

DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM

REPORT on the activity of the Deposit Guarantee Fund in the Banking System in 2008

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Management of the Deposit Guarantee Fund in the Banking System as at 31 December 2008

Chairman of the Board:



Adrian Ioan Cosmescu

Members of the Board:



**Cristian
Păunescu**



**Lucia Sanda
Stoenescu**



**Radu Grațian
Ghețea**



**Radu
Negrea**



**Petrică
Grama**



**Radu Constantin
Ragea**

The Executive Management of the Fund:



**Niculae Vulpescu
Director**



**Alexandru Matei
Deputy Director**



**Vasile Bleotu
Economic Director**

The Board

Niculae Vulpescu,

Chairman

Advisor to the Governor, National Bank of Romania

(January – February 2008)

Adrian Ioan Cosmescu,

Chairman

Deputy director, National Bank of Romania

(as from March 2008)

Cristian Păunescu,

Member

Director, National Bank of Romania

Lucia Sanda Stoenescu,

Member

Advisor, National Bank of Romania

(as from May 2008)

Radu Grațian Ghețea,

Member

President of the Romanian Banking Association

Radu Negrea,

Member

Secretary General of the Romanian Banking Association

Petrică Grama,

Member

Advisor to the State Secretary, Ministry of Economy and Finance

Dorel Fronea,

Member

Secretary General, Ministry of Justice

(January – May 2008)

Radu Constantin Ragea,

Member

State Undersecretary, Ministry of Justice

(as from June 2008)

The Executive Management

Niculae Vulpescu,

Director

(as from March 2008)

Alexandru Matei,

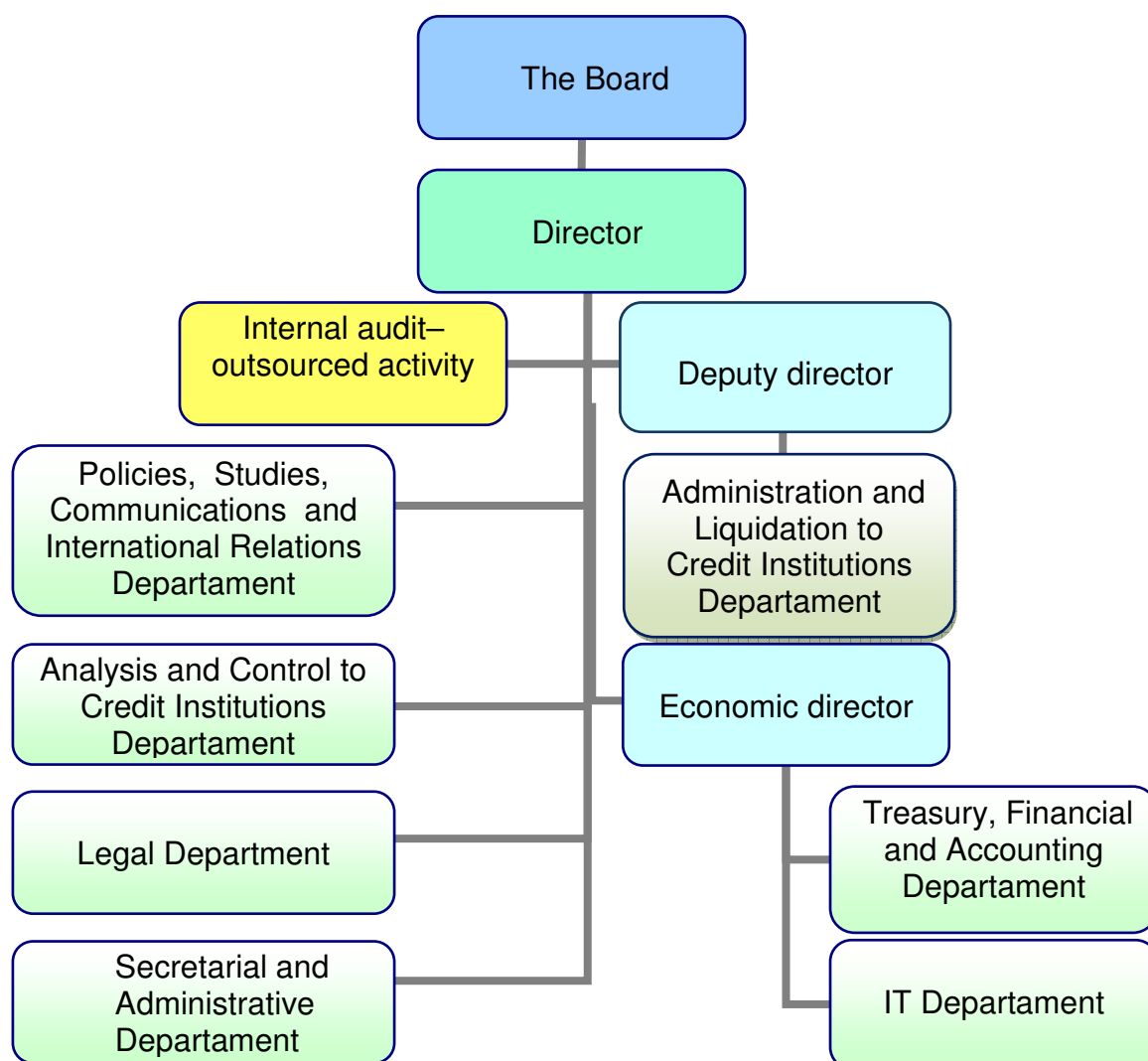
Director (January - February 2008) and

Deputy director (as from March 2008)

Vasile Bleotu,

Economic director

ORGANIZATIONAL CHART OF THE DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM



CHAPTER I

GENERAL INFORMATION ON THE DEPOSIT GUARANTEE FUND IN THE BANKING SYSTEM

I.1. Mission and values

By its mission and role, the Deposit Guarantee Fund in the Banking System (hereafter the *Fund*) is one of the main institutions which contribute to maintaining the confidence of the public in the financial and banking system in Romania, by preventing the contagiousness phenomenon to arise and thus ensuring the financial stability, which has a positive effect on the entire economy.

The main purpose of the Fund is to guarantee the deposits of natural and legal persons, as well as of entities with no legal personality held with the credit institutions participating in the deposit guarantee scheme and to reimburse deposits under the form of compensations, in accordance with the conditions and limits set by the law, in the event that one of the credit institutions fails.

Therefore, the Fund has a responsibility towards depositors to ensure compensation payout in the event that the credit institution they hold their savings with fails. To this end, the Fund continuously strives to reach an adequate level of the resources it manages by minimizing risks and ensuring the liquidity of investments so that it can intervene at any time in order to reimburse depositors as soon as possible.

The existence of the mechanism which guarantees reimbursement of deposits held with credit institutions under the form of compensations is meant to limit the systemic risk that the winding-up of a credit institution might generate, and the developments on the international stage in the last year have proved this important role of the deposit guarantee schemes.

