

 <b>ALPHA BANK</b>	 <b>ATEbank</b> ROMANIA	 <b>BANCA CENTRALĂ COOPERATIST CREDITCOOP</b>
 <b>BANCA COMERCIALĂ CARPATICA</b>	 <b>BANCA COMERCIALĂ FERROVIARĂ</b>	 <b>INTESA SANPAOLO BANK</b>
 <b>BCR</b>	 <b>EximBank</b> România	 <b>Millennium</b> bank
 <b>BANCA ROMÂNEASCĂ</b> Membru a Grupului National Bank of Greece	 <b>BANCA TRANSILVANIA</b>	 <b>Bancpost</b>
 <b>leumi</b> BANK LEUMI ROMÂNIA	 <b>BCR</b> <b>BANCA PENTRU LOCUINȚE</b>	 <b>BRD</b> GROUPE SOCIÉTÉ GÉNÉRALE
 <b>CEC Bank</b>	 <b>CRÉDIT AGRICOLE</b>	 <b>Credit EuropeBank</b>
 <b>GarantiBank</b>	 <b>LIBRA</b> <b>INTERNET BANK</b>	 <b>MARFIN BANK</b>
 <b>nextebank</b>	 <b>otpbank</b>	 <b>PIRAEUS BANK</b>
 <b>PORSCHE BANK</b> Porsche Finance Group Romania	 <b>ProCredit Bank</b>	 <b>Raiffeisen</b> Banca pentru Locuințe
 <b>Raiffeisen BANK</b>	 <b>RBS</b> The Royal Bank of Scotland	 <b>RIB</b>
 <b>UniCredit Tiriac Bank</b>	 <b>VOLKSBANK</b>	

## FONDUL DE GARANTARE A DEPOZITELOR IN SISTEMUL BANCAR

# 2012

## ANNUAL REPORT

2012 ANNUAL REPORT

## MISSION

The FGDB is an institution operating in Romania whose mission is to guarantee the deposits of the population and legal persons, particularly small and medium-sized enterprises, with its member credit institutions. The FGDB can intervene in the application of stabilisation measures to resolve issues that threaten financial stability when the National Bank of Romania so decides.

## VALUES

The FGDB's activity relies on a set of values, cherished and promoted by all its employees:

### Safety

The FGDB secures the safety of natural and legal persons' deposits with credit institutions in Romania, all while contributing to an increase in savings.

### Integrity

The FGDB is an apolitical and independent institution. Its employees are individuals of integrity, showing a keen sense of responsibility in managing resources in line with legal provisions.

### Good Governance

The FGDB's conduct complies with the good governance principles adopted by the G20 Financial Stability Board, the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision.



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# REPORT

## FOR THE YEAR

# 2012

## of the

# BANK DEPOSIT GUARANTEE FUND

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# SUPERVISORY BOARD



**Chairperson**  
**Lia Rodica Tase**  
Advisor at the  
National Bank of  
Romania



**Dumitru Laurențiu Andrei**  
Deputy Director  
at the Ministry of  
Public Finance



**Constantin Barbu**  
Director at the  
Romanian Banking  
Association



**Florin Dănescu**  
Executive President  
at the Romanian  
Banking Association



**Florin Aurel Moțiu**  
Secretary of State  
at the Ministry of  
Justice



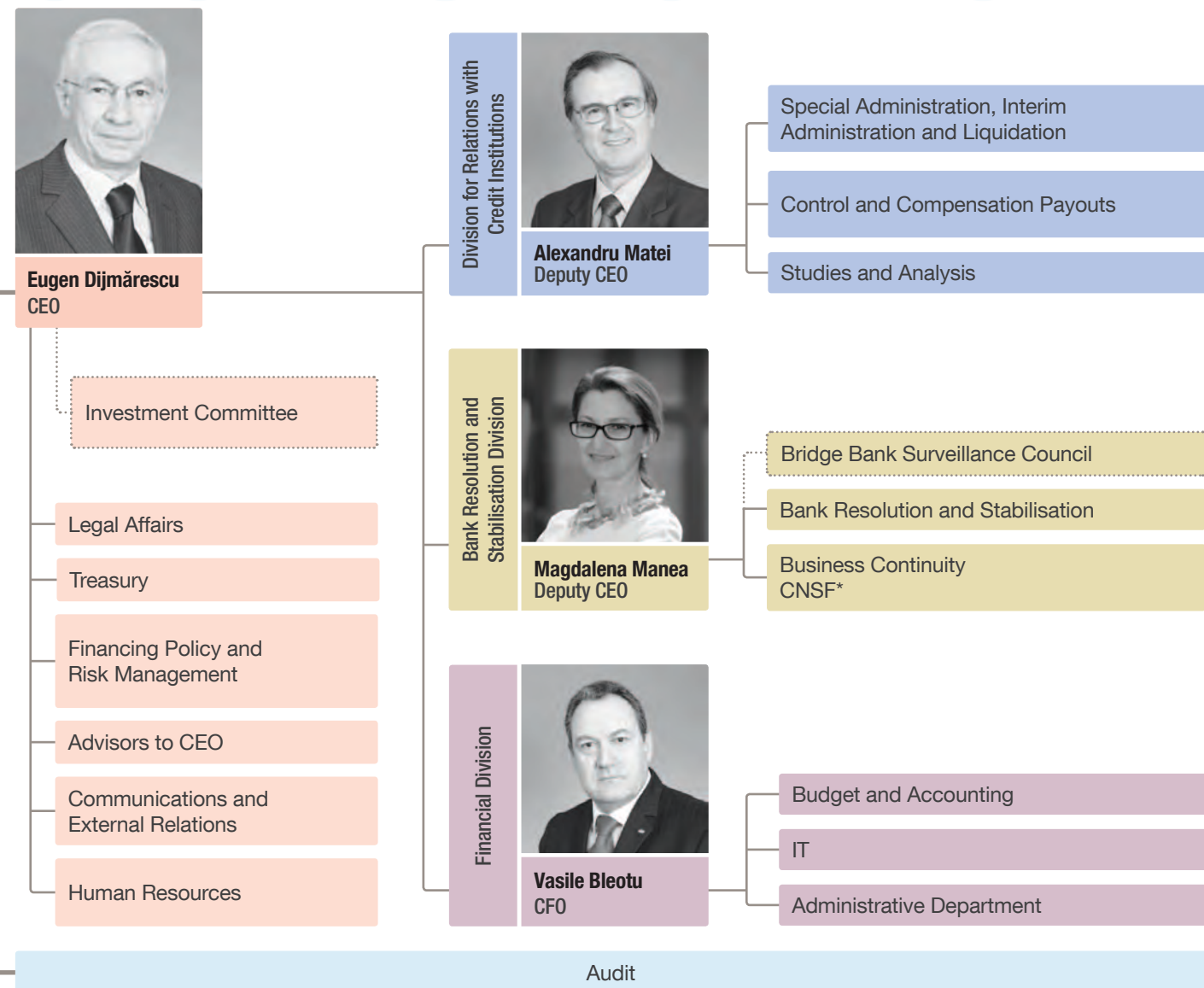
**Romulus Palade**  
Advisor at the  
National Bank of  
Romania



**Lucia Sanda Stoenescu**  
Advisor at the  
National Bank of  
Romania

Ms. Lidia Barac, representative of the Ministry of Justice, had also been member of the Supervisory Board from 1 January to 21 May 2012.

# ORGANISATIONAL CHART



\* CNSF = National Committee for Financial Stability

..... marking structures with temporary activities



# 1.

## FGDB PROFILE AND GOVERNANCE

### FGDB PROFILE AND SIGNIFICANT DATA FOR 2012

The Bank Deposit Guarantee Fund (FGDB) is one of the national pillars of financial stability whose utmost goal is to protect guaranteed depositors in any situation that might jeopardise the safety of their deposits with FGDB-member credit institutions<sup>1</sup>.

If a credit institution runs into difficulties, the FGDB steps in and either compensates depositors – when their deposits with the respective credit institution have become unavailable – or secures depositors' continuous access to their deposits by financing the transfer of guaranteed deposits to a healthy bank or by applying the stabilisation measures disposed of by the National Bank of Romania.

The aim of stabilisation measures is to manage the threats to financial stability generated by credit institutions' deteriorated financial situation. There are three categories of stabilisation measures which apply to credit institutions in difficulty:

- total or partial transfer of a credit institution's assets and liabilities to one or several eligible institutions;
- designation of the FGDB as delegated administrator of a credit institution in difficulty and, as the case might be, as shareholder after subscribing for newly issued shares following a rise in the respective institution's share capital;
- transfer of a credit institution's assets and liabilities to a bridge bank created for this particular purpose.

Depositors will be protected no matter the stabilisation measures that might apply at a given time. A mechanism operates in Romania, under legal provisions in force, which allows all banking activities related to deposits at credit institutions to run uninterruptedly and in normal conditions.

<sup>1</sup>A list of FGDB-member credit institutions is given in Annex 1.

Besides its aforesaid roles, the FGDB can also act as special administrator, interim administrator or liquidator of credit institutions, as delegated administrator, or, as the case may be, as shareholder of a credit institution going through stabilisation measures decided by the National Bank of Romania. Last but not least, the FGDB can be the sole shareholder of a bridge bank and exercise the tasks of its supervisory board.

Due to its wider range of activities as compared to similar entities, the FGDB falls into the category of bank deposit guarantee schemes with a more comprehensive mandate, as it safeguards bank deposits and it is also a co-participant in the resolution of problem credit institutions.

By virtue of its significant role in ensuring financial stability, the FGDB is a member of the National Committee for Financial Stability<sup>2</sup>.

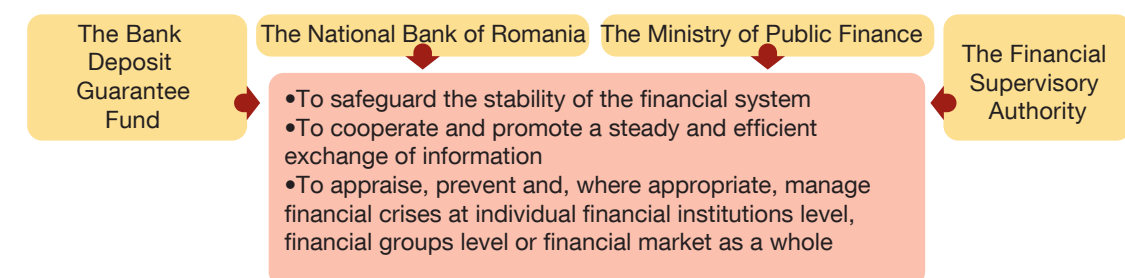
## The FGDB's Mandate and Duties



Primarily, these activities put conditions in place for the application of possible stabilisation measures – which were introduced in legislation early in 2012 – and consolidated the FGDB's financing capacity.

As to the latter aspect, by the end of 2012, the two FGDB-administered funds, namely the bank deposit guarantee fund and the bank resolution fund, had reached levels significantly higher than the previous year, going up by 28 percent and, respectively,

## The Composition and the Main Responsibilities of the National Committee for Financial Stability



<sup>2</sup> The National Committee for Financial Stability also includes the Ministry of Public Finance, the National Bank of Romania and the Financial Supervisory Authority (ASF).

The ASF was created under Government Emergency Ordinance no. 93/2012 following the reorganisation of the National Securities Commission, the Insurance Supervisory Commission and the Private Pension System Supervisory Commission, whose duties it has assumed.

At present, the ASF's structure includes the financial instruments and investments sector and the insurance-reinsurance and private pension sectors. By exercising its legal duties and prerogatives, the ASF contributes to the consolidation of an integrated framework for the operation and supervision of markets and of market participants and operations.

*Throughout 2012, FGDB aimed its activities at strengthening its capacity for a prompt and efficient response to events that might call for its intervention.*

113 percent.

The bank deposit guarantee fund amounted to some 2.9 billion lei on December 31, 2012, accounting for 1.9 percent of the value of FGDB-guaranteed deposits, going up by 0.3 percentage points from the same date of the previous year. By comparison with bank deposit guarantee schemes in other European Union member states, the FGDB boasts one of the highest exposure coverage ratios.

Resources went into the bank resolution fund in line with an accumulation plan worked out by the National Bank of Romania in cooperation with the Romanian Banking Association which put the 2012 target at 50 million lei. On December 31, 2012, the bank

resolution fund stood at roughly 107 million lei.

On December 31, 2012, the FGDB was guaranteeing the deposits of 14,528,322 natural persons and 919,915 legal persons<sup>3</sup>, mostly small and medium-sized enterprises, the guarantee ceiling for deposits with member credit institutions amounting to 100,000 euros, which is the uniform level for all EU states.

At the end of 2012, FGDB-guaranteed deposits summed up 148.9 billion lei, of which 123.3 billion lei represented the value of maximum potential compensations<sup>4</sup> in case deposits became unavailable.

Natural persons' deposits are covered almost in full in point of both scope<sup>5</sup> and amount

<sup>3</sup> The total number of depositors is determined by adding up the consolidated data reported by each credit institution, so that a person who has deposits with several credit institutions is recorded several times.

<sup>4</sup> The amount the FGDB covers is the equivalent of the maximum total value of potential compensations and represents the maximum amount in lei the FGDB should pay to guaranteed depositors in case deposits – no matter their number or the denomination in which they are held – become unavailable.

<sup>5</sup> There are a few instances when natural persons are excluded from the list of guaranteed depositors and they particularly refer to the respective credit institution's administrators, managers, supervisory board members, auditors and significant shareholders, depositors with a similar status in other companies in the same group as the credit institution, as well as family members (spouses, first degree relatives and in-laws) and third parties acting on behalf of previously mentioned depositors.

<sup>6</sup> In the case of depositors with debts to a credit institution, the credit institution's outstanding claims over the respective depositors are deducted.

## The FGDB's guarantee ceiling and scope

**The FGDB covers the guaranteed deposits up to the leu equivalent of 100,000 euros per depositor per credit institution**

### GUARANTEED DEPOSITORS

- Natural persons and legal persons (mostly small and medium-sized enterprises)
- Residents and non-residents

### GUARANTEED DEPOSITS

- Denominated in lei and foreign currency
- Time deposits, nominative certificates of deposit, current accounts, savings accounts, card accounts, joint accounts and similar products
- Interest included

### MEMBER CREDIT INSTITUTIONS

- All credit institutions licensed by the National Bank of Romania (32 in all at end-2012)
- N.B. Branches in Romania of credit institutions headquartered in other EU member states take part in deposit guarantee schemes in their home countries.*

guaranteed by the FGDB. End-2012 statistic data show that 99.9 percent of the natural persons with accounts at FGDB-member credit institutions held deposits up to the guarantee ceiling, with maximum potential

compensations equalling the value of the respective deposits<sup>6</sup>.



## FGDB ORGANISATION AND OPERATION

*The key principles underlying FGDB's activities are responsibility, transparency and efficiency.*

The FGDB is operationally independent, its entire activity focusing on depositor protection through both deposit guarantee and the stabilisation measures in which it is involved.

In 2012, the FGDB further pursued its institutional modernisation policy, in line with the best practices in this area and with amended legislation providing for its commitment to managing situations with credit institutions in difficulty whose resolution called for stabilisation measures. One of the strategic actions the FGDB took along this line was to draft a new organisation structure under which a new FGDB department was created especially for bank resolution and stabilisation activities which were thus separated from liquidation activities. This department also includes an office responsible for business continuity and participation in the National Committee for Financial Stability. The FGDB's new organisation structure became operational on April 1, 2013.

The FGDB's core activities focus on:

- *Deposit guarantee and compensation payments* – materialising in the protection of depositors at credit institutions who, in case their deposits become unavailable (for instance, when a credit institution goes bankrupt), can recover the amounts in their accounts fully or partially (up to the guarantee ceiling). With a view to increasing the efficiency and speed of the compensation payout process, the FGDB departments take multi-purpose

action – from securing permanent and adequate financial resources and administering them in conditions of utmost safety to taking every measure in the relationships with member credit institutions so as to efficiently manage data on depositors and maintain an optimal operation of the information systems that allow data flows between the FGDB and credit institutions – in particular, the list of outstanding compensation payments.

- *Funding of the transfer of guaranteed deposits* – as an alternative to compensation payouts, the FGDB resources can be used, by issuing guarantees included, to implement resolution measures which also imply the transfer of guaranteed deposits, including purchase and assumption (P&A) transactions, provided that the respective transfer proves less costly than the direct payment of compensations.
- *Application of bank stabilisation measures* – focusing on the application of measures to resolve situations with credit institutions in difficulty which might pose a threat to financial stability. The FGDB may be involved as delegated administrator and, as the case might be, as shareholder of a credit institution undergoing the stabilisation measures decided by the National Bank of Romania. In case a

bridge bank is created, the FGDB will be its sole shareholder and will also exercise the duties of its supervisory board. Another goal is the optimal management of crisis situations so that the smooth run of all activities should be in no way affected.

