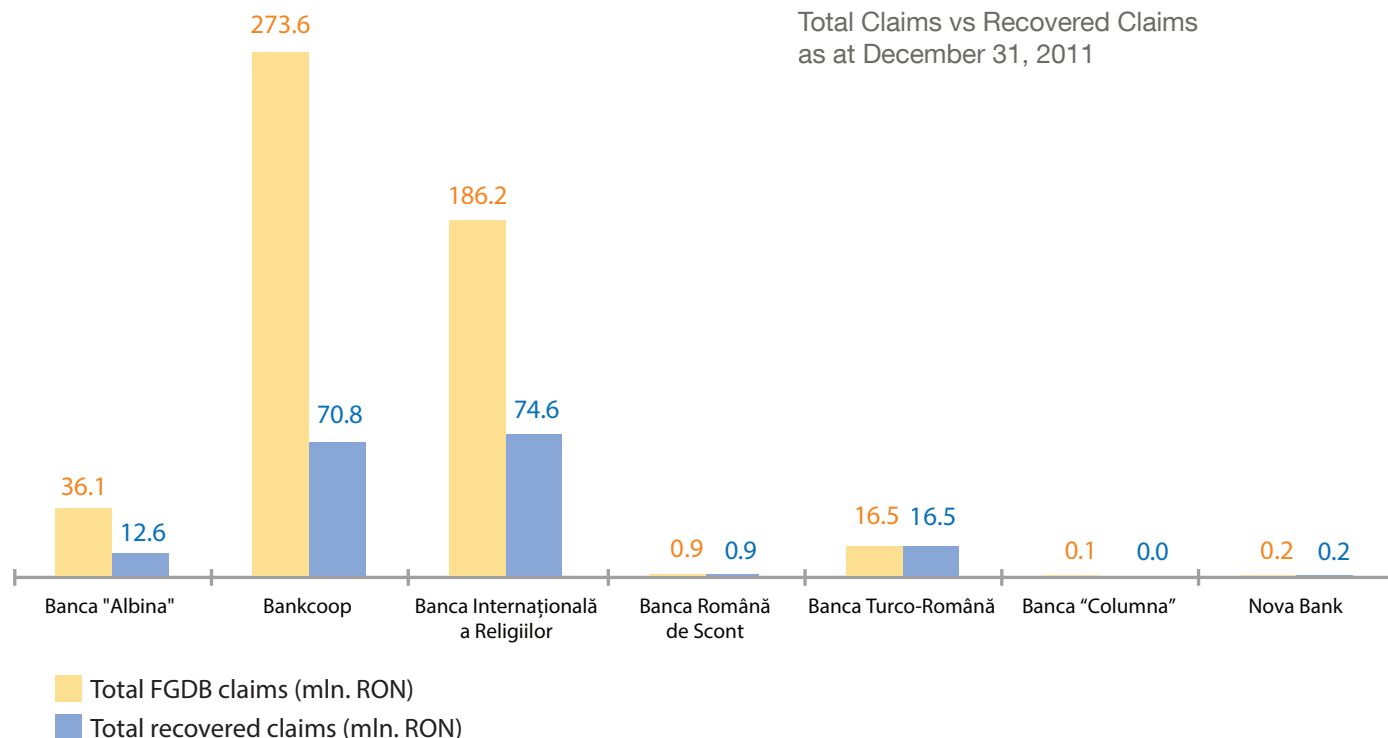
Over 1999-2006, the FGDB became creditor to seven bankrupt banks as a result of both subrogation to the rights of guaranteed depositors, given the compensation payouts, and the respective banks’ unpaid contributions.

The FGDB is a majority creditor of three of the seven banks, namely, of Banca “Albina” (67.52 percent), Bankcoop (83.17 percent) and BIR (78.90 percent).

Following the full recovery of its claims, the FGDB ceased to be a creditor of three banks – Banca Română de Scont (in 2004), Nova Bank (in 2007) and Banca Turco-Română (in 2011).

The FGDB’s total claims recovered from failed banks by December 31, 2011 are the claims resulting from compensation payouts to these banks’ guaranteed depositors, amounting to 174.48 million lei, and those resulting

Total Claims vs Recovered Claims
as at December 31, 2011



from the contributions owed to the FGDB and unpaid by the date of bankruptcy filing in the case of Bankcoop, Banca Turco-Română and Nova Bank, worth 0.98 million lei.

The claim recovery percentage of total claims resulting from compensation payouts stands at 34.06.

Throughout 2011, the FGDB recovered claims from failed banks worth 15.68 million lei, of which: 0.12 million lei from Banca "Albina" and 15.56 million lei from Banca Turco-Română.

In the case of the latter, the FGDB fully recovered its claim on December 23, 2011, when it also ceased to be a creditor of that bank.

Over the last few years, the chances of recovering claims and realising the assets of bankrupt banks have become thinner as claim recovery sources and these banks' realisable assets were depleted, with the possible exception of recoveries resulting from underway actions in courts of law. This situation shows that the final stage of liquidation of these banks draws near.

1. 2. 3. 4. 5. 6. 7. THE FGDB'S FINANCIAL RESOURCES AND FINANCIAL STATEMENTS

7.