Last year's turmoil on foreign financial markets also led to a decrease in the confidence of the public in financial and banking systems, which deteriorated one of the basic conditions for maintaining a safe and secure environment, namely its credibility.

Thus, in view of recent events, the Fund also has the mission to increase people's knowledge of deposit guarantee, as this lies at the basis of building and maintaining their confidence in the financial system of a country.

Given the great importance of this aspect, the Fund assumed the responsibility to ensure a climate of confidence and transparency, as well as to undertake measures in order to increase the depositors' awareness level with respect to the topic of deposit guarantee.

I.2. Legislative developments, regulations

The Fund was set up over 12 years ago, based on Government Ordinance n° 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, which was subsequently amended and supplemented.

One of the most important amendments to the legislation of the Fund took place in 2004, and the main aim was to comply with Directive 94/19/EC of the European Parliament and of the Council of the European Union of 30 May 1994, on deposit guarantee schemes, and, in 2006, a new substantial change with respect to the financing policy of the Fund took place.

Against the troubled situation on foreign financial markets in the last year, there has been an increase of the existing concern on the international stage, especially within the European Union, with respect to financial crisis management, which led to a special attention given to the institutions which are responsible for ensuring financial stability, and one of the main components concerned is the deposit guarantee scheme.

Given the commitment of the Council of the European Union of 7 October 2008 to take all necessary measures to protect the deposits of individual depositors, as well as the common position of the member states according to which the priority is to restore confidence and proper functioning of the financial sector, the European Commission submitted, on 15 October 2008, a first proposal to amend the directive on deposit guarantee schemes, which aimed at revising the following main aspects:

- increase of the minimum level of coverage of EUR 20,000;
- reduction of the payout period from 3 months to several days;
- discontinuation of co-insurance .

Romanian authorities reacted immediately to the decisions made on 7 October 2008 in the Council, so that, through Government Emergency Ordinance n° 129 of 14 October 2008, supplementing the provisions of article 5 of Government Ordinance n° 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, the level of coverage for each individual guaranteed depositor was set at EUR 50,000, in lei equivalent, as from 15 October 2008, while the level of guaranteed coverage for each legal person guaranteed depositor was kept at EUR 20,000 , in lei equivalent.

Starting from the European Commission draft submitted in mid-October 2008 for amending the directive on deposit guarantee schemes, over the next period a series of discussions took place within the various bodies involved, regarding the text of the draft for amending the directive on deposit guarantee schemes. Several successive versions were drawn up until a compromise was reached.

On 18 December 2008, the European Parliament adopted the proposal for a directive amending the directive on deposit guarantee schemes, which was then sent, according to the codecision procedure, to the Council of the European Union.

Thus, on 11 March 2009, the European Parliament and the Council of the European Union adopted Directive 2009/14/EC amending Directive 94/19/EC on deposit guarantee schemes as regards the coverage level and the payout delay.

The main amendments to the Directive concern the following aspects:

- increase the minimum coverage level within the European Union from EUR 20,000 to EUR 50,000 and, by 31 December 2010, coverage should be set at EUR 100,000, unless a Commission impact assessment, submitted to the European Parliament and the Council by 31 December 2009, concludes that such an increase and such harmonization are inappropriate and are not financially viable for all member states. In this last case, the Commission should submit appropriate proposals to the European Parliament and the Council;
- the Commission should be empowered to adjust the coverage level according to inflation in the European Union, on the basis of changes in the harmonized index of consumer prices published by the Commission;
- the payout delay of three months, provided for in the initial version of the Directive, should be reduced to a period of 20 working days;
- reduction of the decision period of 21 days to five days in those cases where the competent authorities determine that a credit institution failed to repay deposits which are due and payable;
- ensure cooperation between deposit guarantee schemes;
- ensure that credit institutions make available to depositors the information regarding deposit guarantee schemes;
- deposit guarantee schemes should be informed in the event that the competent authorities detect problems in a credit institution that are likely to give rise to the intervention of deposit guarantee schemes;
- deposit guarantee schemes should perform regular tests of their systems.

Member states shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 30 June 2009, with some exceptions, where the implementation deadline is 31 December 2010.

Beside the measures provided for in the new directive which member states shall bring into force by the end of the first semester of 2009, the Commission shall submit to the European Parliament and to the Council by 31 December 2009 a report on several aspects, among which:

- the harmonization of the funding mechanisms of deposit guarantee schemes addressing, in particular, the effects of an absence of harmonization in the event

of a cross-border crisis, in regard to the availability of the compensation payouts and in regard to fair competition, and the benefits and costs of such harmonization;

- with respect to financing, there are discussions in the EU regarding the convergence of financing mechanisms towards the ex-ante system, whereas the European Commission sets a target level of the resources of a deposit guarantee scheme with respect to the covered deposits and, subsequently, every member state, depending on its particularities, shall set up a contribution policy which should enable it to reach its target;
- the appropriateness and modalities of providing for full coverage for certain temporarily increased account balances;
- possible models for introducing risk-based contributions;
- the benefits and costs of a possible introduction of a Community deposit guarantee scheme;
- the impact of diverging legislations as regards set-off, when a depositor's credit is balanced against its debts, on the efficiency of the system and on possible distortions, taking into account cross-border winding-up;
- the harmonization of the scope of products and depositors covered, including the specific needs of small and medium-sized enterprises and local authorities;
- the link between deposit-guarantee schemes and alternative means for reimbursing depositors, such as emergency payout mechanisms.

If necessary, the Commission shall put forward appropriate proposals to amend this Directive.

Moreover, two years after the entry into force of this directive, the Commission should submit a report on the effectiveness and delays of the payout procedures, assessing whether a further reduction of the payout delay from 20 to 10 working days would be appropriate.

Having in view the provisions of the new directive, the Fund undertook the drafting, by a specially constituted working group, of proposals for amending its law .

I.3. Human resource development

- In order to effectively use the human resource capacity, the executive management of the Fund took the necessary measures in order to ensure, first of all, an optimal work environment, which would allow employees to reach maximum potential.

- Due to its nature and goal, the Fund must pay special attention to the operational activity and, to this end, it must have enough well-trained and motivated staff. As a consequence, special attention is given to the recruitment and stability of staff, as well as to appropriate job descriptions.

- Given the present concerns within the European Union regarding the development of deposit guarantee schemes and the necessity to fulfill the requirements which are currently imposed on them as well as the requests coming from the management of the National Bank of Romania, the Board of the National Bank of Romania decided to create a new department and the deputy director position.

As a consequence, the number of employees increased from 23 to 30 and a redistribution of tasks among the different departments took place in order to enhance the efficiency of the Fund's activity.

- The main responsibilities of the new department are to set out the coordinates of the Fund's financing policy (the target level of the exposure coverage ratio, the annual contribution of credit institutions, the total amount of stand-by credit lines), with a view to developing in the future other types of policies, depending both on some aspects of the current activity (for example, communication, international relations), and the future expansion directions for the Fund's activity.