- *Special administration, interim administration and liquidation of credit institutions* – The FGDB can be the special or interim administrator of problem credit institutions and it can also act as liquidator of bankrupt banks (a capacity it exerted twice so far). Moreover, the FGDB is the sole liquidator of credit institutions facing situations other than bankruptcy.
- *Management of resources* – The FGDB currently manages two funds, namely the bank deposit guarantee fund, which pays out compensations and finances the transfer of guaranteed deposits, and the bank resolution fund which finances banking stabilisation measures and compensates persons affected by steps taken during special administration procedures. The investment policy is aimed first at ensuring the safety and liquidity of investments and secondly at investment yields. The main target is the continuous consolidation of the FGDB's funding capacity so that it can easily cover the costs of its potential interventions, be they compensation payouts or funding of stabilisation measures.
- *Verification of credit institutions* – it is one of the activities whereby conditions are set in place to accurately classify depositors and deposits according

to FGDB coverage criteria, which is essential for fair compensation payouts and an adequate financing of the bank deposit guarantee fund and of the bank resolution fund. Furthermore, in view is also the prompt, exact and complete information of depositors with regard to the guarantee scope and coverage for their deposits with credit institutions. In line with legal provisions, the FGDB annually verifies its member credit institutions for their deposit classifications according to guarantee coverage and for the observance of legislation on information supplied to depositors.

The promotion of competent staff and their optimal distribution in executive and/or management positions, according to their skills and performance, are prerequisites for the efficiency of FGDB activities.



*The FGDB's head office*



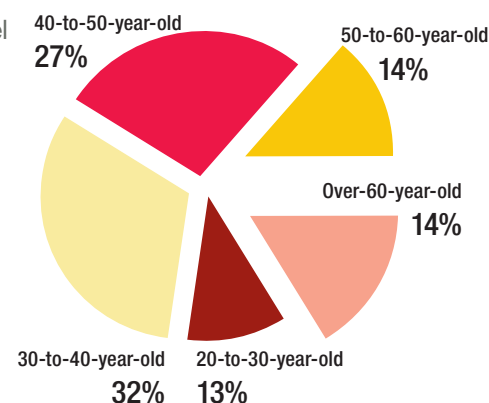
To the FGDB personnel, depositor protection and financial stability are priorities in rigorously fulfilling their professional duties. The FGDB's employees carry on their activity in line with the highest standards of integrity, professional competence, responsibility and correctness.

The FGDB's employees were selected according to strict professional criteria from among highly-trained, experienced people; 35 of the 37 FGDB employees on December 31, 2012 are higher-education graduates and eight of them hold a Ph.D. in economics or law.

As the FGDB is a fully expanding institution thanks to the new international approach to bank deposit guarantee schemes, 45 percent of its staff is in the 20-to-40-year-old age group, all trained in market economy conditions.

In 2012, 35 percent of the FGDB's employees attended professional training courses, which increased their competence and efficiency in various operational activities. Each employee received an average 25.3 days of training in 2012.

Distribution of personnel by age groups



financial capacity to meet payment obligations in the event deposits with a credit institution become unavailable and to intervene in the implementation of stabilisation measures.

In 2012, in light of new legal provisions on the stabilisation and resolution of credit institutions, a number of measures were included in the agreements with international financial institutions which the FGDB must take to implement a new procedural, organisational and operational framework providing for the corresponding application of these measures.

The Board played an important part in establishing policies for the implementation of measures in line with the requirements and recommendations of the representatives of international financial institutions. At the same time, Board members analysed the extent to which the measures incumbent on the FGDB under agreements with international financial institutions were carried through.

The decisions made during FGDB Board meetings throughout 2012 referred to the approval/endorsement and/or revision of FGDB strategies and policies in such areas as supply and management of resources needed to fulfil FGDB obligations in guaranteeing deposits and paying compensations and, respectively, to finance stabilisation measures, regulation of various FGDB activities, management of specific risks, fulfilment of credit institution stabilisation and resolution measures, internal control and the course of liquidation procedures.

At the same time, new internal rules were analysed and approved/endorsed and/or existing rules were amended, a number of documents put out annually – such as the activity report, financial statements, the revenue and expenditure budget and the collective labour contract – were looked into and proposals for credit institutions with a mandate to pay-out compensations were examined.

## FGDB ADMINISTRATION AND MANAGEMENT

*All FGDB activities serve depositors' best interests and aim at maintaining the FGDB as a most solid and credible institution. The FGDB focuses steadily on all developments related to credit institutions in Romania and, equally, on external circumstances that might negatively impact the local market.*

According to good governance principles and standards, the FGDB's administration and management follow a two-tier model: (i) the FGDB Board and (ii) the executive management including the CEO of the FGDB, two deputy directors and a financial director.

The FGDB answers to the Romanian authorities represented by the Government through the Ministry of Public Finance and the Ministry of Justice, to the authority regulating and supervising credit institutions, namely the National Bank of Romania, and to

the banking community represented by the Romanian Banking Association.

The way in which the FGDB is administered and managed is subject to internal audit and to an annual control by an independent auditor from among top internationally acknowledged firms, both of which give a faithful image of all the significant aspects of the FGDB's true financial position.

In this way, depositors benefit from increased transparency and trust in the FGDB's



2.

ACTIVITY FRAMEWORK  
IN 2012

INTERNATIONAL FRAMEWORK REGULATING THE  
ACTIVITY OF BANK DEPOSIT GUARANTEE SCHEMES

*The year 2012 meant broader recognition of the importance of bank deposit guarantee schemes as pillars of financial stability.*

Along this line, international authorities with prerogatives in this sector promoted several projects implying the intervention of bank deposit guarantee schemes not only as institutions paying out compensations to guaranteed depositors, but also as entities committed to resolving situations facing problem credit institutions.

At the same time, regulation projects were carried out within the European Union to provide for a healthy and safe financial sector, for efficient, shock-resistant markets and, last but not least, for adequate protection of the public.

EU Directive on the Recovery and  
Resolution of Credit Institutions  
and Investment Firms

In June 2012, the European Commission published its draft directive on the recovery and resolution of credit institutions and investment firms<sup>7</sup>, thus finalising the roadmap on financial reform initiated in 2009.

The proposals are in line with political options for the resolution of issues generated by market dysfunctions with market-specific resources and tools rather than by further taxation and public borrowing.

The proposed framework envisages preparatory and preventative measures, early

<sup>7</sup>The European Commission's initiative follows several similar steps taken in this area internationally over the last few years. Noteworthy among the latest such moves is the publication by the Financial Stability Board (FSB) at end-January 2013 of a draft methodology to assess the implementation of the *Key Attributes of Effective Resolution Regimes for Financial Institutions*. They refer to systemically important financial institutions and were issued by the FSB in November 2011 and later endorsed by G20 leaders. Furthermore, at present, the FSB analyses opinions expressed by parties concerned on its proposed guidance for the recovery and resolution of systemically important financial institutions. The EU draft directive complies with the key attributes of the resolution regimes issued by the FSB.

intervention on the part of supervisory authorities, as well as tools and powers for the resolution of situations facing institutions in distress.

The draft directive highlights the possibility of bank deposit guarantee schemes to act as resolution authorities and/or as funding sources for the implementation of resolution measures.

With a view to ensuring covered depositors’ continuous access to their funds, the bank deposit guarantee schemes will contribute an amount equivalent to the losses it would have had to bear if problem institutions had gone through insolvency rather than resolution proceedings, with the remaining necessary funds being supplied by the resolution fund.

On the other hand, for competent authorities to implement resolution tools, member states can consider bank deposit guarantee schemes as funding mechanisms and no longer create distinct financing mechanisms. In case the bank deposit guarantee scheme and the resolution authority are two separate entities, clear provisions are needed on transparency and on the responsibility to channel the necessary funds towards the application of resolution measures.

The resolution authority could employ the funding arrangements to:

- guarantee the assets and liabilities of an institution going through resolution procedures, of its subsidiaries, of a bridge bank or of an asset management vehicle;
- give loans to an institution undergoing resolution proceedings, its subsidiaries, a bridge bank or an asset management vehicle;

- purchase assets belonging to an institution undergoing resolution procedures;
- participate in a bridge bank;
- employ any combination of the actions mentioned above.

EU Directive on Bank Deposit Guarantee Schemes

Considering the involvement of bank deposit guarantee schemes in the resolution of failed banks and in financial crisis management, the draft directive on bank deposit guarantee schemes<sup>8</sup> entered a period of relative stagnation in 2012 as its finalisation goes hand in hand with the draft directive on the recovery and resolution of credit institutions. It was therefore agreed that the proposals on the two directives be discussed and adopted in parallel, with June 2013 as deadline set by the European Council.

Core Principles for Effective Deposit Insurance Systems

International guidelines in the field of bank deposit guarantee – *The Core Principles for Effective Deposit Insurance Systems*, issued by the Basel Committee on Banking Supervision (BCBS) and the International Association of Deposit Insurers (IADI)<sup>9</sup> – applied to several countries under the Financial Sector Assessment Program (FSAP), a joint International Monetary Fund and World Bank effort, and were officially included in the two international financial institutions’ assessments. Consequently, bank deposit guarantee schemes are subject to evaluation along with the other regulatory and supervisory authorities operating in the financial sector, which helps to identify ways to improve their own activity, thus contributing to the consolidation of financial stability.

On the other hand, in early 2012, the Financial Stability Board (FSB) published a report on the results of a peer review on bank deposit insurance systems in FSB-member countries taking the *Core Principles* as benchmark. One of the recommendations in the report refers to the need to update existing deposit insurance guidelines and develop additional guidance in certain areas of the *Core Principles* where broader details are needed, such as:

- developing benchmarks to monitor the adequacy of coverage levels;
- identifying the best methods and practices to mitigate moral hazard;
- ensuring an effective coordination between deposit insurance schemes operating within the same jurisdiction;
- conducting regular scenario analyses and simulations to assess the capability of making prompt compensation payouts;
- analysing the feasibility and opportunity of a greater use of ex-ante funding;
- developing mechanisms to regularly monitor public awareness of the bank deposit guarantee schemes.

The review of the *Core Principles*, which will extend over two years, will start with an IADI analysis which will set forth updated guidance and the conclusions of assessors and of people involved in training programmes related to the *Methodology for Assessing Compliance with the Core Principles for Effective Deposit Insurance Systems*. The IADI, in cooperation with the European Forum of Deposit



EFDI Annual Conference “DGS and Crisis Management”, Geneva, Switzerland

Insurers (EFDI), will develop a new set of principles to be submitted to the BCBS. In time, this process will also involve the International Monetary Fund, the World Bank, the European Commission and the Financial Stability Board.

<sup>8</sup>Published by the European Commission in July 2010.

<sup>9</sup>The FGDB has been an IADI member since 2005.



## THE DOMESTIC REGULATORY FRAMEWORK

*Early in 2012, a draft law to amend banking and FGDB legislation, initiated in the previous year, was adopted to introduce stabilisation measures as tools at the disposal of the supervisory authority to resolve situations that pose threats to financial stability.*

This amendment was in line with the pledges Romania took under its September 2011 Letter of Intent for a stand-by arrangement with the International Monetary Fund.

Owing to these new provisions, Romania joins the EU member states that have forestalled the adoption of the directive on the recovery and resolution of problem institutions, having already introduced some of the tools that directive envisages. Consequently, the FGDB falls into the category of pilot schemes for the new development guidelines on the management of financial and banking crises outlined within the European Union.

According to Government Ordinance no. 1/2012 for amendment and completion of normative acts on credit institutions, the National Bank of Romania can adopt the following stabilisation measures:

- total or partial transfer of a credit institution’s assets and liabilities to one or several eligible institutions;
- the FGDB’s involvement as delegated administrator and, as the case might be, as shareholder of a failed credit institution if the voting rights of the shareholders controlling the respective credit institution were previously suspended;

- transfer of a credit institution’s assets and liabilities to a bridge bank created for this particular purpose.

In line with the amendments under Government Ordinance no. 1/2012, the FGDB is assigned new powers and responsibilities enabling it:

- to be a delegated administrator and, as the case might be, a shareholder of a credit institution going through the stabilisation measures decided by the National Bank of Romania;
- to be the sole shareholder of bridge banks and to exercise the duties of their supervisory boards<sup>10</sup>.

The FGDB finances stabilisation measures from its bank resolution fund resources. If the bank resolution fund is depleted, resources will be provided from the deposit guarantee fund as long as its resources do not drop below a minimum level of 0.5 percent of the total value of guaranteed deposits.

When FGDB resources prove insufficient to fund stabilisation measures, the difference will be covered from loans given to the FGDB by the Government via the Ministry of Public Finance within a maximum of five working days.

An amendment, separate from those related to the fulfilment of stand-by agreement conditionalities, obligates credit institutions to expressly inform depositors when their aggregate guaranteed deposits might exceed the guarantee ceiling following mergers of credit institutions or the application of measures decided by the National Bank of Romania which imply deposit transfers or the sale of a bridge bank.

In consideration of the need to update FGDB rules, in September 2012 Regulation no. 1/2012 was adopted referring to the payment of contributions and fees by credit institutions and their verification by the Bank Deposit Guarantee Fund. This Regulation also amended previous provisions on credit institutions’

reports, introducing new elements, namely the need to report the depositor category – resident or non-resident depositors – and a reporting deadline for quarterly statements on deposits shortened from 15 to 7 days. Furthermore, the number of reports decreased as credit institutions are no longer required to submit a statement on their annual contribution on March 15, the interim time limit.

The FGDB is permanently concerned to complement and improve the regulations underlying its activities. The year 2012 also meant continuing action to add to internal rules allowing the FGDB to fulfil its duties in the implementation of bank resolution and stabilisation measures.

## DEVELOPMENTS IN THE BANKING SECTOR IN THE EUROPEAN UNION AND IN ROMANIA

### Developments in the European Union

*The year 2012 saw an extension of the financial and economic crisis in the European Union.*

Sovereign debt-related tension on financial markets, financial deleveraging process, steps to consolidate public finances in conditions of high unemployment and low confidence, as well as a slower rise in exports proved obstacles to economic growth.

In 2012, the GDP declined by 0.3 percent for the member states as a whole and by 0.6 percent for the euro zone.

Throughout 2012, further reforms and measures were implemented within the European Union to consolidate financial stability and to stimulate economic growth and employment with a view to re-establish trust and achieve sustainable economic and financial recovery.

Greece, Ireland and Portugal received further financial aid, while Cyprus and Spain requested assistance, with the latter intending to channel the funds towards a bank recapitalisation programme.

<sup>10</sup> In a two-tier administration system, the National Bank of Romania appoints bridge bank directors.

In October 2012, the European Stability Mechanism (ESM) became operational to facilitate access to financial assistance programmes for euro zone states. In December 2012, the ESM issued bonds for the recapitalisation of the Spanish banking sector.

One of the most important actions of the year 2012 came in December with the adoption by the European Council of a roadmap for the completion of the economic and monetary union. This action was preceded by other moves within the European Commission, including the

to the prudential supervision of credit institutions, and the second containing amendments designed to align the regulation on the creation of the European Banking Authority (EBA) to the new framework for banking supervision.

One of the main tasks of the EBA is to promote depositor protection, seen as a priority target, through a consistent approach to deposit guarantee with a view to ensuring equal competition conditions and equitable treatment of depositors across the European Union.

As part of its duties, the EBA focuses on the application of the EU directive on bank deposit guarantee schemes, particularly as concerns their adequate funding and stronger protection for all depositors in the European Union, thus contributing to the consolidation and convergence of the European bank deposit guarantee schemes.

Moreover, as far as the resolution of crisis situations is concerned, the EBA makes its contribution to drafting methods for the resolution of bankrupt financial institutions, especially those posing a systemic risk, all while avoiding contamination and allowing for their orderly and fast liquidation.

The EBA's key target for the period ahead is to draft a single regulatory framework for the banking system in the European Union.

According to the EBA's latest risk assessment of 57 European banks, the banking system in the European Union is still fragile as credit institutions continue to face a number of challenges, including compliance with the new regulations.

As part of the SSM, the ECB will be responsible for supervising all the banks in the banking union to which the single regulatory

framework will apply. The SSM is supposed to cover all banks in the euro zone by January 1, 2014.

The Single Supervisory Mechanism will be added common mechanisms for crisis management, resolution of problem credit institutions and bank deposit guarantee.

The roadmap the European Council agreed upon at the end of 2012 stresses that an agreement on the European Commission's proposals referring to both the directive on

bank deposit guarantee schemes and the directive on the recovery and resolution of problem credit institution be reached by mid-2013, as an essential step towards better harmonisation of legislation in member states.

Moreover, in 2013 the European Commission will launch a proposal for a single resolution mechanism so that any bank in an EU state in the membership of the SSM may benefit from adequate resolution tools.