THE FGDB'S FINANCIAL RESOURCES AND FINANCIAL STATEMENTS

FINANCIAL RESOURCES AND FINANCING POLICY

The main source of FGDB funds resides in the member credit institutions' contributions and fees, the reinvested profit made from FGDB investments, recovery of its claims over bankrupt banks where it paid compensations, and earnings from its activity as liquidator.

The FGDB's funding policy guidelines in 2011 included:

- the credit institutions' annual contribution was of 0.3 percent of the total value of guaranteed deposits at the end of the year preceding that of such required payments. Compared to 2010, the annual contribution rose by 0.1 percentage points to meet one of the conditionalities under the agreement with the International Monetary Fund;
- target level for the medium-term exposure coverage ratio for ex-ante funding stayed unchanged at 2 percent of the value of guaranteed deposits;
- elimination of funding on the basis of stand-by loan agreements with FGDB-

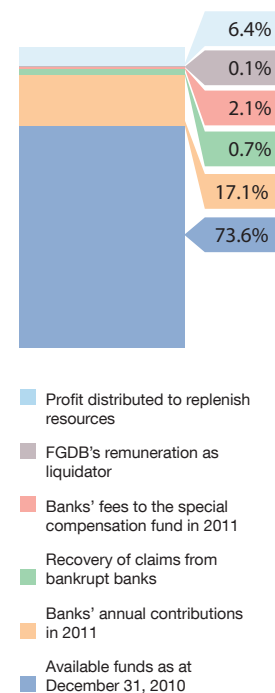
member credit institutions.

At the same time, following the operationalisation of the compensation fund for entities prejudiced by the measures disposed and implemented during special administration procedures, FGDB-member credit institutions paid their fees to this fund for the first time. The annual fee for 2011 was set at 0.027 percent of the value of member credit institutions' non-guaranteed liabilities, namely a total contribution of 50 million lei to the special compensation fund.

The FGDB's main resources in 2011 were:

- Available funds on December 31, 2010 worth 1,712.2 million lei;
- Annual contributions from FGDB-member credit institutions amounting to 399.09 million lei;

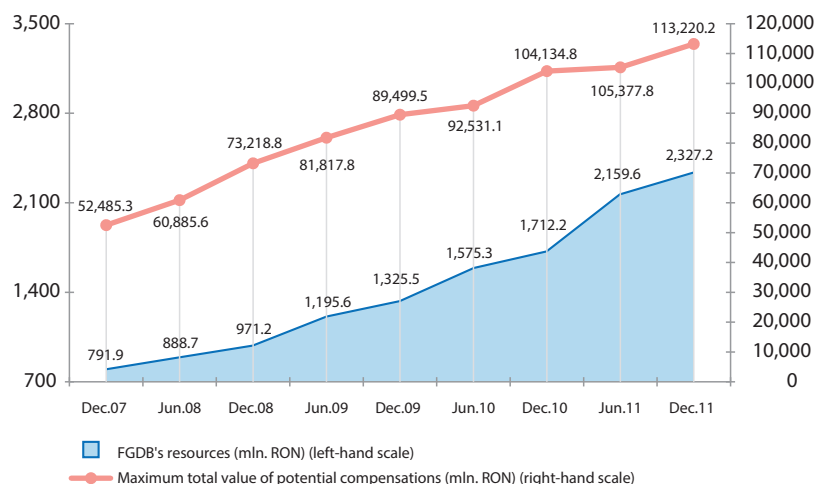
Origin of FGDB's resources in 2011



- Credit institutions' annual fees to the special compensation fund standing at 50.01 million lei;

- Claim recoveries from bankrupt banks totalling 15.70 million lei;
- Earnings from the FGDB's activity as liquidator worth 1.40 million lei.

The FGDB's Resources and the Value of Potential Compensations



Thanks to investments made in line with the FGDB's resource investment strategy the reinvested profit stood at 148.8 million.

Under these circumstances, the FGDB ended 2011 with a volume of available funds amounting to 2,327.2 million lei.

The FGDB's exposure coverage ratio, calculated as the ratio between the volume of the FGDB's own resources and the volume of guaranteed deposits, increased from 1.29 percent in 2010 to 1.6 percent at end-2011, being one of the highest levels in the European Union.

Throughout 2011, the average invested capital stood at 2,017,928,011 lei, adding 34.8 percent to the 2010 level.

Year	Average invested capital (RON)	Average interest rate (%)	Due interest (RON)
2011	2,017,928,011	7.95	161,412,081
2010	1,496,940,280	9.85	148,851,195

The average annual interest rate reached 7.95 percent in 2011, higher than the 7.62 percent level projected within the revenue and expenditure budget for 2011 and the 7.62 percent average interest resulting from a reassessment of the FGDB's investment portfolio on the basis of inter-bank interest on time deposits and of government securities fixings. Furthermore, it is higher than the year-on-year average inflation rate of 5.79 percent.

At the same time, special attention was given to an efficient investment of the FGDB's available funds at lower risk, in line with the FGDB's exposure strategy for 2011, which was approved by the National Bank of Romania's Board of Directors.

The FGDB's investment policy was implemented by the Financial Resources Management Committee (CARF) through an adequate system of authorisation, endorsement and follow-up of the Fund's financial transactions by the Treasury Department.

FINANCIAL STATEMENTS

Here is the FGDB's financial position as presented in its 2011 balance sheet.