The second fundamental segment of the department's activity has to do with carrying out different studies and analyses regarding the saving phenomenon, the exposure coverage ratio of the Fund, the international practice with respect to different topics that are of interest for the Fund, etc., as well as drawing up the Fund's publications.

Great importance is given to the third field, namely communication, whose main objective is to formulate proposals with a view to increasing people's awareness level regarding deposit guarantee schemes, to participate in answering the inquiries on deposit guarantee schemes coming from the public, in the relations with the media representatives, in drawing up presentations materials of the Fund, etc.

As for international relations, the Fund aims at maintaining and developing the cooperation relations with the professional associations in the field, the deposit guarantee schemes from other states, other international institutions and bodies in the European Union, as well as to being involved in different projects and activities related to the field of deposit guarantee.

- The employees of the Fund have high professional training, 27 out of the 30 employees are university graduates, and 4 of them have a PhD in economy and law, respectively.

Nevertheless, in accordance with the provisions of the regulations, in order to increase the efficiency of the staff's activity and to adapt it to the new regulations, the Fund resorted to the professional training opportunities present both locally, in Romania, and abroad. Thus, 16 out of the 30 employees of the Fund attended professional training courses in 2008, which led to an improvement of the staff's skills and efficiency in different operational activities.

At the same time, also with a view to enriching the knowledge of the Fund's staff, the employees participated in 2008 at different national and international conferences and seminars on topics regarding deposit guarantee schemes, as well as various economic aspects directly linked to the Fund's operations.

Due to the opportunity offered by the International Association of Deposit Insurers (IADI), as part of its training initiative, in partnership with the Financial Stability Institute, an institution established with the support of the Bank for International Settlements and of the Basel Committee on Banking Supervision, to cover the costs of a one-year subscription for an FSI Connect license, in 2009 the Fund's staff shall benefit from in-house e-learning training programs, under the form of tutorials.

The topics tackled under this form comprise several modules which offer key information on deposit guarantee problems, the contribution and resource management system, the reimbursement of guaranteed depositors and the asset and debt management.

CHAPTER II

MAIN FEATURES OF THE ACTIVITY OF THE FUND IN 2008

The year 2008 is a benchmark in the evolution of the Deposit Guarantee Fund in the Banking System, both internally and from the point of view of the measures imposed by the current international crisis of the financial markets, unprecedented since the establishment of compulsory deposit guarantee schemes in the European Union.

Despite the turmoil on international financial markets, due to a sound banking system and the prudential and administrative measures taken by the National Bank of Romania, in our country there have not been any problems with any credit institution in the system and therefore it has not been necessary for the Fund to intervene and make compensation payments in favour of guaranteed depositors at any of the credit institutions participating in the deposit guarantee scheme.

1. As it has been already shown in the first chapter, through Government Emergency Ordinance n° 129 of 14 October 2008, supplementing the provisions of article 5 of Government Ordinance n° 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, the level of coverage for each individual guaranteed depositor was set at EUR 50,000 in lei equivalent, as from 15 October 2008, while the level of coverage for each legal person guaranteed depositor was kept at EUR 20,000 in lei equivalent, and will be increased to EUR 50,000 by 30 June 2009 at the latest, in order to comply with the new provisions of the directive on deposit guarantee schemes.

The increase by 150% of the level of coverage for individual depositor aimed at keeping the depositors' confidence in the Romanian financial and banking system, mainly the confidence of those people whose deposits amounted to more than EUR 20,000.

Thus, the amount effectively guaranteed by the Fund for the deposits of individual savers, that is the maximum amount of potential compensations that the Fund might have to pay for all participant credit institutions in the event of their failure increased from RON 52,591.5 million on 30 September 2008 to RON 64,943.0 million on 31 December 2008 (+23.5%). Also, the weight in the total number of individual savers of those who hold deposits smaller or equal to the level of coverage increased from 99.1% on 30 September 2008 to 99.8% on 31 December 2008.

According to the data available on 31 December 2008, in the event of a failure, the Fund would fully reimburse almost all individual depositors, since there are only 38,016 individual depositors whose deposits exceed the level of coverage.

2. One of the most important concerns of the Fund in 2008 was setting out the coordinates of its financing policy, with respect to both carrying out analyses and formulating proposals on the coordinates of the Fund's financing policy in 2009 and elaborating specific regulations for setting out the coordinates of the Fund's financing policy.

In 2008, out of the three coordinates of the Fund's financing policy (the target exposure coverage ratio, the annual contribution rate of credit institutions, the total amount of stand-by credit lines), only the last two were maintained at the level of the previous year, namely a 0.1% annual contribution rate and a total amount of stand-by credit lines of EUR 190 million, in lei equivalent.

As for the target exposure coverage ratio, the value that was targeted for 2008 decreased from 1.5% to 1.2%, and this reduction was recorded for each of its components, due to the fact that the annual contribution rate and the total amount of stand-by credit lines were maintained at the level of the previous year in the context of an increase of the volume of guaranteed deposits, which made it necessary to adjust accordingly the target exposure coverage ratio.

Compared to the set target, at the end of 2008 there was a slight increase, of 0.19 percentage points, which was determined by the significant slowdown of the annual growth rate of guaranteed deposits against the forecasted rate in the context of an intensification of the international financial crisis.

Nevertheless, the increase in the level of coverage for individual savers from EUR 20,000 to EUR 50,000 as from 15 October 2008 led to a decrease of the Fund's exposure coverage as compared to the situation on 31 December 2007 and 30 June 2008 and this, in turn, caused a diminishment of the Fund's capacity to cover potential compensations, which led to an increase of the values of the Fund's financing policy coordinates for 2009.

3. As for the credit institutions participating in the deposit guarantee scheme, in the first semester of 2008, their number remained the same, namely 32 banks. As from July 2008, when BCR Banca pentru Locuințe was established, 33 credit institutions participated in the deposit guarantee scheme, namely 32 banks, Romanian legal persons, and one credit co-operative organisation.

4. The credit institutions participating in the Fund paid in 2008 a contribution of 0.1% of the total balance of the guaranteed deposits as of 31 December of the previous year. The total amount of the contributions collected by the Fund in 2008 was RON 97.4 million, out of which RON 97 million annual contributions and RON 0.4 million the initial contribution of a credit institution established in the course of the year. In addition, in 2008 the Fund also collected the sum of RON 3.2 million, representing differences of annual contribution which resulted from the verification of the calculation base for the contribution owed to the Fund in 2007 and, partially, in 2008. At the same time, the sum of

RON 0.2 million was returned by the Fund, representing differences of contribution which was not due, resulting from the verification of calculation base for the contribution owed to the Fund in 2007.