Developments in Romania

As economic and financial conditions remained precarious in 2012, the banking system in Romania encountered further difficulties. Measures were taken to allow banking activities to return to a sustainable development.

Despite unfavourable local and international economic and financial developments, the banking system in Romania remained stable also in 2012 as the viability of local banks was not threatened by particular issues.

The credit institutions consolidation process in European banking markets following notable transactions struck particularly in the countries worst hit by the sovereign debt crisis or encountering difficulties in their financial systems reflected to a certain extent on the banking system in Romania among the subsidiaries of foreign credit institutions.

After five years without any merger in the banking sector in Romania, such a transaction occurred in 2012 between two local banks controlled by the same banking group, namely Intesa Sanpaolo in Italy. Early in October 2012, C.R. Firenze România S.A. was integrated by absorption into Intesa Sanpaolo România S.A.

Banks with majority Greek capital in Romania also saw changes in their shareholding structure triggered by the sovereign debt crisis and the difficult financial climate in Greece. In July 2012, Piraeus Bank in Greece took over the viable assets of ATE Bank in Greece, including ATE Bank România where it got a stake of over 93 percent. In 2013, Piraeus Bank România is expected to take over a part of ATE Bank România, while selling the remaining part to an investor.

Also in the summer of 2012, Emporiki Bank Romania was integrated into the Crédit Agricole Group after Crédit Agricole S.A. in France took control of Emporiki Bank's subsidiary in Romania, previously owned by Crédit Agricole Group Greece. Following this deal, the bank headquartered in Romania changed its name to Crédit Agricole Bank România S.A. (starting August 2012).

In April 2012, MKB Romexterra Bank S.A. changed its name to Nextebank S.A. Although



Annual Europe Regional Committee Meeting, Český Krumlov, Czech Republic

roadmap for the creation of a banking union, as part of a longer term vision, and two legislative initiatives – the first referring to the setting up of a Single Supervisory Mechanism (SSM) and the assignment of specific tasks for the European Central Bank (ECB) concerning policies relating





Conference "Romania, where to? European assessments and implications for Romania", National Bank of Romania, Bucharest

in April BayernLB/MKB Bank Group, the majority stockholder of Nextebank S.A., announced the sale of its stake to U.S. fund PineBridge Investments, the selloff transaction was not finalised and a new buyer is expected.

Another change within the banking system was recorded in the shareholding structure of Banca Transilvania, which became a majority foreign-owned bank following deals on the Bucharest Stock Exchange.

Following these moves, at end-2012, 40 credit institutions were in operation in Romania totalling net assets worth 365.6 billion lei, 3.3 percent above the value registered on December 31, 2011 in nominal terms. Assets of foreign-owned credit institutions on December 31, 2012 accounted for 89.8 percent of total assets, a year-on-year rise of 6.8 percentage points.

At the end of 2012, the share/endowment capital of credit institutions in Romania leaped to 24.8 billion lei from end-2011 (a nominal annual variation of +35.5 percent), mainly as a result of the implementation of new Accounting International Financial Reporting Standards (IFRS).

The solvency ratio stayed high throughout 2012, reaching 14.94 percent by the end of the year, sensibly higher than the 8 percent regulatory minimum, which points to a relative solidity of the banking system in terms of capitalisation. Contributing to a steadily high capital adequacy were both supervisory measures and the capital increases operated by the shareholders of credit institutions and the rising stake of government securities in banks' portfolios.

The leverage ratio, computed as the ratio of Tier 1 capital to total average assets, headed higher in the first quarter of 2012 in the wake of the implementation of the new accounting IFRS while rolling in the following three quarters to end the year at 8.02 percent (losing 0.05 percentage points from the end of the previous year).

The liquidity indicator continued to be placed well above the minimum requirement of 1, being 1.42 at the end of 2012.

The quality of the credit portfolios of the banks operating in Romania continued to deteriorate in 2012, as the non-performing loans ratio increased by around 4 percentage points from 14.33 percent on December 31, 2011 to 18.24 percent at end-December 2012. This indicator saw a more marked deterioration than in 2011, mainly because of delays in economic recovery and of the fact that a large number of previously restructured loans turned bad.

At the same time, credit risk ratio moved up throughout 2012 to stand at 29.91 percent

on December 31, 2012 (adding 6.63 percentage points to the end-2011 level).

As the quality of assets worsened and the stake of provisions in total spending remained high, profitability indicators saw further falls, hitting record lows for the past few years at -0.64 percent for ROA and -5.92 percent for ROE.

One of the priority targets of 2012 was to reduce the costs of credit institutions and boost their efficiency. Therefore, the extensive credit institution resolution process continued with more than 300 units in the territory being shut down and over 4,000 employees being laid off.

Under these circumstances, the ratio between operating income and operating expenses jolted to 170.31 percent by end-December 2012 (up 22.78 percentage points from the end of December 2011).

Despite a relatively high degree of dependence of credit institutions in Romania on large banking groups in the European Union, the deleveraging process continued to run smoothly, with parent banks' funding of their subsidiaries in Romania diminishing gradually. At the same time, given the need for new funding sources, competition between banks to attract deposits remained sharp, which encouraged savings.

In the first quarter of 2012, the National Bank of Romania continued the process of cutting back on its monetary policy rate started in the last few months of 2011 and slashed that rate to 5.25 percent, a level that stayed unchanged throughout the year.

Along the year 2012, emphasis was placed on adequately managing liquidity in the

banking system, all while the reserve requirements of leu- and foreign exchange-denominated liabilities remained steady at previous levels.

By correspondingly adjusting the instruments at its disposal, the central bank aimed at achieving financial stability in the medium term.

In the first half of 2012 the monetary policy reflected in the evolution of interest rates on credits, while the second half of the year registered monthly fluctuations. Nevertheless, lower interest rates represented the overall trend.

Average interest rates on new loans to households decreased in December 2012



Page from the bank deposit protection brochure



from the year-ago period to 12.43 percent for leu-denominated credits and to 4.33 percent for euro-denominated loans, with the latter sloping down throughout 2012.

In the case of new loans granted to non-financial corporations, average interest rate dropped for euro-denominated credits to 4.62 percent in December 2012 and inched up to 9.79 percent for new loans denominated in the national currency.

Average interest rates on new time deposits for both households and non-financial corporations – irrespective of denomination – sagged throughout the year 2012.

At end-2012, average interest on new household time deposits denominated in lei was around one percentage point down from December 2011 to stand at 5.64 percent. Interest on euro-denominated deposits dipped to 3.39 percent.

In the case of new time deposits of non-financial corporations, the average interest rate pulled lower in 2012 to hit December levels of 5.15 percent for leu-denominated deposits and 1.97 percent for deposits denominated in euros (the latter level being an all-time low for 2012).

Loans to households and to non-financial corporations increased slightly in nominal terms, while their real variation remained in negative territory. The value of household loans was relatively stagnant at 104.7 billion lei on December 31, 2012 compared to 104.5 billion lei at end-2011. In the case of credits to corporations, the annual nominal variation was of 3.2 percent, putting their value at 120.8 billion lei at the end of 2012. Loans in the national currency advanced faster than credits denominated in foreign currencies. All these

developments were triggered by a larger number of restrictions imposed on credit granting, including the adoption of rules to limit foreign currency-denominated loans. The low level of exposure of banks with foreign capital was another factor that influenced developments in this area in 2012.

The loan-to-deposit ratio in the banking system amounted to 117.37 percent at the end of 2012, up 0.72 percentage points from end-December 2011. As the value of foreign currency denominated deposits headed higher and loans denominated in foreign currencies contracted, the degree of coverage of foreign currency-denominated loans by foreign currency-denominated deposits improved to 114.5 percent at end-2012 from 119.1 percent at the end of 2011.

The total value of deposits in Romania’s banking system as a whole moved on positive ground (with an annual nominal variation of +1.3 percent), even if some of the year’s four quarters registered declines. Significant in this respect was the situation of banks with majority Greek capital where the uncertainty over the fate of Greece impacted deposit dynamics. The value of deposits at banks with majority Hellenic capital in Romania fell mainly in the first quarter of 2012 and picked up over the next three quarters in the case of most of these credit institutions. Chapter 3, “Deposit Guarantee” presents a detailed analysis of the evolution of deposits in 2012.

## NATIONAL COOPERATIVE RELATIONS

The FGDB, as a member of the National Committee for Financial Stability (NCFS), took part in the meetings of both the management of member institutions and of NCFS working groups.

One of the topics approached during NCFS debates was the transposition into national legislation of the *Recommendation on the macro-prudential mandate of national authorities* issued by the European Systemic Risk Board (ESRB), including the stages to be covered along that line.

At the same time, NCFS talks focused on steps taken nationally to consolidate financial stability, with stress on the Romanian financial sector’s unfaltering stability and fine capitalisation despite adverse economic and financial circumstances.

In 2012, the FGDB maintained its close cooperative ties with representatives of the National Bank of Romania, as well as with the banking community, through the Romanian Banking Association, on various issues related to deposit guarantee and the FGDB’s new role in applying bank stabilisation measures.

The National Bank of Romania simulated the operation of a bridge bank, as a bank stabilisation measure, to use the results of this exercise in developing adequate procedures for the implementation of this tool.

Furthermore, in 2012 the FGDB took part in the simulation of a banking crisis, an exercise carried through with assistance from the World Bank and involving Romanian authorities with duties in this sector.





Conference Academica NBR, Constanța, September 4, 2012

As a member of the EFDI's EUC, the FGDB contributed to the formulation of the EUC's opinion on the draft directive on the recovery and resolution of credit institutions.

In 2012, the EUC initiated a debate on the timeliness of an agreement among guarantee schemes on the processing of compensation payments in the case of cross-border credit institutions, in which FGDB representatives participated. This agreement is meant as a continuation of the Multilateral Memorandum of Understanding on cooperation between bank deposit guarantee schemes operating within the European Union<sup>13</sup> and aims at building the general framework at the foundation of bilateral agreements between schemes on situations in which the scheme in the host country acts in the name and on behalf of the scheme in the country of origin in the process of paying out compensations to depositors at a failed bank branch in the country of origin.

At the same time, the FGDB answered individual requests from bank deposit guarantee schemes for information on different specific issues, as well as questionnaires needed in the research activity carried through within IADI and EFDI committees and working groups. In its turn, the FGDB requested assistance from other bank deposit guarantee schemes in obtaining information of interest for its activity.

In 2012, the FGDB received visits from representatives of the International Monetary Fund, the World Bank and the European Commission, its relations with these international bodies proceeding against the background of the conditionalities and assessments under their agreements with Romania. The talks held on these occasions focused on the evolution of the FGDB's main indicators, the size of its resources and the exposure coverage ratio, as well as on draft laws and legislative initiatives

concerning the FGDB's readiness to cope with instability on the financial and banking market.



The 2012 IADI Annual General Meeting, London, United Kingdom

INTERNATIONAL RELATIONS

In 2012, the FGDB's international activity concentrated on relations with bank deposit guarantee schemes in the membership of the two international professional associations operating in the bank deposit guarantee sector – the European Forum of Deposit Insurers (EFDI)<sup>11</sup> and the International Association of Deposit Insurers (IADI)<sup>12</sup>.

The FGDB participated in the EFDI and IADI annual general meetings, in the meetings of the IADI Europe Regional Committee (ERC) and of the EFDI European Union Committee (EUC), in the annual international exhibition of deposit guarantee schemes, as well as in the conferences and seminars these bodies organised in cooperation with bank deposit guarantee schemes.

<sup>11</sup>The EFDI currently consists of 56 members, 11 associates and 12 observers.  
<sup>12</sup>The IADI now has 68 members, 9 associates and 12 partners.  
<sup>13</sup>The number of signatory bank deposit guarantee schemes currently stands at 18.



## 3.

DEPOSIT  
GUARANTEE

## EVOLUTION OF DEPOSITS IN 2012

The total value of deposits with credit institutions in Romania stood at 314.9 billion lei on December 31, 2012, up by 1.3 percent from end-2011.

The annual growth of the total value of deposits was mainly an outcome of the rise in natural persons' foreign currency-denominated guaranteed deposits with FGDB-member

credit institutions (an annual variation of +15.6 percent in nominal terms and, respectively, a growth equivalent to 6.3 billion lei).

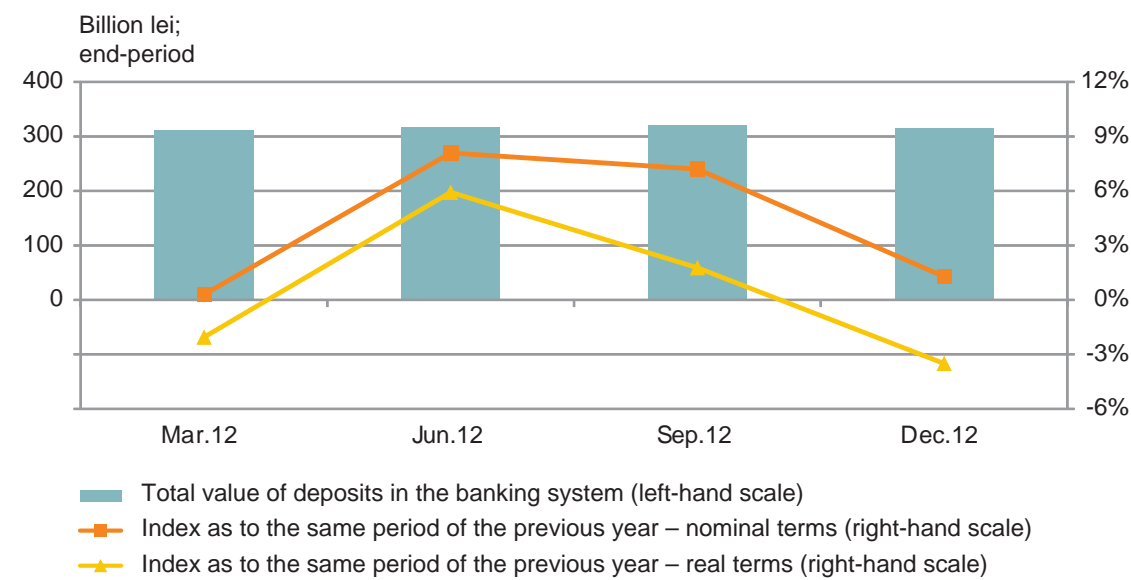
*According to the law on the FGDB's operation, a deposit is "any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay under the legal and contractual conditions 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 no. 67/2004, as subsequently amended".*

At end-2012, the value of deposits with FGDB-member credit institutions accounted for 91.9 percent of the total value of bank deposits,

namely 289.3 billion lei, up 0.6 percent from end-December of the previous year, of which 115.2 billion lei held in household deposits and the



Evolution of deposits in the banking system



remainder in legal persons' deposits.

By categories of depositors, natural and legal persons' deposits in 2012 moved in opposite directions both in the banking system as a whole and within FGDB-member credit institutions. Household deposits increased in each of the quarters of the year 2012 in the whole banking system (annual growth of 8.9 billion lei), while legal persons' deposits stayed in positive territory in the second and third quarters of the year and contracted in the first and last quarters to drop by 4.8 billion lei for 2012 as a whole.

Natural persons' saving behaviour stayed cautious and a preference for deposits to the detriment of other higher-risk saving/investment instruments was apparent.