FGDB Balance Sheet

- RON -

Assets			Liabilities		
	31.12.2010	31.12.2011		31.12.2010	31.12.2011
1. Total fixed assets, of which:	841,885,245	1,053,149,446	1. Total own funds, of which:	1,714,313,996	2,329,363,376
• intangible assets	48,624	36,788	• reserves	1,575,427,939	2,179,089,421
• tangible assets	339,647	323,110	• profit for the fiscal year	138,886,057	150,273,955
• financial assets	841,496,974	1,052,789,548			
2. Total current assets, of which:	872,660,183	1,276,645,194	2. Total debts, of which:	276,227	470,900
• short-term financial investments	872,301,226	1,276,381,708	• debts payable within one year	276,227	470,900
• cash at bank and in hand	215,733	132,540			
• – other claims (bank settlements)	143,224	130,946			
3. Prepaid expenses	44,795	39,636			
TOTAL ASSETS	1,714,590,223	2,329,834,276	TOTAL LIABILITIES	1,714,590,223	2,329,834,276

Here below are the FGDB's revenues and payments in 2011:

a) Total revenues – 627,682,083 lei, of which:

- 399,093,012 lei from annual contributions set according to credit institutions' declarations to the FGDB in 2011, including differences assessed during FGDB controls;
- 50,009,393 lei – annual fees to the special compensation fund;
- 161,412,081 lei – revenues from invested FGDB financial resources;
- 106,742 lei – interest on funds in the FGDB's current accounts;
- 124,395 lei – recovered claims from Banca "Albina";
- 15,564,842 lei – recovered claims from Banca Turco-Română;
- 1,371,618 lei – FGDB's remuneration as liquidator.

b) Total payments – 11,244,868 lei, of which:

- 11,244,868 lei – current operating expenses.

The FGDB started recouping its claims from bankrupt banks in the year 2000 and recovery procedures are going on at present.

The table below shows the stage as at December 31, 2011 of claim recoveries from bankrupt banks resulting from compensation payouts or due contributions:

- RON -

No.	Bankrupt bank	Total claim	Recovered funds		% recoveries from total claims
			<i>total</i>	<i>of which, in 2011</i>	
1.	Banca "Albina"	36,056,490	12,588,731	124,395	34.91
2.	Bankcoop	273,638,121	70,780,759	-	25.87
3.	Banca Internațională a Religiiilor	186,149,269	74,573,203	-	40.06
4.	Banca Română de Scont	873,103	873,103	-	100.00
5.	Banca Turco-Română	16,447,931	16,447,931	15,564,842	100.00
6.	Banca "Columna"	92,278	-	-	0.00
7.	Nova Bank	277,406	277,406	-	100.00
	TOTAL	513,534,598	175,541,133	15,689,237	34.18

In 2011, in the wake of a tax control by the National Agency for Fiscal Administration and of actions taken by the FGDB, the FGDB recouped 15,564,842 lei in claims from Banca Turco-Română and 124,395 lei in claims from Banca "Albina".

The law under which the FGDB operates stipulates that its financial result is the difference between its revenues from invested financial resources and its current expenses.

The FGDB's good financial performance shows in the profit and loss account for 2011, as follows:

Profit and Loss Account

- RON -

	31.12.2011	31.12.2010	Difference
1 Total revenues	161,518,823	148,965,687	+12,553,136
2 Total expenses	11,244,868	10,079,630	+1,165,238
3 Result for fiscal year	150,273,955	138,886,057	+11,387,898

Analysis of financial information reported for the fiscal year ending December 31, 2011:

a) The FGDB's 2011 total revenues amounting to 161,518,823 lei resulted from:

- 161,412,081 lei, interest and other earnings from invested financial

resources throughout 2011.

- 106,742 lei, interest on funds in FGDB's bank current accounts.

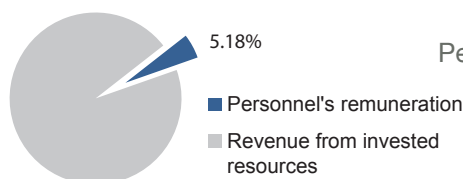
The total revenue made in 2011 was 6,246,823 lei higher than the earnings projected in the FGDB's approved revenue and expenditure budget for 2011 (projected revenue: 155,272,000 lei; actual revenue: 161,518,823 lei).

b) The FGDB's 2011 expenditure, totaling 11,244,868 lei, accounts for 6.96 percent of total revenues, while spending on employees' remuneration took 5.18 percent of the total revenue the FGDB made by investing available financial resources.

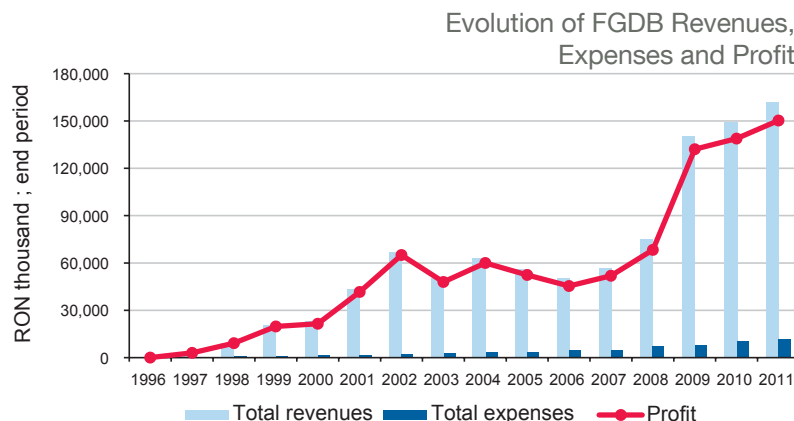
c) The FGDB ended fiscal year 2011 with a pre-tax profit of 150,273,955 lei (as against an estimated 143,422,000 lei in its revenue and expenditure budget for 2011), higher by 11,387,898 lei or by 8.2 percent than in 2010. In line with legal provisions, the FGDB's profit before taxation is tax free and is distributed according to destinations approved by the Board of Directors.