5. The Fund concluded agreements on stand-by credit lines amounting to EUR 190 million in lei equivalent, with all the 32 credit institutions participating at that time in the deposit guarantee scheme. The credit lines have not been drawn down because no credit institution went bankrupt in 2008. Thus, the Fund is going to pay a commitment fee of 0.5% per year.

6. The Fund's investments in 2008 were made according to the annual exposure strategy set by the Fund's Board and approved by the Board of the National Bank of Romania. The main objectives of the strategy were risk minimization and investment liquidity, with an additional objective, investment efficiency. As regards the structure of the investment portfolio, in 2008 investments were made evenly, in term deposits (52.4%) and government securities (47.6%).

7. In 2008, the Fund continued to carry out the bankruptcy procedure for Banca Turco-Română and Banca Română de Scont, bankrupt banks for which it had been a liquidator since 2002.

For its activity as liquidator, in 2008 the Fund received RON 56.0 thousand from Banca Română de Scont, while nothing was received from Banca Turco-Română, since for this bank no monies were distributed in 2008.

8. In 2008, the Fund continued to monitor and support liquidators in applying the bankruptcy procedure with the banks where it is a creditor with a view to recovering the largest sums possible from the Fund's claims against these bankrupt banks.

Up to 31 December 2008, the Fund recovered from bankrupt banks claims amounting RON 159.75 million, that is 31.11% of its total claims against the bankrupt banks.

The sum received in 2008 from bankrupt banks was RON 0.41 million, that is RON 950 thousand less than the previous year, due to the fact that these banks are approaching the final stage of liquidation, and their collection sources, namely claims from credits and related interests and the assets of the bankrupt banks are exhausted for the most part.

9. Part of the activities of the Fund's departments was internally audited according to the plan for 2008. The few recommendations made by the internal auditor for some activities were analyzed within the Fund, and the necessary steps were taken with a view to improving the Fund's activity and ensuring the compliance with the legal norms.

10. Informing the public on deposit guarantee became much more important in 2008 due to the new international situation which imposed supplementary measures with a view to increasing public's awareness level on the deposit guarantee scheme.

Thus, in 2008, the Fund promoted an active policy to inform the public and specialists on the main aspects of its activity both by means of the media and through its website and publications – Annual Report 2007 and two issues of the half-yearly Bulletin of the Fund.

The half-yearly Bulletin of the Fund presented the evolution of deposits reported by the credit institutions, the influence factors and the trends of the saving process, but also aspects related to the monetary policy, financial market and monetary developments.

The publications of the Fund were distributed to the institutions in the financial and banking system, as well as to public authorities, academic institutions, education and research institutes, etc.

In order to know the saving behavior, the influence factors and saving trends, the Fund commissioned to a social study, survey, marketing and advertising institution a market study which took place in August-September 2008 and whose results revealed that people had little information on deposit guarantee .

Given the results of the study and the need to increase public's awareness level regarding deposit guarantee, the Fund took several measures, in direct relation with the participating credit institutions, in order to initiate and develop common actions aimed at both informing depositors (elaboration and distribution of press information; elaboration, printing and distribution of information materials – leaflets, posters, etc.) and eliminating the deficiencies which had been identified at the credit institutions following the non-compliance with the Fund's regulations on depositors' information.

11. In 2008, international activity of the Fund intensified within the two international professional associations in the field of deposit guarantee schemes whose member it is, namely the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI).

Thus, in 2008 the Fund participated in their annual general meetings, which took place in Dublin and Washington respectively, as well as in the related events which were organized on those occasions, among which the annual international exhibition of deposit guarantee schemes, where it had its own presentation stand.

The Fund was also represented in other events of the two associations, including of some committees in their structure, such as EFDI EU Committee and IADI Europe Regional Committee.

As from 2007, within the EFDI EU Committee there are several working groups dealing with different problems related to the review of the directive on deposit guarantee schemes. The Fund is a member of the last working group. In this capacity, the Fund was represented in the two meetings of the above-mentioned group, which took place during 2008.

At the request of the financial attaché in the Permanent Representation of Romania to the European Union, the Fund transmitted during that period, via the National Bank of Romania, its standpoint with respect to the different successive versions of the proposal to amend the directive on deposit guarantee schemes, and it formulated proposals regarding some of the provisions (increasing the level of coverage, reducing the payout period, the analyses carried out by deposit guarantee schemes, etc.).

Also related to international activity are the collaboration relations with other deposit guarantee schemes in order to get or provide information of interest on different topics specific to deposit guarantee, including answering some more detailed questionnaires.

In 2008 there were also two meetings with the representatives of the International Monetary Fund and World Bank within the Romanian Financial Sector Assessment Program.

12. At mid-October 2008, the Fund moved its head office to a new address. It now operates within the Romanian Banking Institute, on the 2nd floor, building A3.

CHAPTER III

DEPOSITS WITH CREDIT INSTITUTIONS PARTICIPATING IN THE FUND

1. For all credit institutions participating in the Fund, **the total amount of deposits¹** was, at the end of 2008, RON 256,307.4 million, higher compared to the same period of the previous year, at an annual rate of +22.7%.

The evolution of the two deposit categories defined from the point of view of the Fund's guarantee scope, namely guaranteed and non-guaranteed deposits, shows ascending trajectories, characterized by annual increase rates that are different from one category to the other.

Thus, while the amount of guaranteed deposits increased at an annual rate of +14.4%, non-guaranteed deposits evinced a more accelerated dynamics, at an annual rate of +30.3%.

The following table summarizes the state of the deposits held by natural and legal persons as on 31 December 2008 compared to the same time period in 2007:

| N° | Indicators | 31 December 2007 | 31 December 2008 | Differences | |
|----|--|---------------------|---------------------|------------------------|-----------------------------|
| | | | | column 3 - column 2 | column 4/column 2 (%) |
| 0 | 1 | 2 | 3 | 4 | 5 |
| 1. | Number of deposit holders - total | 17,489,878 | 18,276,296 | 786,418 | 4.5 |
| | out of which: | | | | |
| | - natural persons | 16,589,994 | 17,318,920 | 728,926 | 4.4 |
| | - legal persons | 899,884 | 957,376 | 57,492 | 6.4 |
| 2. | Number of guaranteed depositors – total, | 17,390,774 | 18,200,747 | 809,973 | 4.6 |
| | out of which: | | | | |
| | - natural persons | 16,584,742 | 17,316,029 | 731,287 | 4.4 |
| | - legal persons | 806,032 | 884,718 | 78,686 | 9.8 |

¹ In accordance with the law on the Fund's functioning, a deposit is "any credit balance, including related interest, in any type of bank account, including a joint account, or from transitory situations arising from bank operations and which a credit institution owes to an account holder in compliance with the applicable legal and contractual terms, as well as any debt evidenced by a certificate issued by a credit institution, except bonds purchased by collective investment undertakings".