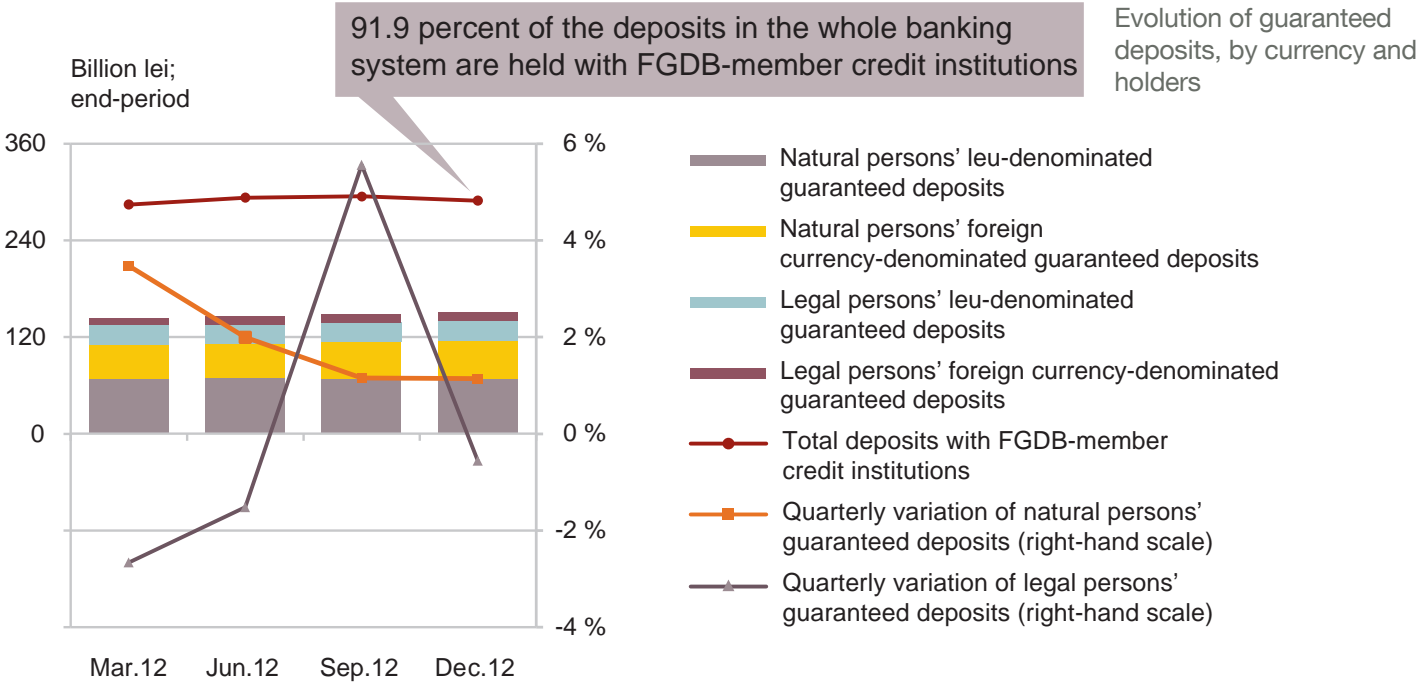
The difference between the evolution of household deposits and legal persons'

deposits was even more poignant within FGDB-member credit institutions.

The value of household deposits posted an annual variation of +8 percent in nominal terms, corresponding to a rise by 8.6 billion lei, while legal persons' deposits shed 6.9 billion lei in terms of value (-3.8 percent) as compared to the end-2011 level.

By currency denomination, the year 2012 showed a preference for savings in foreign currency for both natural and legal persons.

The value of deposits denominated in foreign currencies moved up by the equivalent of 7.6 billion lei (an annual variation of +5.3 percent), while deposits in the national currency in the banking system as a whole decreased by 3.4 billion lei in terms of value (an annual variation of -2.1 percent).



Leu-denominated deposits with FGDB-member credit institutions maintained their majority weight (52 percent on December 31, 2012) despite a 1.8 percentage points drop year-on-year. Over December 2011 - December 2012, the total value of deposits denominated in the national currency diminished by 2.8 percent, while the total value of foreign currency-denominated deposits added 4.6 percent.

On December 31, 2012, 51.5 percent of the total value of deposits with FGDB-member credit institutions was within the FGDB's guarantee scope, a level higher than the 48.8 percent registered at end-2011 when the main weight in the total value of deposits at FGDB-member credit institutions went to deposits

excluded from guarantee<sup>14</sup>.

Throughout the year, the value of FGDB-guaranteed deposits raced ahead to 148.9 billion lei, that is 6.1 percent higher than the December 31, 2011 level. In real terms, the annual growth was of 1.1 percent. The value of non-guaranteed deposits continued to slide at a fast pace against 2011 to total 140.4 billion lei at end-2012 (an annual fall of 4.7 percent).

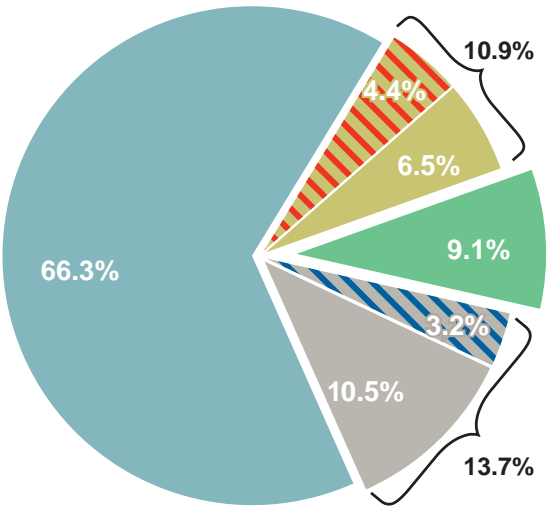
Depositors with FGDB-member credit institutions at the end of 2012 numbered 15,500,121<sup>15</sup>, of which natural persons accounted for 93.8 percent. On December 31, 2012 the FGDB's guarantee scope covered 99.7 percent of the total number of depositors with member credit institutions, namely

<sup>14</sup> 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.

<sup>15</sup> 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.

Structure of guaranteed deposits as at December 31, 2012, in relation to the guarantee ceiling of 100,000 euros

- Natural persons' guaranteed deposits with values below the guarantee ceiling
- Natural persons' guaranteed deposits with values above the guarantee ceiling
- Maximum potential compensations for legal persons holding deposits above the guarantee ceiling
- Maximum potential compensations for natural persons holding deposits above the guarantee ceiling
- Legal persons' guaranteed deposits with values below the guarantee ceiling
- Legal persons' guaranteed deposits with values above the guarantee ceiling



15,448,237 natural and legal persons.

On December 31, 2012, resident natural and legal persons accounted for 99.1 percent of the total number of depositors with FGDB-member credit institutions and they held 70.6 percent of the total value of deposits. In terms of deposit guarantee, residents held 97 percent of the value of the deposits guaranteed by the FGDB.

*At the end of 2012, for the 100,000 euros ceiling, the FGDB actually covered 82.7 percent of the value of guaranteed deposits.*

*A percentage of 99.8 percent of the end-2012 total number of guaranteed depositors – natural and legal persons – was fully covered, as they held deposits with values not exceeding the guarantee ceiling.*

*Deposits with values below the guarantee ceiling accounted for 75.3 percent of the total value of guaranteed deposits at end-2012, posting a 10.1 percent rise from the previous year.*

End-2012 data show that maximum potential compensations in the event of deposits being unavailable reached 123.3 billion lei, higher by 8.5 percent than the year-ago level. The rise in the FGDB-covered amount was mainly a result of the upturn in natural persons' guaranteed deposits denominated in foreign currencies with values below 100,000 euros (considering the leu equivalent, this represents an annual increase of 5.7 billion lei).

### Natural Persons' Guaranteed Deposits

At the end of 2012, household deposits with credit institutions in the membership of the FGDB increased by 8 percent (+2.9 percent in real terms) year-on-year to stand at 115.2 billion lei, of which 59.5 percent was in deposits denominated in the national currency. Residents held 96.8 percent of the value of natural persons' deposits with FGDB-member credit institutions.

The FGDB's guarantee scope on December 31, 2012 included 99.8 percent of household deposits with FGDB-member credit institutions, that is 115 billion lei, as well as almost all depositors, natural persons (99.9 percent of the total number of depositors, natural persons, with credit institutions in the membership of the FGDB, namely 14,528,322 natural persons).

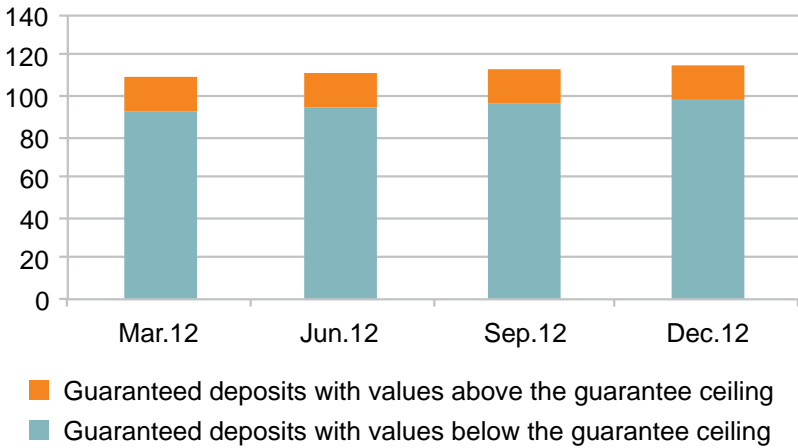
Along the year 2012, the value of guaranteed household deposits increased at a rate of 7.9 percent.

Foreign currency-denominated deposits with values below the guarantee ceiling made the largest contribution to the upswing in the value of guaranteed household deposits, the population's preference for savings in foreign currencies showing throughout 2012.

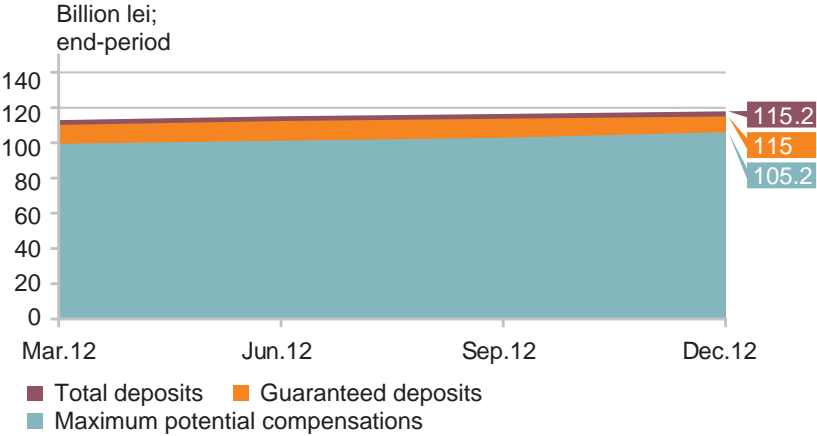
Guaranteed deposits denominated in foreign currencies leapt by 15.6 percent (+10.1 percent in real terms) from end-December 2011, while the value of deposits in the national currency inched up by a mere 3.3 percent (dipping by 1.6 percent in real terms).

The average value of one guaranteed deposit held by a natural person amounted to 7.9 thousand lei at the end of 2012 (an annual variation of +9.2 percent).

Evolution of households' guaranteed deposits in relation to the guarantee ceiling  
Billion lei; end-period



Evolution of households' deposits with FGDB-member credit institutions  
Billion lei; end-period



In terms of guarantee ceiling, at end-2012, guaranteed deposits with values below or equal to 100,000 euros accounted for 85.8 percent of the total value of guaranteed

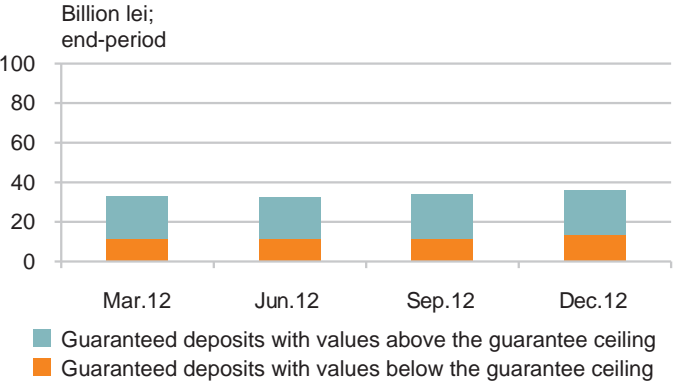
household deposits, with 98.7 billion lei held in deposits with values below the guarantee ceiling.

*Maximum potential compensations for natural persons amounted to 91.5 percent of the total guaranteed household deposits, or 105.2 billion lei on December 31, 2012.*

*At the same time, at end-2012, 99.9 percent of the total number of guaranteed depositors, natural persons was fully covered, as they held deposits that did not exceed the guarantee ceiling.*

### Legal Persons' Guaranteed Deposits

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



The total value of legal persons' deposits with credit institutions in the membership of the FGDB, at the end of 2012 stood at 174.1 billion lei, 3.8 percent less than the value registered on December 31, 2011, a decline mainly triggered by the evolution of the deposits denominated in the national currency (the absolute change in leu-denominated deposits in 2012 was of -6.6 billion lei, compared to -0.2 billion in lei equivalent corresponding to deposits denominated in foreign currencies).

Resident legal persons held more than half of the value of deposits with FGDB-member credit institutions (53.3 percent), and accounted for 99.6 percent of the total number of legal persons holding deposits. At the end of 2012, the value of non-residents' deposits with member credit institutions amounted to 81.3 billion lei, of which more than three quarters was foreign currency-denominated deposits.

Legal persons' guaranteed deposits<sup>16</sup> on December 31, 2012 totalled 33.9 billion lei, 0.4 percent more than on the same date of the previous year (-4.3 percent in real terms).

On December 31, 2012, 19.5 percent of the total value of legal persons' deposits with FGDB-member credit institutions was within the FDGB's guarantee scope.

Throughout 2012, guaranteed deposits denominated in foreign currencies and leu-denominated guaranteed deposits moved in opposite directions in nominal terms (an annual variation of -3 percent of the leu-denominated component compared to an annual variation of +10.1 percent of the foreign currency-denominated component). In real terms, the value of the deposits in the national currency eased by 7.6 percent, while the value of

foreign currency-denominated deposits rose by 4.9 percent. Nevertheless, guaranteed deposits denominated in lei took the bulk of legal persons' total guaranteed deposits (71.7 percent), though it shed 2.3 percentage points compared to the end-2011 level.

Guaranteed depositors, legal persons, numbered 919,915 on December 31, 2012, accounting for 95.8 percent of the total number of depositors, legal persons, with credit institutions in the membership of the FGDB.

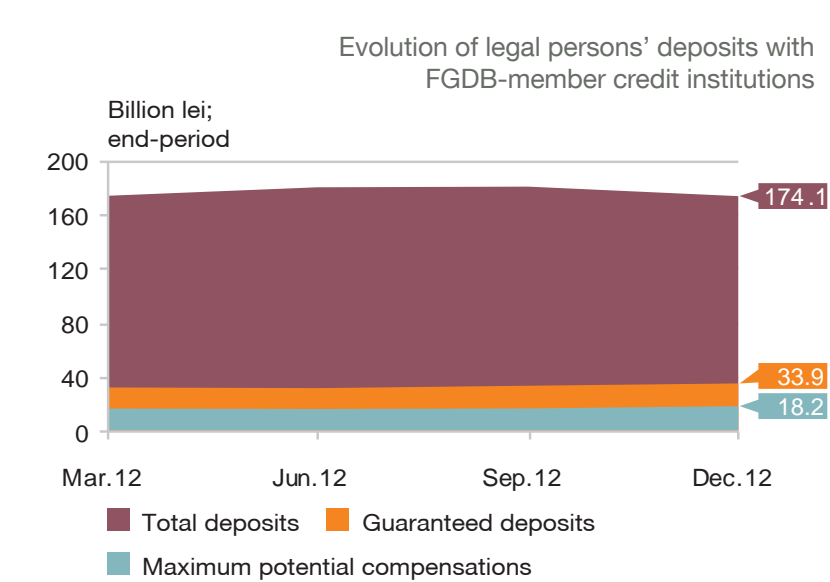
At the end of 2012, 98.8 percent of the total number of guaranteed depositors, legal persons, held deposits with values below or equal to the guarantee ceiling, being therefore fully covered. However, in relation to the guarantee ceiling, the cumulative value of deposits not exceeding the ceiling accounted for 39.8 percent of the total value of legal persons' guaranteed deposits.

*In the event of deposits with FGDB-member credit institutions becoming unavailable, maximum potential compensations for legal persons on December 31, 2012 accounted for more than half of the total value of their guaranteed deposits (53.7 percent) or 18.2 billion lei (an annual variation of +4 percent).*

## COMPENSATION PAYOUTS

In 2012, the FGDB continued to show particular concern for the creation of all the necessary conditions allowing guaranteed depositors to have prompt access to FGDB resources through paying credit institutions if deposits with a FGDB-member credit institution become unavailable.

Starting January 2012, a new stipulation under the law governing the operation of the FGDB came into force showing that the



The average value of a legal person's guaranteed deposit amounted to 36.9 thousand lei on December 31, 2012, up 0.3 percent from end-2011.

FGDB must pay guaranteed depositors their due compensations through mandated credit institutions within 20 working days of the date deposits become unavailable<sup>17</sup>.

This stipulation replaced a former provision requesting that compensation payouts must start in 20 working days at the most of the date deposits are unavailable.

<sup>16</sup> The summary of legal persons' guaranteed deposits offers a picture resembling 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.