According to provisions under Government Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions, 99 percent of the FGDB's profit are allocated to replenish the Fund's financial resources and for tangible and intangible investments approved by the Board of Directors of the National Bank of Romania, while the remaining 1 percent goes to the creation of an annual profit-sharing fund after approval by the FGDB Board of Directors.

The FGDB's financial statements as at December 31, 2011 were audited by audit firm Deloitte Audit SRL, which, in its report, showed that "the financial statements were prepared adequately, covering all significant aspects, in line with Order no. 13/19.12.2009



Personnel's Remuneration as Percentage of Total Revenue from Invested Resources



Evolution of FGDB Revenues, Expenses and Profit

of the Governor of the National Bank of Romania on the reporting of the liquidity indicator and high liquidity risk, complemented by Order no. 26/2010 on amending and complementing Accounting Regulations in line with EU directives applicable to credit institutions, non-banking financial institutions and the Bank Deposit Guarantee Fund, approved under Order no. 13/2008 of the National Bank of Romania".



8.

INTERNAL
AUDIT

In 2011, the audit missions envisaged in the plan approved by the FGDB's Board of Directors were executed. They covered a wide range of activities, operations and functional systems, such as verification and control of credit institutions, communication, security and protection, the IT system and data archives, assets inventories, investment of FGDB resources.

At the end of these audit missions, conclusions and recommendations were set forth with a view to increasing the efficiency and effectiveness of the activities carried on by the FGDB's organisational structures and the proper administration of specific risks. To this end, the Audit Department cooperated with all FGDB organisational structures.

The resulting findings and recommendations were brought before the FGDB's CEO through internal audit reports or were incorporated in syntheses presented to the FGDB's Board of Directors every six months.

Internal auditors advised the FGDB management through periodical reports on the opportunity of investments, assessing the compliance of these investments with the limits and requirements laid down in the FGDB's exposure strategy for 2011.

The Audit Department played an active part in promoting the FGDB's policies and strategies by expressing viewpoints on the internal regulations issued in 2011.

1. 2. 3. 4. 5. 6. 7. 8. 9. THE INDEPENDENT AUDITOR'S
LOSS ACCOUNT AND NOTES



9.

THE INDEPENDENT AUDITOR'S REPORT, THE BALANCE SHEET, THE PROFIT AND LOSS ACCOUNT AND NOTES TO THE FGDB'S FINANCIAL STATEMENTS

Deloitte Audit SRL
4-8 Nicolae Titulescu Road
East Entrance, 3rd Floor
Sector 1, 011141
Romania
Phone: +40 (21) 2221661
Fax: +40 (21) 2221660
www.deloitte.ro

Trade Registry Number: J40/6775/1995
Single Identification Code: 7756924

To:
The Board of Directors
Bank Deposit Guarantee Fund
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

1. We have audited the accompanying financial statements of the Bank Deposit Guarantee Fund ("the Fund") which include the balance sheet as at December 31, 2011, the profit and loss account for the fiscal year then ended, as well as a summary of significant accounting policies and other explanatory notes. The financial statements refer to:

- Total liabilities: 2,329,834,276 RON
- Net result of the fiscal year: 150,273,955 RON – profit

Fund Management's Responsibility for the Financial Statements

2. The Fund's management is responsible for the adequate preparation and presentation of these financial statements, in accordance with Order no. 13/2008 of the National Bank of Romania ("Order 13/2008") with subsequent amendments, as well as for the internal audit the management considers necessary for the preparation of the financial statements, which do not contain significant alterations caused by fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements, based on our audits. We have conducted our audits according to the auditing standards endorsed by the Chamber of Financial Auditors of Romania. These standards require that we comply with ethical requirements and that we plan and perform our audits to obtain reasonable assurance that these financial statements are free of significant alterations.

4. An audit consists of a number of procedures for obtaining audit evidence on the amounts and information in the financial statements. Selecting these procedures depends on the auditor's professional reasoning, including an assessment of the risks of significant alteration of the financial statements due to fraud or error. In evaluating these risks, the auditor considers the internal audit relevant for the adequate preparation and presentation of the Fund's financial statements to set the audit procedures relevant for the given circumstances, but not to express an opinion on the efficiency of the Fund's internal audit. An audit also includes an assessment of the adequacy of the accounting policies employed and the reasonableness of accounting estimates worked out by the management and the evaluation of the overall financial statement presentation.

5. We consider that the audit samples obtained are sufficient and adequate to provide the basis for our opinion.

Opinion

6. In our opinion, the financial statements fairly present, in all major respects, the financial position of the Bank Deposit Guarantee Fund as at December 31, 2011, as well as its financial performance for the year then ended, according to Order 13/2008, including subsequent amendments, and the accounting policies described in the notes to the financial statements.