Deposit Guarantee Fund in the Banking System

| | | | | | |
|----|---|-----------|-----------|----------|-------|
| 3. | Total deposits (million lei) | 208,891.2 | 256,307.4 | 47,416.2 | 22.7 |
| | % of total deposits | 100.0 | 100.0 | | |
| | out of which: | | | | |
| | - in lei | 105,536.8 | 131,568.1 | 26,031.4 | 24.7 |
| | - in foreign currency (in lei equivalent) | 103,354.4 | 124,739.3 | 21,384.8 | 20.7 |
| 4. | Total guaranteed deposits (million lei) | 99,542.2 | 113,828.2 | 14,286.0 | 14.4 |
| | % of total deposits | 47.7 | 44.4 | | |
| | out of which: | | | | |
| | - in lei | 54,008.4 | 73,162.5 | 19,154.1 | 35.5 |
| | - in foreign currency (in lei equivalent) | 45,533.8 | 40,665.7 | -4,868.1 | -10.7 |
| 5. | The amount of guaranteed deposits held by natural persons (million lei) | 65,385.4 | 79,802.7 | 14,417.3 | 22.0 |
| | % of total guaranteed deposits | 65.7 | 70.1 | | |
| | out of which: | | | | |
| | - in lei | 34,606.2 | 48,937.3 | 14,331.1 | 41.4 |
| | - in foreign currency (in lei equivalent) | 30,779.2 | 30,865.4 | 86.2 | 0.3 |
| 6. | The amount of guaranteed deposits held by legal persons (million lei) | 34,156.8 | 34,025.5 | -131.3 | -0.4 |
| | % of total guaranteed deposits | 34.3 | 29.9 | | |
| | out of which: | | | | |
| | - in lei | 19,402.1 | 24,225.2 | 4,823.1 | 24.9 |
| | - in foreign currency (in lei equivalent) | 14,754.7 | 9,800.3 | -4,954.4 | -33.6 |
| 7. | Total non-guaranteed deposits (million lei) | 109,349 | 142,479.2 | 33,130.2 | 30.3 |
| | % of total number of deposits | 52.3 | 55.6 | | |
| | out of which: | | | | |
| | - in lei | 51,528.3 | 58,405.6 | 6,877.3 | 13.3 |
| | - in foreign currency (in lei equivalent) | 57,820.7 | 84,073.6 | 26,252.9 | 45.4 |

2. The total number of deposit holders increased by 4.5% compared to the end of 2007, reaching a total number of 18,276,296 depositors on 31 December 2008. This dynamics can be explained by an increase of the total number of individual depositors by +4.4%, as well as of the number of corporate depositors by +6.4%.

3. The total number of covered depositors, both natural and legal persons, increased in 2008 by 809,973 depositors, reaching 18,200,747 depositors on 31 December 2008, that is an increase of 4.6% compared to 31 December 2007.

At the end of 2008, covered depositors represented 99.6% of the total number of depositors. Per depositor category, differences were recorded between the weight of

individual guaranteed depositors and corporate guaranteed depositors in the total number of deposit holders.

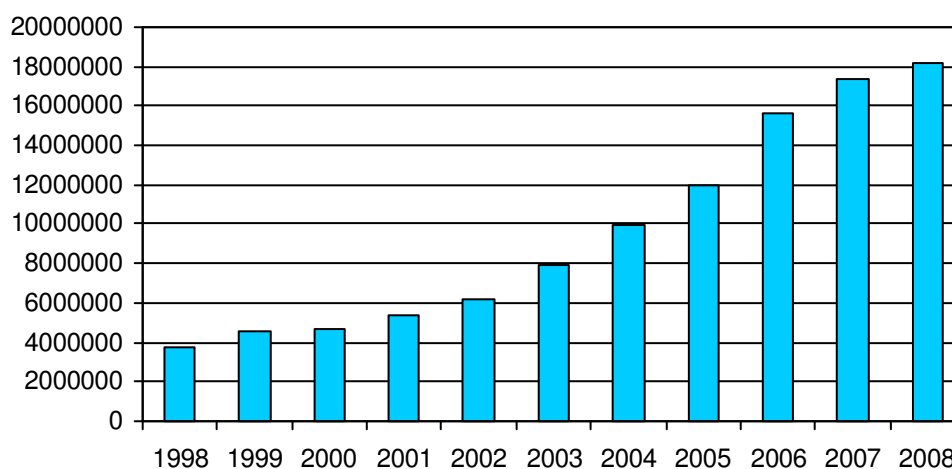
Thus, on 31 December 2008, the number of individual guaranteed depositors represented over 99.9% of the total number of individual depositors, whereas 92.4% of the legal persons depositors were guaranteed. This can be easily accounted for, given that, by the effects of law, almost all individual depositors are guaranteed, whereas, in the case of legal persons depositors, there are some exceptions from guarantee.

In the structure of guaranteed deposit holders, individual guaranteed depositors were the majority, namely 95.1%, compared to the weight of legal persons guaranteed depositors, of 4.9%.

In 2008, the annual increase rate for individual guaranteed depositors was of 4.4%, whereas, in the case of legal persons guaranteed depositors, the annual increase rate was of 9.8%.

The chart below illustrates the evolution in the number of guaranteed depositors, based on the data available at year-end .

Evolution in the number of guaranteed depositors



4. As regards the evolution of the total amount of deposits with credit institutions per currency, the annual increase rate of lei-denominated deposits exceeds that of the foreign currency-denominated by 4 percentage points (+24.7% in the case of lei-denominated deposits versus +20.7% in the case of foreign currency-denominated deposits). This evolution led to an increase of lei-denominated deposits to the detriment of foreign currency-denominated ones.

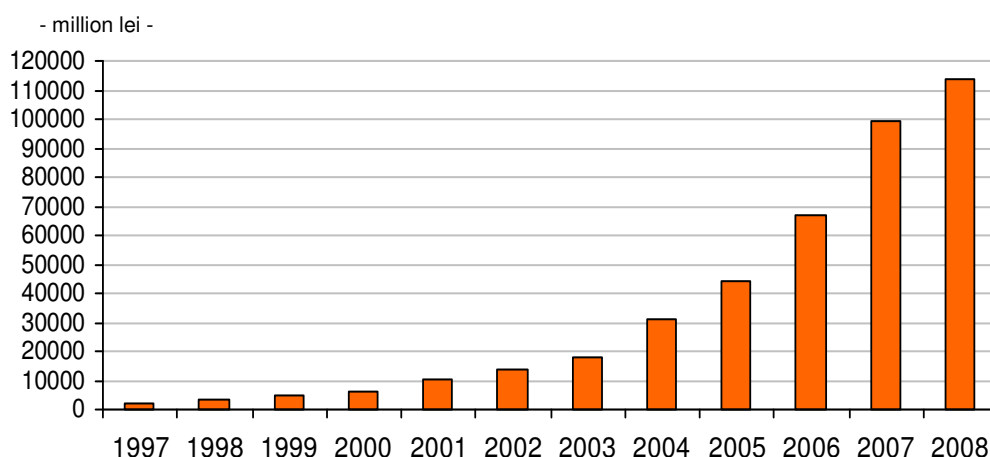
The total amount of guaranteed deposits on 31 December 2008 represented 44.4% of the total amount of deposits, namely RON 113,828.2 million. Compared to the end of 2007, there is a decrease (by 3.3 percentage points) in the weight of guaranteed deposits in the total amount of deposits, as a consequence of a more rapid increase in the amount of non-guaranteed deposits compared to the amount of guaranteed deposits.