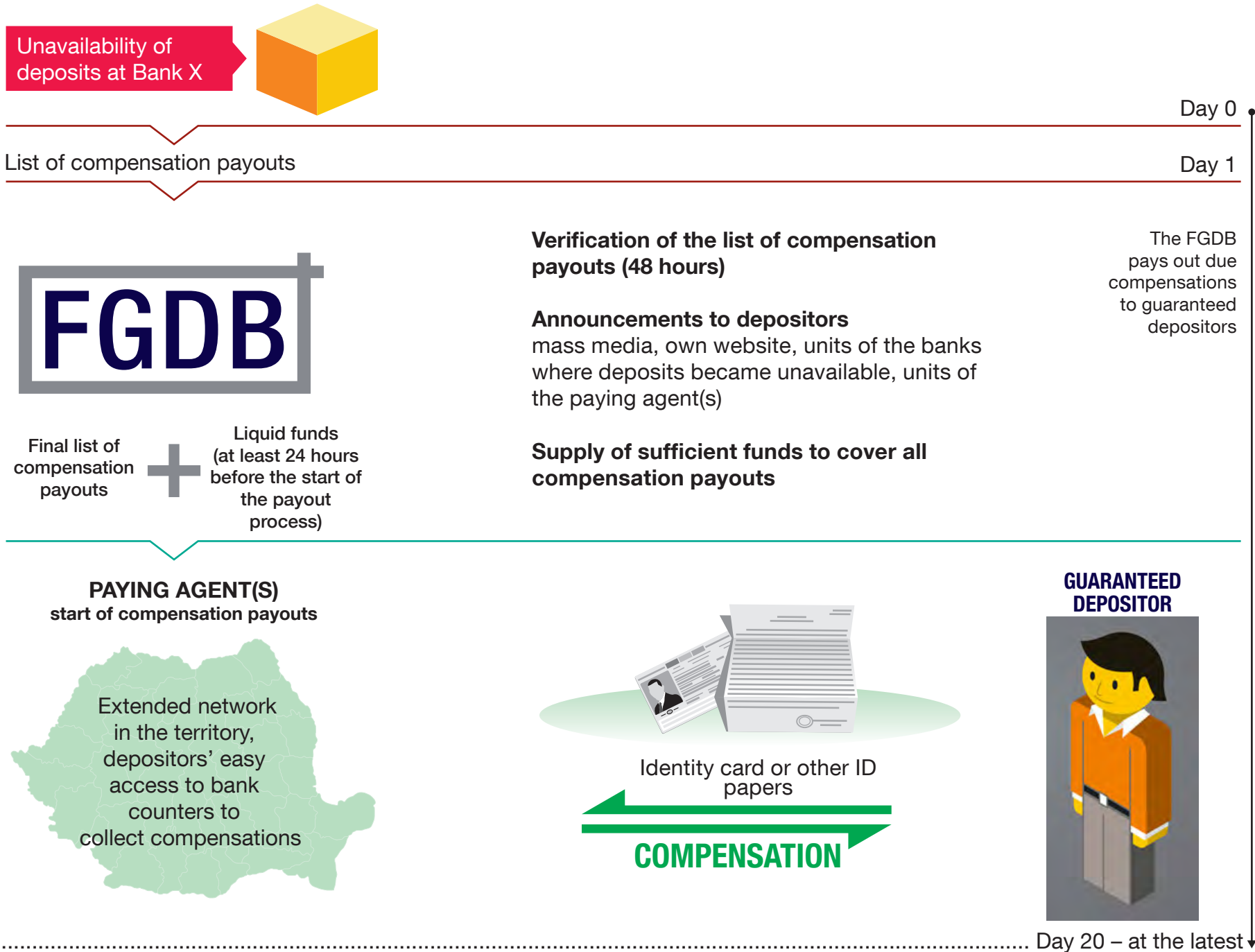
<sup>17</sup> Under exceptional circumstances the term could be extended with maximum 10 working days.



## COMPENSATION PAYOUT PROCESS

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

- The permanent goal of improving the FGDB's financial 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 are unavailable
- The obligation of FGDB-member credit institutions to run adequate IT systems able to generate, at any moment, a correct list of compensations
- Periodic simulations of potential payouts



The period of maximum 20 working days within which depositors must be compensated by bank deposit guarantee schemes is mandatory for all European Union member states and mainly targets a stronger public confidence that savings with credit institutions can be recovered.

*Throughout 2012, the FGDB did not have to intervene through compensation payouts as no credit institution in the Romanian banking system encountered any problems. The last obligation of the FGDB to make such payments to depositors of failed banks expired in January 2010, according to the law.*

## FGDB MEMBERSHIP OF CREDIT INSTITUTIONS

Each credit institution inside the European Union is obliged to participate in a bank deposit guarantee scheme. In Romania, all credit institutions licensed by the National Bank of Romania are members of the FGDB. This refers also to deposits attracted by these institutions’ branches abroad. The branches of the banks headquartered in other European Union member states<sup>18</sup> are members of the deposit guarantee schemes in their home countries.

The number of credit institutions in the membership of the FGDB slipped from 33 to 32 in 2012 following the changes occurred in the Romanian banking system<sup>19</sup>.

The public was informed about all the changes that took place within FGDB-member credit institutions through communiqués printed in the Official Gazette of Romania and posted on the FGDB’s website.

At the end of 2012, the structure of FGDB-member credit institutions consisted of 29 banks, 2 savings banks for housing and one credit cooperative organisation (central body and affiliated credit cooperatives), as shown in Annex 1.

All credit institutions in the membership of the FGDB pay an annual contribution to boost FGDB deposit guarantee resources, of which

compensations are paid out to guaranteed depositors in the event deposits with a credit institution become unavailable, or funds are provided, including by issuing guarantees, to support operations involving transfers of guaranteed deposits as well as stabilisation measures, according to legislation in force. Furthermore, FGDB-member credit institutions pay annual fees to the bank resolution fund<sup>20</sup>, which, while maintaining its initial destination of compensating entities prejudiced by measures taken and implemented as part of special administration procedures, also finances stabilisation measures as decided by the National Bank of Romania.

Throughout 2012, the FGDB cooperated with member 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 deposit guarantee fund, the calculation base for the annual fee to the bank resolution fund, as well as other specific information. At the same time, the FGDB maintained links with the branches in Romania of credit institutions headquartered in other European Union member states to receive quarterly reports on the evolution of deposits.

In line with legislation, in 2012 the FGDB continued its controls over compliance with

*Differences in the level of contributions noted during verifications, which were rather large in previous years, narrowed down significantly in 2012.*

legal provisions on the calculation and payment of contributions and fees and over the eligibility of deposits for FGDB coverage and the information supplied to depositors.

As the results of the FGDB control show, the deposit classification error rate (the reported total value of deposits being above or below its true level) and, respectively, failure to register a number of guaranteed deposits in the reported calculation base, stood at 0.27 percent in 2012.

The main cause behind the differences in the level of annual contributions/fees was an erroneous classification made by credit institutions when assigning deposits of legal persons (particularly small and medium-sized enterprises, insurance brokers, mutual aid associations) to one of the categories of guaranteed or non-guaranteed deposits.

Measures were agreed upon to correct the deficiencies noted during verifications of the classification of deposits and of their accurate assignment to categories, as well as of depositor information, namely to regularise the situation of deposits and make sure the staff involved are conversant with FGDB legislation.

The control over the calculation base for annual contributions/fees went hand in hand with a random verification of the statements of the small and medium-sized enterprises and of other depositors expressly stipulated by the law on the classification of their deposits. Along this line, record keeping, as well as the existence and the completion of statements were

checked for the accuracy of classifications made by credit institutions. At the same time, the fulfilment of credit institutions’ obligation to expressly inform depositors holding non-guaranteed deposits was also verified. The results of all these controls pointed to a diminution in the number of deficiencies as compared to previous years.

During the controls it conducted, the FGDB paid special attention also to the way in which credit institutions observe legislation on the information of depositors about deposit guarantee. The information should be placed in publicly accessible locations within all units in the territory and should be easy to understand.

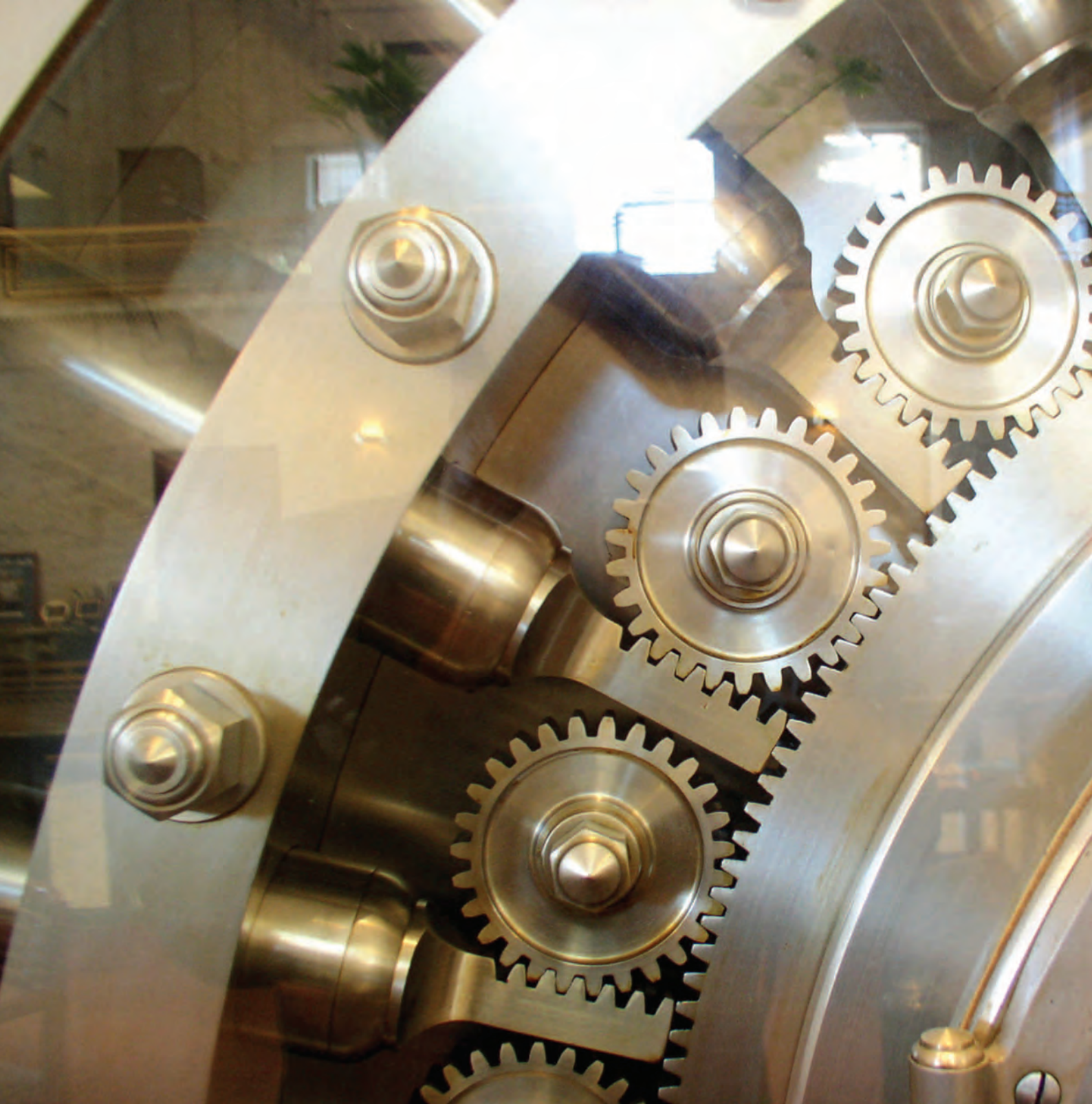
The close cooperation between the FGDB and member credit institutions aims at permanently improving the classification of deposits and depositor information on deposit guarantee.

<sup>18</sup> On December 31, 2012, 8 branches of credit institutions headquartered in other EU member states operated in Romania.

<sup>19</sup> These changes were detailed in Chapter 2, in the section “Developments in the Banking Sector in the European Union and in Romania”.

<sup>20</sup> The former special compensation fund which turned into the bank resolution fund in January 2012.





# 4.

## RISK MANAGEMENT

*Given the difficult financial climate, marked by uncertainty and member credit institutions' attempts to redefine business models, the risk management process moved along two major coordinates.*

On the one hand, the FGDB focused on adapting internal infrastructure referring to the management of resources to the new challenges brought about by its extended duties. On the other hand, an efficient framework was developed and implemented to control operational risks in treasury activities.

In light of the harsh conditions on the domestic and international financial and banking market, investment-related decisions in 2012 were agreed upon only after a close monitoring of developments with a potentially adverse impact on FGDB resources.

To achieve an active management of investments, the investment structure and exposure limits were adjusted by credit institution and by type

of investment whenever market conditions so required.

As the FGDB's duties expanded following its involvement in the resolution and stabilisation of credit institutions in distress, the FGDB's Resources Management Committee (CARF) gradually adjusted the Fund's resources management policy, paying growing attention to an uplift in the liquidity of investments.

In its new capacity as member of the National Committee for Financial Stability, the FGDB institutionalised the access to information on credit institutions operating in Romania on the basis of its co-operation with the central bank.



FGDB garantează depozitele  
dumneavoastră la băncile participante

## Banca noastră este participantă la Fondul de Garantare a Depozitelor în Sistemul Bancar

PLAFONUL DE GARANTARE  
**100 000€**

echivalent în lei  
este suma maximă plătită  
de FGDB per deponent,  
per instituție de credit.

ÎN MAXIMUM  
**20 ZILE**

lucrătoare  
de la indisponibilizarea  
depozitelor FGDB pune  
la dispoziția deponenților, prin  
intermediul băncilor mandatate,  
compensiunile cuvenite.

## COMPENSAȚIA

se plătește în limita plafonului și se obține prin însumarea  
depozitelor la care se adaugă dobânda la data  
indisponibilizării lor, din care se scad ratele scadente  
la momentul respectiv și comisioanele către bancă.



FGDB's poster distributed to member banks for display in their units.



## 5.

## PUBLIC INFORMATION

The supply of information on deposit guarantee to the public is an important component in the activity of any efficient bank deposit guarantee scheme as it boosts public confidence in the safety of deposits held at credit institutions and implicitly contributes to maintaining financial stability.

To the FGDB, public information has always been a key target for the fulfilment of which it has constantly promoted various actions to provide information on deposit guarantee.

## COMMUNICATION WITH THE PUBLIC AND WITH CREDIT INSTITUTIONS

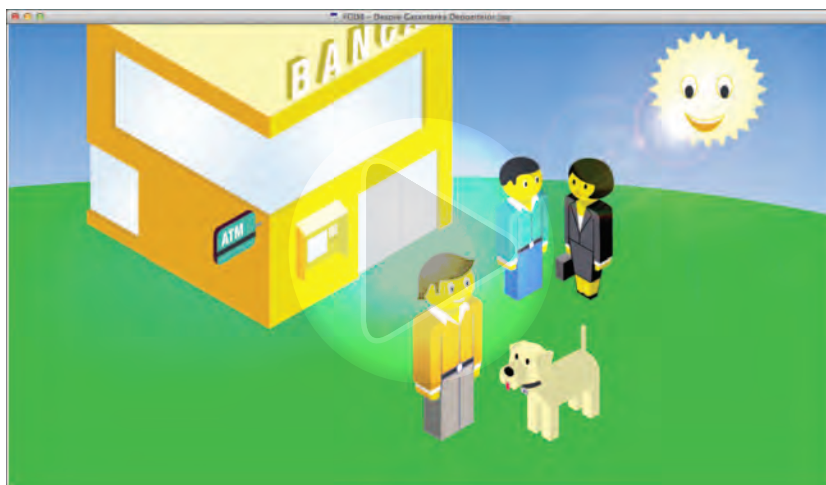
The FGDB promptly answered all requests for information on deposit guarantee (categories of FGDB-guaranteed deposits, guarantee ceiling etc.) and on compensation payouts for deposits at bankrupt banks.

A FGDB poster containing information on deposit guarantee, as well as FGDB contact data (website and telephone number) continued to be on display in the member banks' units in the territory.

member banks. During one such meeting, FGDB representatives dwelt on the history of deposit guarantee activities and the changes in the vision on guarantee schemes and their role – from mere compensation payouts to the involvement in crisis situations generated by problem banks. Furthermore, there were presentations of changes in legislation under debate inside the European Union and of bank recovery and resolution tools, and case studies were read.

The film is available on the FGDB's website with subtitles in English. An abridged version of this film was forwarded to the banking industry to be distributed to the units in the territory that have the necessary equipment to handle it.

With a view to approaching the realities of the banking industry and to ensuring mutual understanding, successive meetings were held in 2012 with key factors in communication in the



Frame from the animated short film on deposit guarantee, available at [www.fgdb.ro](http://www.fgdb.ro)

In 2012, an animated short film was made to explain bank deposit guarantee, including information on the FGDB, the compensation payout process and the funding mechanism of the bank deposit guarantee scheme.

FGDB website information (supplied bilingually, in Romanian and English) was constantly updated to answer the public's guarantee-related questions and concerns.

The FGDB's on-line INFO bulletins carried analyses of the savings process, the dynamics and structure of household and legal persons' deposits with credit institutions in Romania, as well as articles on deposit guarantee and other themes of interest in this sector, case studies and comparative studies on various deposit guarantee practices. Statistical data on deposits with credit institutions in Romania were published on a quarterly basis, according to reports

from FGDB-member credit institutions.