Other Aspects

7. This report is exclusively addressed to Fund's shareholders as a body. Our audit has been undertaken so that we may report to the Fund's shareholders the matters that we are required to state to them in our financial audit report and for no other purpose. To the extent permitted by law, we do not accept and we do not assume responsibility to other than the Fund and its shareholders as a body for our audit, for this report and for the opinion we express.

8. The accompanying financial statements were prepared in accordance with the accounting treatments specified in Order 13/2008 and subsequent amendments. The accompanying financial statements are not intended to present financial position, results of operations and a full set of notes to the Fund's financial statements according to IFRS and the financial statements are not prepared to be used by entities that are unaware of the impact of non-compliance with the IFRS.

Report on the Conformity of the Management's Report with the Financial Statements

In line with Order no. 13/2008 of the Governor of the National Bank of Romania, article 208, item 1.e), we have read the management's report attached to the financial statements. The management's report is not an integral part of the financial statements. In the management's report we have not identified historical financial information significantly non-compliant with the information presented in the accompanying financial statements.

Petr Pruner, Auditing partner



Registered with the Chamber of Financial Auditors of Romania

Certificate no. 4147/11.01.2012

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania

Certificate no. 25/25.06.2001

Bucharest, Romania

March 19, 2012

BALANCE SHEET AS AT DECEMBER 31, 2011

(all amounts are expressed in RON, unless otherwise stated)

Indicator	Code	Note	December 31 2010	December 31 2011
A	B	C	1	2
Cash in hand	010	2	6,217	16,968
Claims over credit institutions	020	3	1,033,988,315	1,182,424,860
•sight claims	023		215,733	115,572
•other claims	026		1,033,772,582	1,182,309,288
Public instruments, bonds and other fixed-income securities	040		640,717,680	1,099,214,862
•issued by public bodies	043	4	640,717,680	1,099,214,862
Intangible assets	050	5	48,624	36,788
Tangible assets	060	5	339,647	323,110
Other assets	070	6	143,224	130,946
Prepaid expenses and committed income	080	7	39,346,516	47,686,742
Total assets	090		1,714,590,223	2,329,834,276
Other liabilities	330	8	276,227	470,900
Deferred income and committed debts	340	9	-	-
The bank deposit guarantee fund and the compensation fund for prejudiced creditors	360		1,574,722,939	2,178,384,421
The bank deposit guarantee fund	361		1,574,722,939	2,128,375,028
Fund consisting of credit institutions' contributions	362	10	911,271,569	1,310,364,581
Fund consisting of revenues from claim recoveries	363	11	50,025,049	65,714,286
Fund consisting of revenues from investments of available financial resources	365	12	612,207,096	749,705,318
Fund consisting of other revenues as set within the law	366	13	1,219,225	2,590,843
Compensation fund for prejudiced creditors	367		-	50,009,393
Reserves	370	14	705,000	705,000
Result of the fiscal year - Profit	403		138,886,057	150,273,955
Distribution of profit	410	15	-	-
Total liabilities	420		1,714,590,223	2,329,834,276

PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 2011

(amounts are expressed in RON, unless otherwise stated)

Indicator	Code	Note	December 31 2010	December 31 2011
A	B	C	1	2
Interest receivable and similar income, of which:	010	16a	148,966,974	161,491,824
• on public instruments, bonds and other fixed-income securities	015		67,055,476	72,374,249
Commissions	040	16b	25,314	54,041
Net profit or loss from financial operations	050	16c	(1,287)	433
Other operating income	060		-	24,934
General administrative expenses	070		9,531,239	10,554,241
Employee expenses, of which:	073	16d	7,322,620	8,359,140
• Salaries	074		5,569,040	6,698,984
Social security costs, of which:	075		1,753,580	1,660,580
• Pensions-related expenses	076		1,283,299	1,101,361
Other administrative expenses	077	16e	2,208,619	2,195,101
Adjustments to the book value of tangible and intangible assets	080		180,903	173,277
Other operating expenses	090	16f	342,174	461,677
Result of current activity - Profit	143		138,886,057	150,249,021
Total income	180		148,965,687	161,517,191
Total expenses	190		10,079,630	11,243,236
Pre-tax result - Profit	203		138,886,057	150,273,955
Net result for the fiscal year - Profit	223		138,886,057	150,273,955

NOTES TO THE FGDB'S FINANCIAL STATEMENTS - EXCERPTS

1. Significant accounting policies

Some of the main accounting policies employed in preparing these financial statements are given below:

Basis of preparation of financial statements

These financial statements were prepared in accordance with:

- I. The Accounting Law no. 82/1991, republished in January 2007 ("Law 82")
- II. Accounting regulations in line with European directives applicable to credit institutions, approved under Order no. 13/2008 of the Governor of the National Bank of Romania, with subsequent amendments and completions ("Order 13/2008").

Basis of accounting

Functional and presentation currency

The elements included in these financial statements are measured in the currency that best reflects the economic substance of events and circumstances relevant to the FGDB ("functional currency"). These financial statements are presented in the Romanian "leu" ("leu" in the singular, "lei" in the plural), which is also the FGDB's functional currency.

All figures are presented in lei. The present financial statements were prepared in RON (or the "new leu"), both for the current year and for comparative figures.

Loans

Short- and long-term loans were initially registered under receivables net of transaction costs. In the following periods, loans were recorded under amortised cost using the effective yield method, the differences between receivables (net of transaction costs) and the normal redemption value being recognised in the profit and loss account for the duration of the loan contract.