Out of the total amount of guaranteed deposits on 31 December 2008, 70.1% belonged to individuals, the weight being slightly higher compared to the same period in 2007 (+4.4%). The amount of individual covered deposits increased, whereas the amount of corporate covered deposits decreased (+22% versus -0.4%).

With respect to currency denomination, lei-denominated guaranteed deposits continued to represent the majority (64.3%) in the total amount of guaranteed deposits. Compared to the same period of the previous year, the amount of lei-denominated guaranteed deposits increased, whereas the amount of foreign currency-denominated guaranteed deposits decreased (+33.5% in the case of lei-denominated guaranteed deposits versus -10.7% in the case of foreign currency-denominated guaranteed).

The evolution of guaranteed deposits with credit institutions is illustrated in the chart below.

**Evolution of guaranteed deposits
with credit institutions participating in the Fund**



5. The state of depositors and guaranteed deposits on 31 December 2008, compared to 31 December 2007, depending on the level of coverage taken into account in the reports for these calendar dates, is the following:

| N° | Indicators | Total | out of which: | |
|----|---|------------|-----------------------|----------------------|
| | | | within coverage level | above coverage level |
| 0 | 1 | 2 | 3 | 4 |
| 1. | Guaranteed depositors (n° of depositors): | | | |
| | - on 31 December 2007 | 17,390,774 | 17,222,272 | 168,502 |
| | - on 31 December 2008* | 18,200,747 | 18,116,390 | 84,357 |
| | % of total number | | | |
| | - on 31 December 2007 | 100 | 99 | 1 |
| | - on 31 December 2008* | 100 | 99.5 | 0.5 |
| 2. | Total amount of guaranteed deposits (million lei): | | | |
| | - on 31 December 2007 | 99,542.2 | 40,319.1 | 59,223.1 |
| | - on 31 December 2008* | 113,828.2 | 61,950.3 | 51,877.9 |
| | % of total amount of guaranteed deposits | 100 | 40.5 | 59.5 |
| | - on 31 December 2007 | 100 | 54.4 | 45.6 |
| | - on 31 December 2008* | | | |

* On 31 December 2008, the levels of coverage taken into account were: EUR 50,000 in lei equivalent for individual depositors and EUR 20,000 for legal persons depositors.

On 31 December 2008 there was an overwhelming majority (99.5%) of depositors whose deposits were smaller or equal to the level of coverage and were thus fully covered. This can be mainly explained by the relatively low amount of the average deposit per depositor compared to the level of coverage; another factor is the increase of the level of coverage for individual depositors from EUR 20,000 to EUR 50,000 per guaranteed depositor.

CHAPTER IV

THE FINANCING POLICY OF THE FUND

1. Through Government Emergency Ordinance n° 23/2006, based on the study carried out within the Convergence Program of the World Bank, a new financing policy has been implemented. The current financing mechanism is a mix, in the sense that, beside the annual contributions owed to the Fund by the credit institutions participating in the deposit guarantee scheme, they also extend to the Fund annual stand-by credit lines that can only be drawn down if the resources of the Fund need to be supplemented in the event that a credit institution fails. The two types of resources must be calibrated so as to ensure an adequate level of the Fund's exposure coverage ratio, calculated as the ratio between the resources of the Fund (both its own resources and those stemming from stand-by credit lines) and the total amount of guaranteed deposits.

This system is unique in the European Union and its implementation aimed at diminishing the effort of the participating credit institutions, in the sense of reducing their annual contribution to the Fund and allowing the Fund to draw down funds from stand-by credit lines only if it has insufficient resources for the payout procedure, in the event that the deposits with a participating credit institution become unavailable.

According to the new regulations, the Fund sets annually its target exposure coverage ratio, the annual contribution rate of credit institutions² and the total amount of stand-by credit lines. These three coordinates of its financing policy are submitted for approval to the Board of the National Bank of Romania.

The last two coordinates were maintained in 2008 at the same levels as in the previous year, namely an annual contribution rate of 0.1% and a total amount of stand-by credit lines of EUR 190 million in lei equivalent.

As for the target exposure coverage ratio, it decreased from 1.5% to 1.2%. This decrease involved each of the components of the exposure coverage ratio, as follows:

- the ratio between the Fund's own resources and the amount of guaranteed deposits decreased from 0.8% in 2007 to 0.7% in 2008, and
- the ratio between the resources stemming from stand-by credit lines and the amount of guaranteed deposits decreased from 0.7% in 2007 to 0.5% in 2008.

The reduction of the target levels is even more dramatic when the levels are set against the proposals of the Convergence Program for 2007, namely to maintain a target exposure coverage ratio of 2.3%, a ratio between the Fund's own resources and the amount

² According to the law on the Fund's functioning, the annual contribution rate cannot exceed 0.5%.

of guaranteed deposits of 1.1%, and a ratio between the resources stemming from to stand-by credit lines and the amount of guaranteed deposits of 1.2%.

As regards the values available on 31 December 2008, the set target is slightly exceeded, by 0.19 percentage points (0.09 percentage points for the ratio between the Fund's own resources and the amount of guaranteed deposits and 0.1 percentage points for the ratio between the resources stemming from to stand-by credit lines and the amount of guaranteed deposits).

The exposure coverage ratio of 1.39% reached on 31 December 2008 was determined by a significant slowdown of the annual increase rate for guaranteed deposits in the context of an intensification of the international financial crisis, namely 14.4% at the end of 2008 compared to the same period of the previous year, whereas the annual increase rate estimated for 2008 had been 35%.

Nevertheless, with respect to the amount that is effectively covered, namely to the maximum total amount of potential compensations that the Fund should pay in the event of their failure, the exposure coverage level decreased compared to 31 December 2007 and 30 June 2008, as a result of the increase in the coverage level for individuals from EUR 20,000 to EUR 50,000.

This increase in the maximum amount of potential compensations for guaranteed individuals, which was accompanied by the corresponding decrease in the Fund's capacity to cover potential compensation payments, determined, for 2009, an increase of the annual contribution rate of member credit institutions from 0.1% to 0.2%, along with an increase of the total amount of stand-by credit lines from EUR 190 million to EUR 300 million in lei equivalent. Also, the target exposure coverage ratio was set at 1.5%, of which 0.8% – the Fund's own resources and the amount of guaranteed deposits and 0.7% - the ratio between the resources stemming from to the stand-by credit lines and the amount of guaranteed deposits.