The "News to Follow" section of the website contained the latest news on bank deposit guarantee activities.

Laws with an impact on FGDB activities were uploaded to the "Legislation" section of the website in the form published in the Official Gazette.

## RELATIONSHIP WITH MASS MEDIA

In 2012, the FGDB maintained permanent links with mass media representatives based on mutual respect and communication. The press releases posted on its website were routed to the media the day they were issued. Furthermore, the FGDB promptly answered all requests from mass media representatives.

To achieve in-depth mutual understanding, the FGDB took part in the *EU-COFILE School of Economic Journalists*, annually organised by the National Bank of Romania. The FGDB made a presentation of the deposit guarantee mechanism and of bank resolution measures and also endeavoured to understand the questions, topics and approaches of interest to the media.



Costin Murgescu Contest for Economic Research Awarding Ceremony, Bucharest

## EDUCATIONAL ACTIVITIES

The "Costin Murgescu" contest for economic research, which the FGDB launched in 2011, is an opportunity for Romanian young people interested in contemporary economic developments to assert themselves and become valuable specialists. The contest encourages new ideas in macroeconomics, the multidisciplinary approach to subjects, as well as analyses of phenomena in terms of economic and financial stability.

*The prize of the first edition of the "Costin Murgescu" contest for economic research was awarded in July 2012 to a paper selected<sup>21</sup> by a jury comprised of Romanian and foreign academics and researchers.*

Each essay was graded according to the four criteria set under the rules of the contest:

originality (40 percent), logic of arguments (30 percent), conclusions (15 percent) and style (15 percent). All the 17 papers that entered the contest underwent an international anti-plagiarism test.

In 2012, the FGDB participated in the *Academica* project promoted by the National Bank of Romania to support financial education. The project unfolds as a debate forum addressing university professors, the academic community and representatives of the financial market in Romania. The 2012 edition took place in Constanța in the first ten-day period of September, with the FGDB discussing the involvement of bank deposit guarantee schemes in financial crisis management.

<sup>21</sup> The essay, titled *Should the National Bank of Romania Use a Dynamic Stochastic General Equilibrium Model for Romania in Its Monetary Policy Decision Process?*, was authored by Maria Bolboacă.



6.

LIQUIDATION OF BANKRUPT CREDIT INSTITUTIONS

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

- Starting 1999, in its capacity as creditor and as liquidator, the FGDB was involved in bankruptcy/liquidation procedures at the following banks<sup>22</sup>:
- 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 going through dissolution followed by liquidation procedures conducted by the FGDB and started on August 22, 2006.

In 2012 as well, the liquidators’ activities at the aforesaid banks proceeded according to legal provisions and the failed banks’ internal regulations, focusing on further bankruptcy-specific proceedings, namely:

- handling the cases pending before courts of law in order to recover claims and protect the respective banks’ patrimonial and non-patrimonial interests;

<sup>22</sup> 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.



- recovery of the failed banks' claims in order to provide funding for the continuation of bankruptcy procedures;
- continuous reduction of the bankrupt banks' debtor portfolio through further measures aimed at pursuing and recovering outstanding debts;
- permanent identification of solutions to cut the cost of bankruptcy procedures, including by slashing the number of staff (from 45 to 36);
- fulfilment of the decisions made by the syndic judge and by the committees/ assemblies of the failed banks' creditors.

The above-mentioned activities were carried through as the final stage of bankruptcy procedures drew near, as exemplified by the shutdown of Banca “Albina”, where the syndic judge approved,

during the hearing on that bank’s bankruptcy file on December 14, 2012, the final activity report drawn by the liquidator and ruled that bankruptcy procedures should be concluded and the bank be deregistered from the Trade Registry.

Receipts from recovered claims and from the realisation of assets in these banks’ property were insignificant in 2012 since, during the current stage of bankruptcy procedures, the respective banks have in their portfolios fewer assets and claims of lower values or which are difficult to realise.

Receipts by banks in 2012 were as follows:

BTR – 1.4 million lei,

BRS – 1.0 million lei,

BIR – 0.3 million lei and

Bankcoop – 0.1 million lei.

More than 64 percent of 2012 receipts came from interest on money investments (especially in the case of BTR), while around 36 percent resulted from recoveries from credits, interest and other claims, including sales of assets taken over for debts.

Here are the total receipts, expenses and funds for distribution to creditors as at December 31, 2012:

No.	Bankrupt bank <sup>1)</sup>	Total liquidation-related receipts <sup>2)</sup> (mln. lei)	of which:							Total liquidation-related expenses (mln. lei)	Total funds earmarked for distribution (mln. lei)
			Recoveries from claims			Sale of immovables		Other receipts			
			value (mln. lei)	% of total claims to recover	% of total receipts	value (mln. lei)	% of total receipts	value (mln. lei)	% of total receipts		
0	1	2	3	4	5	6	7	8	9	10	11
1	Banca “Albina”	26.6	16.8	28.33	63.16	7.5	28.20	2.3	8.64	7.6	19.2
2	Bankcoop	157.9	91.3	36.52	57.82	48.3	30.59	18.3	11.59	62.0	98.0
3	BIR	171.1	134.2	62.71	78.43	19.6	11.46	17.3	10.11	78.6	95.0
4	BRS	37.6	17.3	45.77	46.01	8.5	22.61	11.8	31.38	14.8	18.1
5	BTR	54.8	5.0	2.20	9.12	30.3	55.29	19.5	35.59	11.6	39.6
TOTAL		448.0	264.6	33.55	59.06	114.2	25.49	69.2	15.45	174.6	269.9

1) No data on Banca “Columna” and Nova Bank are tabled above, 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.

2) net value (free of VAT or other deductions, as the case might be)

In 2012, the bankrupt banks distributed no funds to their creditors.

The cumulative funds allotted for distribution to the failed banks’ creditors by December 31, 2012 amounted to 269.9 million lei, accounting for a recovery ratio of 35.08 percent of total claims to be recovered worth 769.4 million lei.

The five banks’ total receipts as at December 31, 2012 stood at 448.0 million lei, adding 2.8 million lei (around 0.7 percent) to the end-2011 level.

As the table above shows, receipts came from two main sources, namely recoveries from credits, interest and other claims, and sales of immovables.



Besides these two main sources, the bankrupt banks had smaller receipts from other sources as well, such as sale of movables, of other assets (stocks and other securities), dividends, rents and interest from investments.

In the case of *BRS*, if set-off of claims against debts, as well as the takeover of assets from debtors to recover the bank's claims are considered, the rate of claim recovery from credits, interest and other claims is of roughly 80 percent of the total claims registered at the bankruptcy date, which represents the highest recovery ratio among the five banks.

It should be pointed out that as far as *BTR* is concerned, the reason behind the extremely small percentage – of only 2.2 – of total recoveries from credits, interest and other claims at the bankruptcy date was that the remaining unrecovered claims were debts of a legal person in Turkey, namely

Bayindir Insaat Turizm Ticaret ve Sanayi (belonging to the Bayindir Holding AS group) from which no funds had been recouped by December 31, 2012. That was an outcome of the fact that *BTR*'s claim initiated in 2003 against the Turkish company was irrevocably quashed following an objection to the jurisdiction of courts in Romania.

Liquidation-related spending under the bankruptcy procedures at the five banks totalled 174.6 million lei on December 31, 2012.

With a view to reducing the bankrupt banks' debtor portfolio, further action was taken to recover debts from the main debtors and to remove from accounting records those debtors whose debts can no longer be recovered (bankruptcy procedures closed, lack of realisable guarantees, insolvent debtors etc).

The activity of the failed banks' liquidators to follow up on the cases pending before courts of law proceeds with difficulty in consideration of the criminal nature of various operations undertaken at these banks prior to filing for bankruptcy and of the fact that the courts usually set hearing dates 3 to 4 months apart on an average and issued their statements of reasons on

their decisions with delay, their solutions proving unfavourable to the bankrupt banks and their creditors.

The most conclusive case is that regarding the criminal file referring to the penal and civil liability of former *BTR* administrators, which took 10 years to solve.

## RECOVERY OF FGDB CLAIMS

In 2012, the FGDB recovered none of its outstanding claims over bankrupt banks for reasons detailed in the previous section.

Following the full recovery of its claims, the FGDB ceased to be a creditor of three failed banks, namely *Banca Română de Scont* (in 2004), Nova Bank (in 2007) and *Banca Turco-Română* (in 2011). In the case of *BTR*, the FGDB recovered its claims in full on December 23, 2011.

The claims the FGDB recovered from bankrupt banks by December 31, 2012 total 175.47 million lei and they account for part of the compensations paid out to the guaranteed depositors of those banks, as well as for the contributions (amounting to 0.98 million lei) owed to the FGDB and unpaid by the date of bankruptcy filing in the case of Bankcoop, *Banca Turco-Română* and Nova Bank.

*In 2012, the number of the failed banks' debtors decreased by 76 (from 995 to 919).*

The evolution of the number of bankrupt banks' debtors on December 31, 2012:

No.	Bankrupt bank*)	Total debtors on bankruptcy filing date	Total debtors removed from accounting records	Total debtors on December 31, 2012
0	1	2	3	4=2-3
1	Bankcoop	14,709	14,608	101
2	Banca Internațională a Religiiilor	22,416	21,765	651
3	Banca Română de Scont	232	185	47
4	Banca Turco - Română	1,286	1,166	120
	<b>TOTAL</b>	<b>38,643</b>	<b>37,724</b>	<b>919</b>

\*) The table does not include debtors to Banca "Albina" as bankruptcy procedures in its case closed on December 14, 2012.



# 7.

## THE FGDB'S FINANCIAL RESOURCES AND FINANCIAL STATEMENTS

### FINANCING POLICY AND FINANCIAL RESOURCES

*At the end of 2012, the FGDB's available funds amounted to 2,976.2 million lei, up 649 million lei from the December 31, 2011 level.*

In 2012, the FGDB, through its funding policy, continued to focus on increasing its resources to be able to react efficiently in the event of issues in the system calling for its intervention either to compensate depositors or to fund stabilisation measures or the transfer of guaranteed deposits.

The FGDB's financial resources consist mainly of the contributions and fees paid by its member credit institutions, the reinvested profit from its investments, recovered claims from bankrupt banks for compensation payouts, and earnings from its activity as liquidator.

In consideration of the FGDB's new duties, of the situation in the banking system, of the commitments Romania assumed in its relations with the International Monetary Fund and the European Union and of the changes in bank deposit guarantee schemes expected

within the European Union, the annual contribution rate in 2012 remained steady at 0.3 percent with a view to gradually reaching a target level for ex-ante funding of 2 percent.

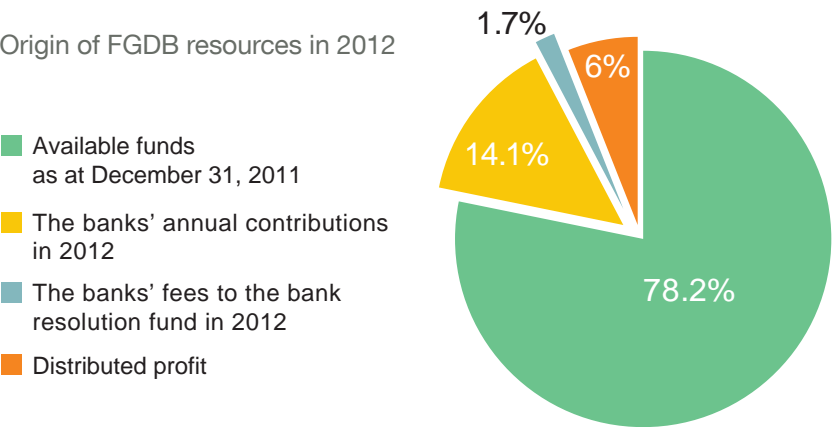
The annual contributions paid by the FGDB-member credit institutions totalled 419.85 million lei in 2012, adding 5.2 percent to the previous year's level.

At the same time, fees were collected from FGDB-member credit institutions amounting to 50.16 million lei, which went to the bank resolution fund, the annual rate for 2012 having been set at 0.0322 percent of the value of member credit institutions non-guaranteed liabilities.

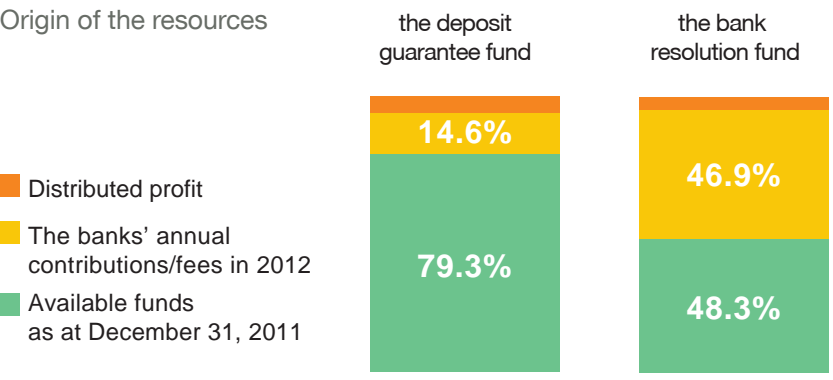
The reinvested profit from investments made in line with the FGDB's resources investment strategy stood at 179 million lei.



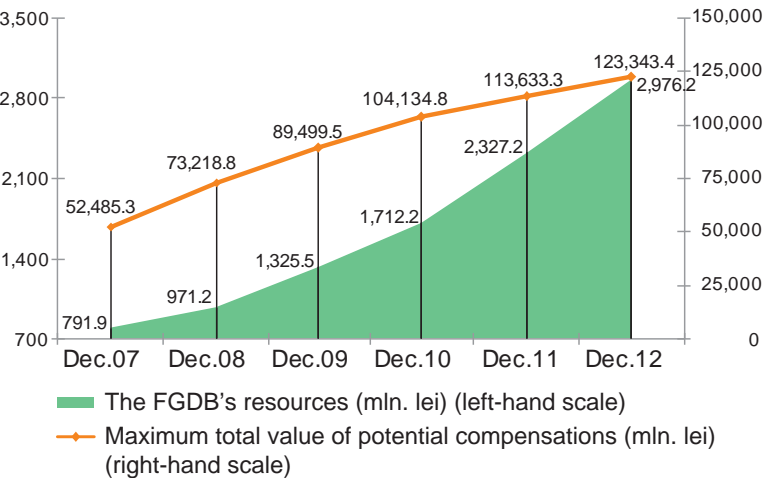
Origin of FGDB resources in 2012



Origin of the resources



The FGDB's resources and the value of potential compensations



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, rose from 1.6 percent in 2011 to 1.9 percent at the end of 2012, one of the highest ratios in the European Union. In comparison with the maximum total value of potential compensations, the faster growth of resources is apparent, which triggered improved FGDB coverage of potential compensations for member credit institutions. This is an indicator that the FGDB monitors attentively.

### Investment of Resources

Throughout 2012, the FGDB paid special attention to efficient and lower-risk investments of its available financial resources, in line with its annual exposure strategy approved by the Board of the National Bank of Romania. The main goals under that strategy are risk minimisation and the liquidity of investments, and, secondarily, the yield of these investments.

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

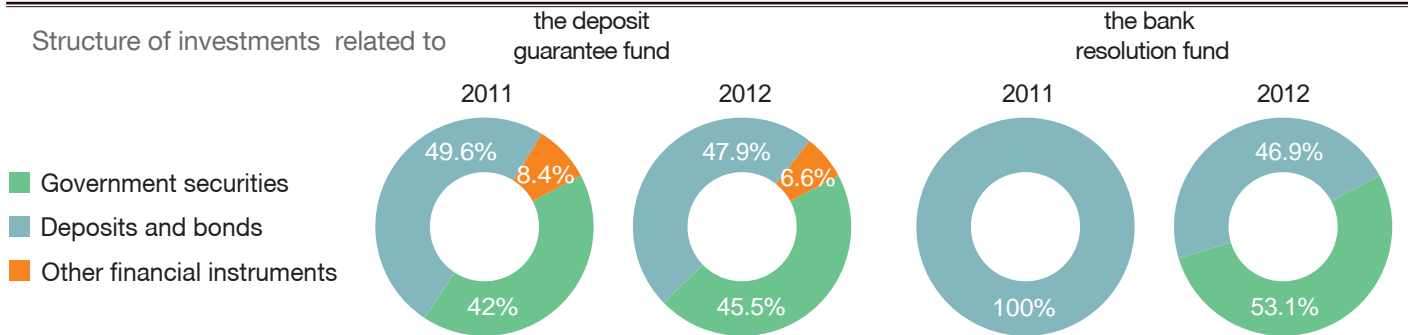
In 2012, the average invested capital amounted to 2,683,952,795 lei, 33 percent higher than in 2011 when it stood at 2,017,928,011 lei.