On December 31, 2011 the FGDB had no long- and short-term loan contracts.

The FGDB benefited from stand-by financing agreements concluded in 2010 and valid until September 30, 2010. These financing facilities were not used in 2010. The commitment fee on these facilities is presented as a diminution of the resources resulting from credit institutions' contributions and is recognised on the basis of accrual accounting.

Other debts

Other debts are registered at face value, which approximates the fair value of the amounts payable for received assets and services.

The Bank Deposit Guarantee Fund's specific reserves

The FGDB's reserves include: initial contributions from credit institutions, annual contributions from credit institutions, special contributions and other reserves built from the profits of previous years.

The accounting functionality and presentation of these accounts are established under Government Ordinance no. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund and Order no. 13/2008 of the National Bank of Romania, with subsequent amendments and completions, as follows:

I. Initial contribution

It represents the contribution each credit institution owes to the FGDB when it joins its membership. It is registered when the credit institution receives a licence.

II. Annual contribution

The annual contribution is calculated and paid annually by credit institutions and is registered on the basis of accrual accounting.

III. Special contributions

They represent other contributions receivable from credit institutions, within the law, when the FGDB's financial resources are insufficient for guaranteed compensation payouts.

IV. Claim recoveries

These are amounts resulting from recoveries of the FGDB's claims resulting from compensation payouts in case of failed commercial banks.

V. Funds consisting of other income

Other income, set under Government Ordinance no. 39/1996, article 15, paragraph (1) and Order no. 5/2005, article 199, represent donations and

sponsorships, financial assistance and remuneration from the FGDB's activities as liquidator of bankrupt banks, as well as other income as established under the law.

VI. Fund consisting of revenues from invested available financial resources

These reserves consist of the FGDB's net profit. According to Government Ordinance no. 39/1996, article 15, paragraph (3), the FGDB's profit, as difference between its revenue and its expenditure, is tax free and is distributed – within a limit of up to 1 percent of the profit – for the creation of an annual profit-sharing fund as approved by the FGDB's Board of Directors. The remaining funds will be used to replenish FGDB's resources intended to pay compensations on guaranteed deposits and to finance its tangible and intangible investments, according to the revenue and expenditure budget approved by the National Bank of Romania.

The reserve account is diminished by:

1. payouts to guaranteed depositors at bankrupt banks;
2. interest and instalments on loans taken to pay out guaranteed compensations;
3. commitment fee on stand-by loan agreements with credit institutions, according to Government Ordinance no. 39/1996, article 7, paragraph (5).

Consequently, the FGDB does not register provisions for guaranteed depositors' claims pending resolution or for potential compensations of which the FGDB has not been notified.

Profit Tax

The FGDB's profit is tax free, in accordance with Government Ordinance no. 39/1996 with subsequent amendments and completions.

Interest income

Interest income is recognised in the profit and loss account for all interest-bearing financial instruments as incurred. Interest income also includes revenue generated by the amortisation of the discount on the acquisition of assets at a lower value and the amount payable at maturity, as well as the premiums generated by debts made at a value higher than that payable at maturity.

Recognition of income

The Fund does not perform commercial activities. Its income results from interest

on financial investments. Interest income is recognised periodically, proportionally, as incurred, on the basis of accrual accounting. In the financial statements, income and expenditure are presented at their gross value. Debts and claims from the same partners in the balance sheet are presented at their net value when a compensation right arises.

Operating expenses

Operating expenses are recognised for the reporting period.

Fair value of financial instruments

The financial instruments in the balance sheet include cash at bank and in hand, commercial and other claims, commercial and other debts, as well as amounts payable to credit institutions. The specific recognition methods are presented in the individual policies corresponding to each element.

2. Claims over credit institutions

	Fiscal year ending December 31, 2010 (lei)	Fiscal year ending December 31, 2011(lei)
Current accounts	215,733	115,572
Term investments at banks	1,033,772,582	1,182,309,288
Total	1,033,988,315	1,182,424,860

3. Claims over financial or other institutions

	December 31, 2010 (lei)	December 31, 2011 (lei)
Investment securities, of which:	625,203,208	838,382,122
Investment securities	625,203,208	688,222,122
Bonds	-	150,160,000
Attached claims – investment securities	15,514,472	20,122,295
Placement securities	-	240,290,034
Attached claims – placement securities	-	420,411
Total	640,717,680	1,099,214,862

4. Fund consisting of credit institutions' contributions (cumulative amounts)

	December 31, 2010 (lei)	December 31, 2011 (lei)
Initial contribution – 1%	6,472,230	6,472,230
Annual contribution, including increased contribution	1,370,090,767	1,769,183,779
Special contribution	61,777,997	61,777,997
Commissions on lines of credit	(14,825,698)	(14,825,698)
Deposits compensations	(512,243,727)	(512,243,727)
Total fund consisting of credit institutions' contributions	911,271,569	1,310,364,581

An initial contribution should be paid within 30 calendar days from the date the National Bank of Romania issues an operation licence or, in the case of branches of credit institutions headquartered in other EU member states, from the date they join the FGDB membership. In 2011 no initial contribution was collected.

Each credit institution's annual contribution is calculated according to the declaration it sends to the FGDB. In 2011, the FGDB got 399,093,012 lei in annual contributions, calculated as 0.3 percent of guaranteed deposits.