2. In 2008, these was continued the activity pertaining do the drawing up of specific regulations on setting the coordinates of Fund's financing policy.

CHAPTER V

INFORMING THE PUBLIC

During 2008, the Fund pursued an active policy for informing the public and experts on the main topics regarding the deposit guarantee scheme, namely: guaranteeing the amounts placed in any type of bank account, guaranteeing the deposits of both natural and legal persons in compliance with the provisions of the law, credit institutions that are members of the Deposit Guarantee Fund in the Banking System, the level of coverage, the application of the coverage ceiling for each depositor and each bank, the algorithm for calculating compensations, the payout period for guaranteed deposits; this was also determined by a substantial increase in the depositors' concern with respect to the safety of their savings with the credit institutions.

1. In order to increase public's awareness level with respect to deposit guarantee, the management of the Fund sent the participating credit institutions a memorandum, asking them to comply with their obligations regarding the information of depositors, given that it is necessary to eliminate all deficiencies that had been previously found with respect to regulatory compliance.

The Fund also suggested generalizing the practice of some credit institutions of mentioning on account/deposit opening forms the fact that they participate in the Deposit Guarantee Fund in the Banking System and that the deposits are guaranteed by the Fund within the limits and conditions of the law.

These requests took into account the fact that, in the present situation, it is crucial for credit institutions to adequately inform depositors, in compliance with the provisions of the law, on the deposit guarantee scheme, in order to increase public's awareness level.

2. Following the initiative of the Fund, which suggested to credit institutions, by means of the same memorandum, to initiate a collaboration with a view to undertaking, together with the credit institutions participating in the deposit guarantee scheme, several common actions in order to increase public's awareness level with respect to deposit guarantee, a working group made up of representatives of the Fund and credit institutions was created.

The first common action which enjoyed a large audience was the Fund's collaboration with the working group by issuing, on 12 October 2008, a press release on: guaranteeing the amounts placed in any type of bank account, increasing the level of coverage for individuals to EUR 50,000, guaranteeing deposits of both residents and non-residents, both in domestic currency and in convertible foreign currencies, about banks

established as Romanian legal entities which are participating in the deposit guarantee scheme and are members of the Fund, about the payout period; this press release was published in 16 publications and was broadcast by radio and TV stations as well.

Credit institutions were also suggested to jointly organize the printing of advertising materials (leaflets, posters, etc.) which would then be distributed to them in order to be made available to clients. It was requested that both parties should bear the financial effort for this action, that is not only the Fund, but also credit institutions. So far, the parties have not agreed yet upon the way the action should be financed.

3. People's interest in the state of bank deposits was proven by the fact that a considerable number of requests to clarify some aspects related to deposit guarantee was received. People's interest has increased exponentially compared to previous years.

Following the requests received from depositors and the media, the Fund analyzed all these requests and answered promptly by various means (by phone, e-mail, fax, etc.).

Also with a view to informing depositors, a frequently asked questions section was added to the Fund's website, trying to cover general questions coming from the public, in order to answer more efficiently to depositors' inquiries.

4. In 2008, the Fund elaborated two issues of its Half-Yearly Bulletin, referring to the 2nd semester of 2007 and the 1st semester of 2008. The main topics tackled were: the financial situation and the Fund's exposure coverage ratio, the saving behavior, the structure and evolution of deposits in the banking system, especially of the guaranteed ones, the determinants, conditions, effects and prospects for deposit and saving dynamics in the banking system.

The Half-Yearly Bulletin issue 2/2008 also presented the results of a vast market survey carried out in August-September 2008 on a sample of 1,604 people aged over 18, in urban and rural areas, focusing on the general saving behavior, the perception of the main saving forms and deposit guarantee, the way they use bank credits. The results revealed a low information level with respect to deposit guarantee.

The Fund's publications were distributed to institutions in the financial and banking system and also to public authorities, academic institutions, educational and research institutes, etc.

5. Following some changes in the status of some credit institutions participating in the deposit guarantee scheme, determined by mergers, name changes, the establishment of new credit institutions, in 2008 (in February and August) two communiqués were published in the Official Gazette of Romania on the list of credit institutions participating in the Fund, whose depositors enjoy deposit guarantee. These communiqués were also posted on the Fund's website.

6. Also in order to inform the public, the Fund's management was present, by means of interviews and articles, in a significant number of publications (Adevărul, România Liberă, Financiarul, Bursa, Săptămâna financiară, Gândul, Standard, etc.), as well as in radio and TV programs (Money Channel, ProTV, etc.) and on specialized websites or the sites of news agencies (Mediafax, NewsIn, Ghișeul bancar, MoneyLine, FrontNews, etc.), which enjoyed a large audience.

*

The aforementioned initiatives prove that making information available to the public was and will be a permanent concern of the Fund.

CHAPTER VI

ANALYSES AND STUDIES

1. Throughout 2008, the Fund paid special attention to the potential situation where the deposit guarantee scheme would have to make compensation payments in the event that some credit institutions fail and, to this end, it carried out a set of analyses.

For 30 September and 31 December 2008, the Fund asked the member credit institutions to provide data about the deposits and depositors for different potential levels of coverage, carrying out analyses about the effects that the implementation of different levels of coverage would have on the ability of the Fund to cover potential payouts, including on the necessary own and borrowed resources.

2. One of the main features of 2008 was the extension of studies carried out by the Fund regarding international practice, tackling different topics of interest for the deposit guarantee scheme.

A study on the role, organization type, governance and financing of deposit guarantee schemes was carried out in June, following the initiative of the Board of the Romanian Banking Association, which submitted a list of projects to be performed by SPI Romania, one of which aimed at finding a solution for changing the status of credit institutions, namely to make them shareholders of the Deposit Guarantee Fund in the Banking System.

This study was a follow-up of the assessment carried out by the Fund the previous year by means of a comparative analysis, focusing on the same topics, of deposit guarantee schemes which were EFDI members, according to the resolution of the Board of the National Bank of Romania of May 2007, following the meeting between the representatives of the banking community and the management of the National Bank of Romania.

Both studies argued, using up-to-date examples, both from European and international practice and experience in the field of deposit guarantee schemes organization and functioning, that the Fund should maintain its current organization form and should not turn into a joint stock company, having credit institutions as shareholders.

Another study carried out in 2008, following the resolution of the Fund's Board on 30 September 2008, referred to the onset of the American financial crisis, its evolution and the measures that were taken by policy makers.

The study contains information on the onset of the financial crisis in the United States of America, its development, the causes, the state of the American banking system at that time, the measures taken by the Federal Deposit Insurance Corporation, the American deposit guarantee scheme, in order to stabilize the situation in the American banking system and the immediate efficiency of the measures that were taken.

3. In order to be prepared for transposing into the national legislation the new provisions of the EU directive on deposit guarantee schemes, in the latter part of 2008 an extended action was initiated by the Fund with a view to formulating proposals to amend and supplement the law on the Fund's functioning.