Throughout the year, the FGDB maintained high monthly liquidity hovering between 17 percent and 24 percent of the total invested financial resources, in line with decisions agreed upon by the CARF and the FGDB's Board.

The weight of investments in government securities increased from 41.07 percent of total

invested resources at the start of the year to 45.77 percent on December 31, 2012. In absolute terms, it means a rise of 406.6 million lei. The FGDB's

investments carried short- medium- and long-term maturities.



## FINANCIAL STATEMENTS

### The FGDB's Balance Sheet

- lei -

Assets	31.12.2011		Liabilities	31.12.2011	
	31.12.2011	31.12.2012		31.12.2011	31.12.2012
1. Total fixed assets, of which:	1,053,149,446	1,869,661,973	1. Total own funds, of which:	2,329,363,376	2,978,656,307
• intangible assets	36,788	45,115	• reserves	2,179,089,421	2,797,879,403
• tangible assets	323,110	276,069	• profit for the fiscal year	150,273,955	180,776,904
• financial assets	1,052,789,548	1,869,340,789			
2. Total current assets, of which:	1,276,645,194	1,109,651,589	2. Total debts, of which:	470,900	692,449
• short-term financial investments	1,276,381,708	1,108,237,353	• debts payable within one year	470,900	692,44
• cash at bank and in hand	132,540	1,275,638			
• other claims (bank settlements)	130,946	138,598			
3. Prepaid expenses	39,636	35,194			
TOTAL ASSETS	2,329,834,276	2,979,348,756	TOTAL LIABILITIES	2,329,834,276	2,979,348,756

The FGDB’s receipts and payments in 2012 were as follows:

a. Total receipts – 662,508,900 lei, of which:

- 419,845,342 lei representing the annual contributions to the bank deposit guarantee fund, set according to the statements sent by the credit institutions, including differences recorded during controls at their headquarters;
- 50,157,212 lei representing the annual fees to the bank resolution fund;
- 186,821,484 lei representing revenues from investments of financial resources in the bank deposit guarantee fund, which will be subsequently used to supplement its resources ;

- 5,463,772 lei representing revenues from investments of financial resources in the bank resolution fund, which will be subsequently used to supplement its resources;
  - 221,090 lei representing interest on funds in the FGDB’s current accounts.
- b. Total payments – 11,729,442 lei, of which:
- 11,729,442 lei representing the FGDB’s current operating expenses.

The FGDB’s financial result is given by the difference between its revenues from investment of its financial resources and its current expenses, according to the law that governs its operation.

Profit and Loss Account

	31.12.2011	31.12.2012	- lei - Difference
1 Total revenues	161,518,823	192,506,346	+30,987,523
2 Total expenditures	11,244,868	11,729,442	+484,574
3 Result for fiscal year	150,273,955	180,776,904	+30,502,949

Here is a breakdown of the FGDB’s 2012 total revenues worth 192,506,346 lei:

- 192,285,256 lei representing interest on time deposits and fixed coupons on government securities following investment of the FGDB’s financial resources in 2012;
- 221,090 lei representing interest on the FGDB’s funds in bank current accounts.

The FGDB’s total expenditures stood at 11,729,442 lei in 2012, accounting for 6.10 percent of total revenues, and they consisted of:

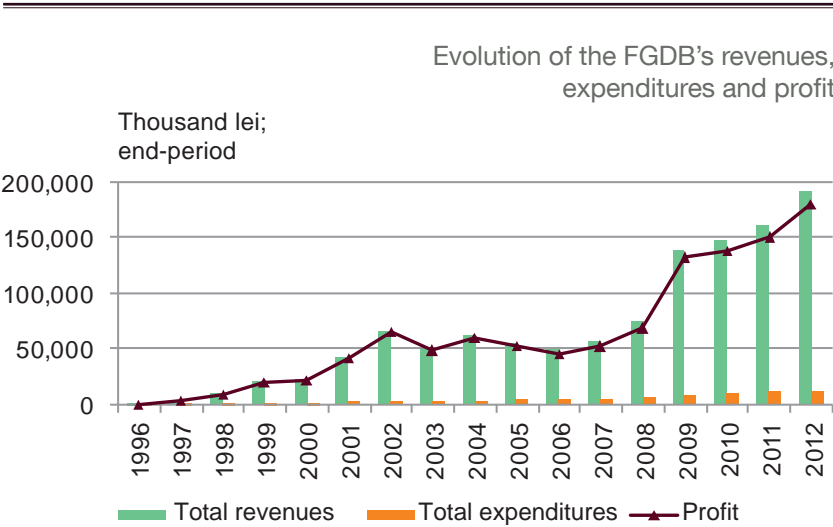
- 7,106,318 lei representing spending on salaries and accounting for 60.59 percent of total expenditures. Salary-related expenses accounted for 3.70 percent of the FGDB’s revenues from invested available funds;

- 1,790,600 lei representing spending on special budgets;
- 2,365,271 lei representing expenses to pay for services provided by third parties (20.17 percent of total expenditures), of which:
  - 334,584 lei representing spending on rent;
  - 2,030,687 lei representing other expenses to pay for third-party services;
- 220,413 lei representing spending on office supplies and inventory items;
- 195,160 lei representing expenses related to the depreciation of tangible and intangible assets.

The FGDB ended fiscal year 2012 with a pre-tax profit of 180,776,904 lei, higher by 30,502,949 lei, or by 20.30 percent, than the 2011 level. In line with legal provisions (Government Ordinance no. 39/1996 on the setting-up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions), the FGDB’s profit before taxation is tax free and is distributed according to the FGDB’s Board approval.

According to the provisions of Government Ordinance no. 39/1996 on the setting-up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions, 99 percent of the FGDB’s profit is allocated to replenish FGDB’s financial resources and to make the tangible and intangible investments approved by the Board 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’s Board.



The FGDB’s financial statements as at December 31, 2012 were audited by financial audit firm KPMG Audit SRL whose report shows that “the financial statements for the fiscal year ended December 31, 2012 were prepared, in all significant aspects, in accordance with Order no. 27/2011 of the Chairman of the National Bank of Romania’s Board and with the accounting policies described in the notes accompanying the financial statements”.



## 8.

## INTERNAL AUDIT

Internal audit focused on the way in which the FGDB had exercised its specific duties. To this end, the audit missions assessed the activity of the FGDB's organisational structures to meet performance criteria and attain targets efficiently and effectively.

At the end of their missions, the auditors formulated conclusions and recommendations which were submitted to the FGDB's executive management. A synthetic report along this line was sent to the FGDB's Board every six months.

*Audit missions in 2012 covered operational flows and activities: (i) carrying out specific studies on the evolution of deposits, estimation of market trends in savings etc.; (ii) evaluation of preventive and management control; (iii) assessment of analysis and control activities carried out at credit institutions; (iv) inventory and archiving activities.*

Given the FGDB's extended duties in applying bank resolution and stabilisation measures, the audit activity included a mission that referred to the harmonisation of the FGDB's duties and organisational structure with the specific legislation in various stages of implementation.

At the same time, the Audit Department set forth monthly reports on the opportunity of intended FGDB investments which assessed the compliance of the respective investments with the limits and requirements stipulated in the FGDB's exposure strategy for 2012.





# 9.

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



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## INDEPENDENT AUDITOR’S REPORT

To: The Bank Deposit Guarantee Fund’s Board

### 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, 2012, the profit and loss account for the fiscal year then ended, as well as a summary of significant accounting policies and other explanatory notes numbered from page 1 to page 28. The financial statements refer to:

- Total assets: 2,979,348,756 lei
- Net result of the fiscal year – profit: 180,776,904 lei

#### *Fund Management’s Responsibility for the Financial Statements*

2. The Fund’s management is responsible for the reliable preparation and presentation of these financial statements, in accordance with Order no. 27/2011 of the Chairman of the National Bank of Romania’s Board and with the accounting policies described in the notes to the financial statements, as well as for the internal audit the management considers necessary for the preparation of financial statements which should 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 procedures to obtain audit evidence on the amounts and information in the financial statements. These procedures are selected depending 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 reliable 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, as well as the evaluation of the overall financial statements presentation.

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



### Opinion

6. In our opinion, the financial statements for the fiscal year ended December 31, 2012 were prepared, in all significant aspects, in accordance with Order no. 27/2011 of the Chairman of the National Bank of Romania’s Board and with the accounting policies described in the notes accompanying the financial statements.

### Other Aspects

7. The present independent auditor’s report is exclusively addressed to the members of the Fund’s Board, as a body. Our audit has been undertaken so that we may report to the Fund’s Board the aspects that we are required to state to them in a 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 the members of its Board, as a body, for our audit, for the report on the financial statements, for the conformity report and for the opinion we have formed.

8. The accompanying financial statements are not intended to present financial position, results of operations and a full set of notes to the financial statements in conformity with accounting rules and principles accepted in countries and jurisdictions other than Romania. That is why the accompanying financial statements are not prepared to be used by entities that are not familiar with accounting and legal regulations in Romania, including Order no. 27/2011 of the Chairman of the National Bank of Romania’s Board.

9. The Bank Deposit Guarantee Fund’s financial statements for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on March 19, 2012.

### Report on the Conformity of the Management’s Report with the Financial Statements

In line with Order no. 27/2011, article 210, item (1) e, of the Chairman of the National Bank of Romania’s Board, we have read the management’s report attached to the financial statements and numbered from page 1 to page 7. The management’s report is not an integral part of the financial statements. In the management’s report we have not identified financial information significantly non-compliant with the information presented in the accompanying financial statements.

### For and on behalf of KPMG Audit SRL

Grecu Tudor Alexandru



KPMG Audit SRL

Registered with the Chamber of  
Financial Auditors of Romania  
Certificate no. 2368/22.01.2008  
Bucharest, April 12, 2013

Registered with the Chamber of  
Financial Auditors of Romania  
Certificate no. 9/2001

BALANCE SHEET

as at December 31, 2012

- RON -

Indicator	Position Code	Note	December 31, 2011	December 31, 2012
A	B		1	2
Cash in hand	010	2	16,968	7,004
Claims over credit institutions	020	3	1,182,424,860	1,270,642,432
• sight claims	023		115,572	1,268,634
• other claims	026		1,182,309,288	1,269,373,798
Public instruments, bonds and other fixed-income securities	040		1,099,214,862	1,672,798,927
• issued by public bodies	043	4	1,099,214,862	1,672,798,927
Intangible assets	050	5	36,788	45,115
Tangible assets	060	5	323,110	276,069
Other assets	070	6	130,946	138,598
Prepaid expenses and committed income	080	7	47,686,742	35,440,611
<b>Total assets</b>	<b>090</b>		<b>2,329,834,276</b>	<b>2,979,348,756</b>
Other liabilities	330	8	470,900	692,449
The deposit guarantee fund and the compensation fund for prejudiced creditors	360		2,178,384,421	2,797,174,403
The deposit guarantee fund	361		2,128,375,028	2,695,394,000
The deposit guarantee fund consisting of credit institutions' contributions	362	9	1,310,364,581	1,730,209,922
The deposit guarantee fund consisting of revenues from claim recoveries	363	11	65,714,286	65,714,286
The deposit guarantee fund consisting of revenues from investments of available financial resources	365	12	749,705,318	896,878,949
The deposit guarantee fund consisting of other revenues as set within the law	366	13	2,590,843	2,590,843
The bank resolution fund	367	10	50,009,393	101,780,403
Reserves	370	14	705,000	705,000
<b>Result of the fiscal year – Profit</b>	<b>403</b>		<b>150,273,955</b>	<b>180,776,904</b>
<b>Total liabilities</b>	<b>420</b>		<b>2,329,834,276</b>	<b>2,979,348,756</b>

PROFIT AND LOSS ACCOUNT

for Fiscal Year Ended December 31, 2012

- RON -

Indicator	Position Code	Note	December 31, 2011	December 31, 2012
A	B		1	2
Interest receivables and similar income, of which:	010	16a	161,491,824	192,505,253
• on public instruments, bonds and other fixed-income securities	015		72,374,249	96,360,827
Commissions	040	16b	54,041	57,056
Net profit or loss from financial operations	050	16c	433	-2,088
Other operating income	060		24,934	-
General administrative expenses	070		10,554,241	11,090,902
• Employee-related expenses, of which:	073	16d	8,359,140	8,896,918
• Salaries	074		6,698,984	7,106,318
• Social security costs, of which:	075		1,660,156	1,790,600
• Pension-related expenses	076		1,101,361	1,149,276
• Other administrative expenses	077	16e	2,195,101	2,193,984
Adjustments to the book value of tangible and intangible assets	080	5	173,277	193,406
Other operating expenses	090		461,677	384,897
<b>Result of current activity – Profit</b>	<b>143</b>		<b>150,273,955</b>	<b>180,776,904</b>
<b>Total income</b>	<b>180</b>		<b>161,517,191</b>	<b>192,503,165</b>
<b>Total expenses</b>	<b>190</b>		<b>11,243,236</b>	<b>11,726,261</b>
<b>Pre-tax result – Profit</b>	<b>203</b>		<b>150,273,955</b>	<b>180,776,904</b>
<b>Net result for the fiscal year - Profit</b>	<b>223</b>		<b>150,273,955</b>	<b>180,776,904</b>



NOTES TO THE FGDB'S FINANCIAL STATEMENTS - EXCERPTS

1. Significant Accounting Methods and Policies

Here below are some of the main accounting policies employed in preparing these financial statements.

a) Preparation and Presentation of Financial Statements

These financial statements were prepared in accordance with the Accounting Law no. 82/1991, republished, with subsequent amendments and completions.

The financial statements as at December 31, 2011 were prepared according to the provisions of Order no. 13/2008 of the Chairman of the National Bank of Romania's Board on the approval of the accounting regulations complying with European Union directives applicable to credit institutions, non-banking financial institutions and the Bank Deposit Guarantee Fund, with subsequent amendments and completions. Starting 2012, financial statements are prepared in line with the National Bank of Romania's Order no. 27/2011.

These financial statements were not prepared to reflect the FGDB's financial position and results according to accounting regulations and policies accepted in countries and jurisdictions other than Romania. That is why, they are not intended for use by entities unfamiliar with accounting and legal regulations in Romania, including Order no. 27/2011 of the National Bank of Romania.

e) Continuity of Activity

The present financial statements were prepared according to the principle of continuity of business, which assumes that the FGDB will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management has considered forecasts on future cash inflows.

f) Conversion of Transactions in Foreign Currencies

Transactions in foreign currencies are registered at the exchange rate published by the National Bank of Romania on the day of the respective deals. Foreign exchange gains or losses resulting from transactions in foreign currencies are included in revenues or expenses on the day the transaction was concluded, using that day's exchange rate. Monetary assets and liabilities denominated in a foreign currency are converted back to lei at the exchange rate on balance date, except assets denominated in foreign currencies recorded as financial assets which are converted back to lei at the exchange rate published the day those assets were acquired. Forward foreign exchange transactions are converted at the forward exchange rate related to the time-lapse from the balance sheet date. The gain or loss resulting from the conversion of monetary assets and liabilities in foreign currencies is reported in the profit and loss account for the current year.

The official exchange rates for the major foreign currencies at the end of the reporting period were as follows:

Currency	December 31, 2011	December 31, 2012	Variation
EUR	1: RON 4.3197	1: RON 4.4287	2.5%
USD	1: RON 3.3393	1: RON 3.3575	0.5%
CHF	1: RON 3.5528	1: RON 3.6681	3.2%
GBP	1: RON 5.1545	1: RON 5.4297	5.3%

g) Cash and Cash Equivalents

Cash and cash equivalents are reported in the balance sheet at cost.

i) Financial Assets

Investment securities are financial assets that provide fixed or determinable payments and have fixed maturities which the FGDB is firmly determined and has the possibility to hold until they mature.

Securities can be classified as investment securities depending on:

- conditions and characteristics of the financial asset and
- the FGDB's ability and actual intent to hold these instruments to maturity.

The decision on classifying securities as investment securities will ignore both future opportunities to make profit from the respective portfolio and bid prices from investors before maturity, since the intent is to hold the respective investment to maturity rather than to sell it, irrespective of fluctuations in value in the market for such instruments.

A precondition for the classification as investment securities is the assessment of the FGDB's intent and ability to hold those instruments to maturity; this assessment should be

made not only at the time of the initial acquisition but also at the end of each fiscal year.

If the institution's intent or ability to hold investment securities to maturity changes and these instruments' classification as investment securities is no longer suitable, they will be reclassified as trading securities and will be assessed in terms of this category.

In conditions in which the institution sold or reclassified investment securities of significant values during the fiscal year to date or during the previous two fiscal years it will not be able to classify any financial asset as investment securities ("the contamination rule").