The approved percentage for 2010 stood at 0.2. The contribution percentage is proposed by the FGDB and approved by the Board of Directors of the National Bank of Romania.

If, upon the FGDB's request, the Board of Directors of the National Bank of Romania considers that the FGDB resources are insufficient to cover payment obligations, it can decide the introduction of a special contribution payable by each credit institution, equal to up to the level of its annual contribution for the respective fiscal year. In 2011, no special contribution was collected.

To secure the FGDB's financial resources, each credit institution licensed by the National Bank of Romania is obliged to annually grant the FGDB a stand-by line of credit in the national currency, if the latter so requests. Following the agreement the Government of Romania and the National Bank of Romania concluded with the International Monetary Fund, contracts on stand-by lines of credit were rescinded starting September 2010 by mutual agreement with the banks concerned.

The commitment fee on the lines of credit paid in 2010 amounted to 2,841,778 lei.

Compensation is the amount the FGDB pays out to each guaranteed depositor if deposits become unavailable, no matter the number of deposits held, within the guarantee ceiling. In 2011 there were no compensation payouts.

5. Special compensation fund

	December 31, 2010 (lei)	December 31, 2011 (lei)
Annual fee	-	50,009,393

The special compensation fund is created to secure the financial resources needed to compensate entities prejudiced by measures disposed and implemented during special administration procedures.

The special compensation fund is administered by the Bank Deposit Guarantee Fund.

The annual fee is calculated by applying a percentage to the value of the non-guaranteed liabilities of each credit institution, Romanian legal person.

When setting the percentage to be employed in calculating the annual fee, the optimum amount of financial resources in the special compensation fund is considered, as is the appropriate level for each year. That percentage cannot exceed 0.1.

Annual fees to the FGDB in 2011 totalled 50,009,393 lei, for a percentage of 0.027 of the non-guaranteed liabilities.

6. Fund consisting of revenues from claim recoveries (cumulative amounts)

	December 31, 2010 (lei)	December 31, 2011 (lei)
Claim recovery	158,800,004	174,489,241
Bank loan interest – the NBR	(108,774,955)	(108,774,955)

Total fund consisting of revenues from claim recoveries	50,025,049	65,714,286
---	------------	------------

Claim recoveries are the amounts the FGDB collected from credit institutions representing annual contributions due on the date of bankruptcy filing and the compensation payable to depositors. In 2011, the FGDB recovered claims from credit institutions as follows:

- 124,395 lei from Banca “Albina”;
- 15,564,842 lei from Banca Turco-Română.

7. Fund consisting of revenues from invested financial resources

	December 31, 2010 (lei)	December 31, 2011 (lei)
Fund consisting of revenues from invested available financial resources – share of the profit	612,207,096	749,705,318

The amounts represent the FGDB's cumulative profit resulting from the distribution of current profits.

8. Fund consisting of other revenues set within the law

	December 31, 2010 (lei)	December 31, 2011 (lei)
Remuneration from the FGDB's activities as liquidator	1,219,225	2,590,843

9. Distribution of profit

	December 31, 2010 (lei)	December 31, 2011 (lei)
Distribution of profit		
Result of current activity – profit	138,886,057	150,273,955
Undistributed profit	138,886,057	150,273,955

The distribution of profit for the 2011 fiscal year is decided by the Fund's Board of Directors.

10. Risk Management

Interest-related risk

The FGDB is exposed to the effects of fluctuations in market interest rates in point of financial position and treasury flows. Interest may go up under the impact of such changes, but it may also decline triggering losses when unexpected changes occur. The FGDB management periodically monitors its exposure to shifts in interest rates.

Market risk

Romania still has a developing economy and there is a considerable level of uncertainty over the possible direction of domestic economic policies. The FGDB management cannot anticipate the changes likely to occur in Romania and their possible effect on the financial position of the FGDB and on the results of its transactions.

Liquidity risk

The FGDB liquidity policy focuses on maintaining sufficiently liquid resources to be able to fulfil its obligations at maturity, all while complying with the norms of the National Bank of Romania.

December 31, 2011	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Total
Cash in hand	16,968	-	-	-	16,968
Current bank accounts	115,572	-	-	-	115,572
Claims over credit institutions	205,022,659	790,729,629	-	-	995,752,288
Public instruments, bonds and other fixed-income securities	240,710,445	-	858,504,417	-	1,099,214,862
Other financial instruments	-	-	186,557,000	-	186,557,000
Intangible assets, of which:	-	-	-	36,788	36,788
Tangible assets, of which:	-	-	-	323,110	323,110
Other assets	130,946	-	-	-	130,946
Prepaid expenses and committed income	701,344	39,257,267	7,728,131	-	47,686,742

Total assets	446,697,934	829,986,896	1,052,789,548	359,898	2,329,834,276
Other liabilities	470,900	-	-	-	470,900
Deferred income and committed debts	-	-	-	-	-
Total	470,900	-	-	-	470,900

Foreign exchange risk

The FGDB operates in a developing economy. Romania goes through a period of still high inflation and depreciated national currency. Under these circumstances, its net monetary assets denominated in lei run the risk of declining in terms of value.