This interdiction no longer applies if the respective sale or reclassification:

- is so close to the financial asset's maturity date (for instance, less than three months to maturity) that the shifts in interest on the market cannot have any significant impact on the fair value of the financial asset;
- is made after the bulk of the principal of the financial asset was redeemed through periodical payments or early repayments; or it has to do with an isolated, nonrepetitive and difficult-to-anticipate event.

### p) 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 previous years' profits.

The accounting functionality and reporting of these accounts are stipulated under Government Ordinance no. 39/1996 on the setting-up and operation of the Bank Deposit Guarantee Fund and Order no. 27/2011 of the National Bank of Romania, with subsequent amendments and completions, as follows:

#### I. Initial contribution

It is the contribution each credit institution pays when it joins the FGDB's bank deposit guarantee scheme. It is recorded the moment the respective credit institution receives its licence.

#### II. Annual contribution

The annual contribution is calculated and paid on a yearly basis by credit institutions and it is recorded on an accrual accounting basis.

#### III. Special contributions

They represent other contributions that credit institutions pay to the FGDB, in line with existing legislation, when its financial resources prove insufficient to cover compensation payouts.

#### IV. Claim recoveries

They represent revenues from the

recovery of the FGDB's claims over failed commercial banks for the payouts made when these banks went into bankruptcy.

Credit institutions' contributions are non-refundable, including when a credit institution is judicially liquidated or dissolved.

#### V. Funds consisting of other revenues

These are other revenues, set according to Government Ordinance no. 39/1996 and Order no. 27/2011, representing donations, sponsorships, earnings from financial assistance services and other activities performed by the FGDB as liquidator of bankrupt banks, as well as other forms of income within the law.

#### VI. Fund consisting of revenues from investments of available financial resources

These reserves consist of the FGDB's net profit. Under Government Ordinance no. 39/1996, the FGDB's profit, which is the difference between its revenues and its expenditures, is tax free. With the approval of the FGDB's Board, up to 1 percent of the profit goes to an annual profit-sharing fund, with the remainder being used to replenish FGDB's resources intended to cover guaranteed deposits and provide financial resources for tangible and intangible investments, according to the revenues and expenditures budget approved by the National Bank of Romania.

The reserve account diminishes by:

- the FGDB's effective payouts to the guaranteed depositors of failed banks;
- interest and installments on loans taken to pay out guaranteed compensations;
- commitment fee on stand-by loan agreements with credit institutions;
- according to provisions under Government Ordinance no. 39/1996.

Consequently, the FGDB does not register provisions for guaranteed depositors' compensation claims pending resolution or for potential compensation claims that have not been notified.

#### q) Profit Tax

The FGDB's profit is tax exempt, according to Government Ordinance no. 39/1996 with subsequent amendments and completions.

#### r) Provisions for Risks and Expenses

The risk and expense provisions are intended to cover debts the nature of which is clearly defined and which, on balance date, are likely to be incurred or certain to be incurred, but are uncertain as to the amount or the date at which they will arise.

Risk and expense provisions are recognised only when:

- the FGDB has a present obligation stemming from a past event;

- a cash outflow is likely to be needed to settle the respective obligation; and
- the value of the obligation can be reliably estimated.

Provisions are not recognised for future operating losses. Gains on asset disposal are not considered when estimating provisions. If some or all of the expenses needed to settle a provision is expected to be reimbursed by a third party, the reimbursement will be recognized only when it is certain to be received. Provisions are reviewed on each balance date and are adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources is required to settle an obligation, the provision should be reversed. Provisions will be used only for the purpose for which they were originally recognised.

The FGDB makes provisions for litigations on the basis of its Legal Department's assessment of the need for such provisions and of their levels to cover possible losses in litigations in which the FGDB is a defendant/civilly liable party in an action brought before a court of law with a money assessable claim.

#### t) Revenues from Interest

Revenues from interest are recognised in the profit and loss account on an accrual accounting basis for all interest-bearing financial instruments, when they are earned. Interest revenues also include revenues 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.

#### u) Revenue Recognition

The FDGB does not perform commercial activities. Its revenues derive from interest on financial investments. In the present

financial statements, revenues and expenditures are presented at their gross value. Debts and claims from the same partners are presented in the balance sheet at their net value when a compensation right arises.

3. Claims over Credit Institutions

	December 31, 2011 (RON)	December 31, 2012 (RON)
Current accounts	115,572	1,268,634
Term investments at banks	1,182,309,288	1,269,373,798
<b>Total</b>	<b>1,182,424,860</b>	<b>1,270,642,432</b>

4. Public instruments, bonds and other fixed-income securities

	December 31, 2011 (RON)	December 31, 2012 (RON)
Investment securities, of which:	838,382,122	1,647,469,351
• Investment securities	688,222,122	1,335,095,454
• Bonds	150,160,000	312,373,897
Attached claims – investment securities	20,122,295	25,329,576
Trading securities	240,290,034	–
Attached claims – trading securities	420,411	–
<b>Total</b>	<b>1,099,214,862</b>	<b>1,672,798,927</b>

9. Fund Consisting of Credit Institutions' Contributions (cumulative amounts)

	December 31, 2011 (RON)	December 31, 2012 (RON)
Initial contribution – 1%	6,472,230	6,472,230
Annual contribution (including increased contribution)	1,769,183,779	2,189,029,120
Special contribution	61,777,997	61,777,997
Credit line commission	(14,825,698)	(14,825,698)
Deposit compensations	(512,243,727)	(512,243,727)
<b>Total</b>	<b>1,310,364,581</b>	<b>1,730,209,922</b>

The initial contribution is paid within 30 calendar days of the date the licence was issued by the National Bank of Romania or – in the case of branches of credit institutions headquartered in other EU member states – of the date they joined the FGDB. In 2012, there were no initial contribution payments.

Each credit institution's annual contribution is calculated according to the statements it sends to the FGDB. In 2012, the FGDB collected 419,845,342 lei in annual contributions, which were calculated as 0.3 percent of the value of guaranteed deposits (2011: 0.3 percent). That annual contribution percentage is proposed by the FGDB and approved by the Board of the National Bank of Romania.

10. Bank Resolution Fund

	December 31, 2012 (RON)
2011 annual fee	50,009,393
December 31, 2011 balance	50,009,393
2012 annual fee	50,157,211
2011 capitalised profit	1,613,799
<b>Total</b>	<b>101,780,403</b>

The bank resolution fund is intended to provide the financial resources needed to compensate entities prejudiced by measures endorsed and implemented during special administration procedures.

The bank resolution 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. In setting the percentage to be used when calculating the annual fee, the optimum amount of financial resources in the bank

If, upon FGDB request, the Board of the National Bank of Romania assesses that FGDB resources are insufficient to settle payment obligations, it can decide on a special contribution payable by each credit institution equal to up to the level of the annual contribution of the respective fiscal year. Credit institutions paid no special contributions in 2012.

The compensation is the amount the FGDB pays to each guaranteed depositor for deposits which are unavailable, no matter the number of deposits and within the guarantee ceiling. There were no compensation payouts in 2012.

resolution fund is considered and so is the targeted appropriate level for each year. That percentage cannot exceed 0.1.

In 2012, annual fees going to the FGDB totalled 50,157,211 lei, for a percentage of 0.0322 of non-guaranteed liabilities.

The 2011 profit amounting to 1,613,799 RON resulting from investments of resources in the bank resolution fund was capitalised following a decision of the FGDB's Board after the financial statements as at December 31, 2011 were authorised.



11. Fund Consisting of Revenues from Claim Recovery (cumulative amounts)

	December 31,2011 (RON)	December 31,2012 (RON)
Recovered claims	174,489,241	174,489,241
Interest on bank loans – The National Bank of Romania	(108,774,955)	(108,774,955)
<b>Total</b>	<b>65,714,286</b>	<b>65,714,286</b>

Recovered claims are the amounts the FGDB collected from credit institutions as outstanding annual contributions on the bankruptcy date and compensations payouts to depositors.

In 2012, no claims were recovered from bankrupt banks.

12. Fund Consisting of Revenues from Investments of Available Financial Resources

	December 31,2011 (RON)	December 31,2012 (RON)
Fund consisting of revenues from investments of available financial resources – share of the profit	749,705,318	896,878,949

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

13. Fund Consisting of Other Revenues, within the Law

	December 31,2011 (RON)	December 31,2012 (RON)
The FGDB's earnings from its activities as liquidator	2,590,843	2,590,843

15. Distribution of Profit

	December 31, 2011 (RON)	December 31, 2012 (RON)
Result of current activity – profit, of which:	150,273,955	180,776,904
Profit from the guarantee fund resources	148,660,156	175,679,665
Profit from the bank resolution fund resources	1,613,799	5,097,239
<b>Undistributed profit</b>	<b>150,273,955</b>	<b>180,776,904</b>

The FGDB's Board decided on the distribution of profit in the fiscal year ended December 31, 2012.

16. Information on Several Sub-Sections in the Profit and Loss Account

a) Interest receivables and assimilated revenues

(RON)	2011	2012
Current accounts	79,744	219,997
Investments at banks	89,037,831	95,924,429
Fixed-income securities and other bonds	72,374,249	96,360,827
<b>Total</b>	<b>161,491,824</b>	<b>192,505,253</b>

b) Spending on commissions

Spending on bank commissions in 2012 stood at RON 57,056 (2011: RON 54,041).

c) Profit or loss on financial operations

The FGDB ended 2012 with a net loss on financial operations of RON 2,088<sup>23</sup> (2011: net profit of RON 433).

d) Employee-related expenses

(RON)	2011	2012
Spending on salaries	6,698,984	7,106,318
Spending on social security and welfare, of which:	1,660,156	1,790,600
• spending on pensions	1,101,361	1,149,276
<b>Total</b>	<b>8,359,140</b>	<b>8,896,918</b>

<sup>23</sup> FGDB note: Exchange rate differences.

e) Other administrative expenses

(RON)	2011	2012
Telecommunications and data processing	84,803	121,350
Advertising	448,234	146,824
Business trips	120,377	165,834
Inventory materials and items	150,887	220,413
Maintenance and utilities	91,592	124,050
Audit, consultancy and other services	622,314	545,226
Freelance workers	599,155	709,580
Other administrative spending	77,739	160,707
<b>Total</b>	<b>2,195,101</b>	<b>2,193,894</b>

Spending on audit fees in 2012 totalled RON 30,360 (2011: RON 62,901).

19. Risk Management

a) 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 rate surges in the wake of such changes, but

it may also slide and trigger losses when unexpected shifts occur. The FGDB management periodically monitors its exposure to moves in interest rates.

b) Market risk

Given Romania's developing economy, there is a significant amount of uncertainty over the possible direction of domestic economic policies. The FGDB management

cannot anticipate the changes to take place in Romania, nor their possible impact on the FGDB's financial position and on the results of its transactions.

c) Liquidity risk

The FGDB's strategy focuses on maintaining sufficiently liquid resources to be able

to settle its obligations at maturity and in this way to avoid losses.

-RON-

As at December 31, 2012	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Total
Cash in hand	7,004	-	-	7,004
Current bank accounts	1,268,634	-	-	1,268,634
Claims over credit institutions	-	587,879,601	681,494,197	1,269,373,798
Public instruments, bonds and other fixed-income securities	-	-	1,672,798,927	1,672,798,927
Other financial instruments	-	-	186,557,000	186,557,000
Other assets	138,598	-	-	138,598
Prepaid expenses and committed revenues	35,194	25,420,555	9,984,862	35,440,611
<b>Total assets</b>	<b>1,449,430</b>	<b>613,300,156</b>	<b>2,550,834,986</b>	<b>3,165,584,572</b>
Other liabilities	692,449	-	-	692,449
The bank deposit guarantee fund	2,695,394,000	-	-	2,695,394,000
The bank resolution fund	101,780,413	-	-	101,780,413
<b>Total liabilities</b>	<b>2,797,866,862</b>	<b>-</b>	<b>-</b>	<b>2,797,866,862</b>
<b>Liquidity surplus/(needs)</b>	<b>(2,796,417,432)</b>	<b>613,300,156</b>	<b>2,550,834,986</b>	<b>367,717,710</b>

-RON-

As at December 31, 2011	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 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	186,557,000	1,182,309,288
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
Other assets	130,946	-	-	130,946
Prepaid expenses and committed revenues	701,344	39,257,267	7,728,131	47,686,742
<b>Total assets</b>	<b>446,697,934</b>	<b>829,986,896</b>	<b>1,239,346,548</b>	<b>2,516,031,378</b>
Other liabilities	470,900	-	-	470,900
The bank deposit guarantee fund	2,128,375,028	-	-	2,128,375,028
The bank resolution fund	50,009,393	-	-	50,009,393
<b>Total liabilities</b>	<b>2,178,855,321</b>	<b>-</b>	<b>-</b>	<b>2,178,855,321</b>
<b>Liquidity surplus/(needs)</b>	<b>(1,732,157,387)</b>	<b>829,986,896</b>	<b>1,239,346,548</b>	<b>337,176,057</b>

d) Foreign exchange risk

The FGDB operates in a developing economy where the exchange rates of the major currencies (the euro, the US dollar, the Swiss franc) are unstable as shown by the fluctuations over the last few years of such currencies as the euro and the Swiss franc. Under these circumstances, the value of net monetary assets denominated in RON might dwindle.

On December 31, 2012, the FGDB held in its bank current accounts denominated in EUR the equivalent of RON 4,409 (December 31, 2011: RON 6), in USD the equivalent of RON 6,022 (December 31, 2011: RON 4,334) and in other foreign currencies the equivalent of RON 269 (December 31, 2011: RON 163). The remaining monetary assets and liabilities are denominated in RON.

e) Credit risk

The FGDB’s main target in 2012 was to strengthen its operational and financial capacity to be able both to secure the necessary resources to cover possible compensation payouts and to fulfil its new financial stabilisation duties introduced under Government Ordinance no. 1/2012 for amendment and completion of normative acts on credit institutions.

In 2012, the FGDB continued to keep a sharp focus on the efficient investment of its available financial resources, in conditions of higher liquidity and lower risk, in line with its 2012 exposure strategy endorsed by the Board of the National Bank of Romania.

i. Investment securities, of which:	As at December 31, 2012 (RON)
Investment securities	1,344,539,678
Bonds	328,259,249
<b>Total</b>	<b>1,672,798,928</b>
ii. Bank deposits	As at December 31, 2012 (RON)
<b>Total bank deposits and current accounts</b>	<b>1,270,642,432</b>

# ANNEXES



## LIST OF FGDB-MEMBER CREDIT INSTITUTIONS AS AT DECEMBER 31, 2012

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

## DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT DECEMBER 31, 2012

No.	Indicator	Dec. 31, 2011 <sup>1</sup>	Dec. 31, 2012	Difference	
0	1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1.	Number of deposit holders – total, of which:	15,648,229	15,500,121	-148,108	-0.9
	• natural persons	14,695,955	14,540,212	-155,743	-1.1
	• legal persons	952,274	959,909	7,635	0.8
2.	Number of guaranteed deposit holders – total, of which:	15,613,508	15,448,237	-165,271	-1.1
	• natural persons	14,694,367	14,528,322	-166,045	-1.1
	• legal persons	919,141	919,915	774	0.1
3.	Total deposits (million lei), of which:	287,630.3	289,326.6	1,696.3	0.6
	• in lei	154,854.4	150,482.3	-4,372.1	-2.8
	• in foreign currencies (leu equivalent)	132,775.9	138,844.3	6,068.4	4.6
4.	Total guaranteed deposits (million lei), of which:	140,296.4	148,899.0	8,602.6	6.1
	% of total deposits	48.8	51.5		
	• in lei	91,265.0	92,716.0	1,451.0	1.6
	• in foreign currencies (leu equivalent)	49,031.5	56,183.0	7,151.5	14.6
5.	Value of natural persons' guaranteed deposits (million lei), of which:	106,531.4	114,996.6	8,465.2	7.9
	% of total guaranteed deposits	75.9	77.2		
	• in lei	66,255.3	68,451.7	2,196.4	3.3
	• in foreign currencies (leu equivalent)	40,276.1	46,544.9	6,268.8	15.6
6.	Value of legal persons' guaranteed deposits (million lei), of which:	33,765.0	33,902.4	137.4	0.4
	% of total guaranteed deposits	24.1	22.8		
	• in lei	25,009.7	24,264.4	-745.3	-3.0
	• in foreign currencies (leu equivalent)	8,755.4	9,638.1	882.7	10.1
7.	Total non-guaranteed deposits (million lei), of which:	147,333.9	140,427.6	-6,906.3	-4.7
	% of total deposits	51.2	48.5		
	• in lei	63,589.4	57,766.3	-5,823.1	-9.2
	• in foreign currencies (leu equivalent)	83,744.4	82,661.3	-1,083.1	-1.3

<sup>1</sup> Final data updated after a verification of the calculation basis for contributions owed by credit institutions in 2012.