December 31, 2011	RON	EUR	USD	Other	Total
Cash in hand	16,968	-	-	-	16,968
Current bank accounts	111,069	6	4,334	163	115,572
Claims over credit institutions	1,182,424,860	-	-	-	1,182,424,860
Public instruments, bonds and other fixed-income securities	1,099,214,862	-	-	-	1,099,214,862
Intangible assets	36,788	-	-	-	36,788
Tangible assets	323,110	-	-	-	323,110
Other assets	130,946	-	-	-	130,946
Prepaid expenses and committed income	47,686,742	-	-	-	47,686,742
Total assets	2,329,829,773	6	4,334	163	2,329,834,276
Other liabilities	470,900	-	-	-	470,900
Deferred income and committed debts	-	-	-	-	-
The bank deposit guarantee fund	2,178,384,421	-	-	-	2,178,384,421
Reserves	705,000	-	-	-	705,000
Result of the fiscal year	150,273,955	-	-	-	150,273,955
Total liabilities	2,329,834,276	-	-	-	2,329,834,276

LIST OF FGDB-MEMBER CREDIT INSTITUTIONS AS AT DECEMBER 31, 2011

1. Alpha Bank România - S.A.
2. ATE Bank România - S.A.
3. Banca C.R. Firenze România - S.A.
4. Banca Centrală Cooperatistă CREDITCOOP
5. Banca Comercială Carpatica - S.A.
6. Banca Comercială Feroviara - S.A.
7. Banca Comercială Intesa Sanpaolo România - S.A.
8. Banca Comercială Română - S.A.
9. Banca de Export - Import a României EXIMBANK - S.A.
10. Banca Millennium - S.A.
11. Banca Românească - S.A., member of National Bank of Greece Group
12. Banca Transilvania - S.A.
13. Bancpost - S.A.
14. Bank Leumi România - S.A.
15. BCR Banca pentru Locuințe - S.A.
16. BRD - Groupe Société Générale - S.A.
17. CEC Bank - S.A.
18. Credit Europe Bank (România) - S.A.
19. Emporiki Bank - România - S.A.
20. Garanti Bank - S.A.
21. Libra Internet Bank - S.A.
22. Marfin Bank (România) - S.A.
23. Nextebank - S.A.
24. OTP Bank România - S.A.
25. Piraeus Bank România - S.A.
26. Porsche Bank România - S.A.
27. ProCredit Bank - S.A.
28. Raiffeisen Banca pentru Locuințe - S.A.
29. Raiffeisen Bank - S.A.
30. RBS Bank (România) - S.A.
31. Romanian International Bank - S.A.
32. UniCredit Ţiriac Bank - S.A.
33. Volksbank România - S.A.

ANNEX 2

DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT DECEMBER 31, 2011

No	Indicator	Dec. 31, 2010	Dec. 31, 2011	Difference	
0	1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1.	Number of deposit holders - total, of which:	15,722,123	15,648,226	-73,897	-0.5
	• natural persons	14,775,377	14,695,980	-79,397	-0.5
	• legal persons	946,746	952,246	5,500	0.6
2.	Number of guaranteed deposit holders total, of which:	15,686,347	15,608,720	-77,627	-0.5
	• natural persons	14,772,254	14,694,393	-77,861	-0.5
	• legal persons	914,093	914,327	234	0
3.	Total deposits (million lei) of which:	280,569.0	286,216.6	5,647.6	2
	• in lei	146,158.4	153,524.3	7,365.9	5
	• in foreign currency (the equivalent in lei)	134,410.6	132,692.3	-1,718.3	-1.3
4.	Total guaranteed deposits (million lei)	132,732.6	143,078.2	10,345.6	7.8
	% of total deposits:	47.3	50.0		
	• in lei	84,110.3	93,089.5	8,979.2	10.7
	• in foreign currency (the equivalent in lei)	48,622.3	49,988.7	1,366.4	2.8
5.	Value of natural persons' guaranteed deposits (million lei)	98,812.9	106,523.8	7,710.9	7.8
	% of total guaranteed deposits:	74.4	74.5		
	• in lei	59,364.3	66,255.7	6,891.4	11.6
	• in foreign currency (the equivalent in lei)	39,448.6	40,268.1	819.5	2.1
6.	Value of legal persons' guaranteed deposits (million lei)	33,919.7	36,554.5	2,634.8	7.8
	% of total guaranteed deposits:	25.6	25.5		
	• in lei	24,746.1	26,833.9	2,087.8	8.4
	• in foreign currency (the equivalent in lei)	9,173.6	9,720.6	547	6
7.	Total non-guaranteed deposits (million lei)	147,836.4	143,138.4	-4,698	-3.2
	% of total deposits:	52.7	50.0		
	• in lei	62,048.1	60,434.8	-1,613.3	-2.6
	• in foreign currency (the equivalent in lei)	85,788.3	82,703.6	-3,084.7	-3.6

²⁹ Final data updated after a verification of the calculation base for the contributions owed by credit institutions in 2011.

15 YEARS

1996 - 2011

The Bank Deposit Guarantee Fund (FGDB)

- guarantees the deposits opened by the customers of the banking system, according to the law, with the member credit institutions,
- pays compensations to the guaranteed depositors, within the limit of the guarantee ceiling, when deposits become unavailable,
- contributes to the stability of the financial-banking system, including through the implementation of stabilization measures, and to maintaining the public's confidence.

FGDB fulfills its mission by implementing professional standards in line with the European Union requirements

FGDB's activity is based on:

- confidence in the banking system
- safety offered to depositors
- good governance