Also, based on previous experience, the Fund also envisaged amending other provisions in the law on the Fund's functioning, in order to supplement or correct them for better clarification.

CHAPTER VII

VERIFICATIONS AT CREDIT INSTITUTIONS

According to the provisions of law, in 2008 the Fund examined on-site, at the headquarters of the credit institutions participating in the deposit guarantee scheme, both the accuracy of the data in the statements on the calculation and payment of the contributions due in 2007 and 2008*, as well as the compliance with the legal provisions on the obligation of credit institutions to inform their depositors.

Given that the controls were behind, since by August 2008 the 2007 verification of 12 large and medium-sized credit institutions that represented the majority in the total amount of guaranteed deposits had not even begun, and the 2008 verification had not been started, the problem was submitted to the Fund's Board for consideration.

With respect to this situation, in the August 2008 meeting the Fund's Board approved the executive management's proposals to simplify, increase effectiveness and compensate for the delays in the verification of the calculation and payment of the contributions due by credit institutions, and adopted the following organization strategy for this activity:

- simultaneous examination of the contributions due to the Fund in 2007 and 2008 by a number of 12 credit institutions and the examination of the contributions due to the Fund in 2008 by a number of 21 credit institutions, according to schedule, between 25 August 2008-31 March 2009;
- shortening the examination periods at credit institutions. The reduction of the examination period aimed at increasing effectiveness, on the part of credit institutions, when it comes to making available the data and situations necessary for the control;
- random verification and not full verification, as in previous years, according to the objectives set in the approved set of topics, of the lists comprising the deposits registered with the credit institutions;
- paying special attention to the existence of a records of the depositors' declarations concerning the deposit category, the way they are organized, the way they are filled out and how the declaration form in the Fund's Regulation n° 2/2004 is observed;
- the effective examination of the calculation base at the Fund's head office;
- identifying deficiencies regarding the organization of the deposits' records and their classifications, the organization of records of the depositors' declarations on the deposit category, their existence and the way they are filled out.

* for which the deadline is the day of 30 April of the respective year.

The proposals of the Fund's director with respect to the simplification and improvement of the control activity at the headquarters of the credit institutions participating in the deposit guarantee scheme marked the change in the Fund's policy regarding the credit institutions participating in the deposit guarantee scheme.

To this end, the Fund's director met with the management of the main banks and informed them of the following: the coordinates of the Fund's financing policy, the need to organize strict records with respect to the category of deposits and the reports, the other amendments made by the European Parliament to the directive on deposit guarantee schemes.

Following the examination of the calculation base for the annual contribution due in 2007, the differences in the annual contribution that the Fund had to reimburse or collect were specified in the minutes, as follows:

- the Fund reimbursed a number of 7 credit institutions the amount of RON 179.5 thousand;
- 24 credit institutions had to pay the Fund a difference in the annual contribution of RON 2,345.7 thousand.

As for the base for the annual contribution due in 2008, the differences in the annual contribution that the Fund had to collect from 7 credit institutions were recorded in the minutes and amounted to RON 840.3 thousand.

Thus, altogether, in 2008 the Fund reimbursed credit institutions differences in annual contribution amounting to RON 179.5 thousand and collected differences in annual contribution amounting to RON 3,186.0 thousand.

Therefore, the net amount collected by the Fund in 2008 was RON 3,006.5 thousand. Compared to previous years, the deposit classification improved, which was proved by the significant smaller differences in the annual contribution due to the Fund.

The existence of the depositors' declarations on the deposit category from the point of view of their coverage by the Fund was also verified, and it was found that only 1,093 declarations of the 2,234 requested declarations existed (48.9% of the requested number) – the other 1,141 had not been filed. Out of the declarations that had been filed, 43.4% did not observe the Fund's form, and 4% did not match the deposit classification made by the credit institution.

With respect to the compliance with the provisions of the Fund's Regulation n^o 4/2004 on the information that has to be provided to depositors by the credit institutions on the deposit guarantee scheme in the banking system, following the random verifications at their branches it was found that 23 credit institutions observed the provisions of this regulation, whereas 5 credit institutions had not posted either of the annexes to the

regulation, namely “Information for depositors” and “List of non-guaranteed deposits”, and 6 credit institutions had not posted Annex 2 – “List of non-guaranteed deposits”.

*

The results of the examinations carried out by the Fund in 2008 point out to the necessity of further improving the way deposits are classified by credit institutions according to the Fund’s guarantee scope, as well as the way of informing depositors on the deposit guarantee scheme.

CHAPTER VIII

PAYMENT OF COMPENSATIONS AT BANKRUPT CREDIT INSTITUTIONS

1. In 2008, the Fund had the legal obligation to make compensation payments only for the guaranteed depositors of Nova Bank, which was declared bankrupt on 9 November 2006; for the banks which had gone bankrupt in 1999-2003, the payout period had expired.

Compensation payments to the guaranteed depositors of Nova Bank – bankrupt bank – started on 10 January 2007, and the deadline for entitled depositors to ask for compensations is 3 years as from this date.

The year 2008 did not bring any changes in the payments to the guaranteed depositors of Nova Bank, so that, out of the total number of 108 depositors entitled to compensations, by 31 December 2008 only 10 persons asked for compensations, that is under 10% of the total number of depositors on the payment list.

The summary of compensation payments for guaranteed deposits with bankrupt banks made by 31 December 2008 is the following:

| N° | Bankrupt bank | Compensations according to the payment list | | Effectuated payments | |
|--------|-----------------------------------|---|------------------------|----------------------|------------------------|
| | | N° of depositors | Amount (RON thousand) | N° of depositors | Amount (RON thousand) |
| 0 | 1 | 2 | 3 | 4 | 5 |
| 1. | Banca “Albina” | 33,528 | 36,105.86 | 24,461 | 36,056.49 |
| 2. | Bankcoop | 467,993 | 275,494.87 | 197,252 | 273,236.06 |
| 3. | Banca Internațională a Religiilor | 284,121 | 187,738.81 | 102,787 | 186,149.27 |
| 4. | Banca Română de Scont | 1,871 | 921.43 | 229 | 873.10 |
| 5. | Banca Turco-Română | 10,026 | 18,043.27 | 2,724 | 15,877.97 |
| 6. | Banca “Columna” | 171 | 146.29 | 2 | 16.76 |
| 7. | Nova Bank | 108 | 197.50 | 10 | 34.07 |
| Total: | | 797,818 | 518,648.03 | 327,465 | 512,243.72 |

As it can be seen in the table above, throughout its activity, the Fund made compensation payments amounting to RON 512.2 million to a number of 327,465 depositors. These compensation payments went smoothly, in the absence of any conflictual situations, disputes or other significant difficulties in the relations with guaranteed depositors or the credit institutions mandated by the Fund to make these compensation payments.

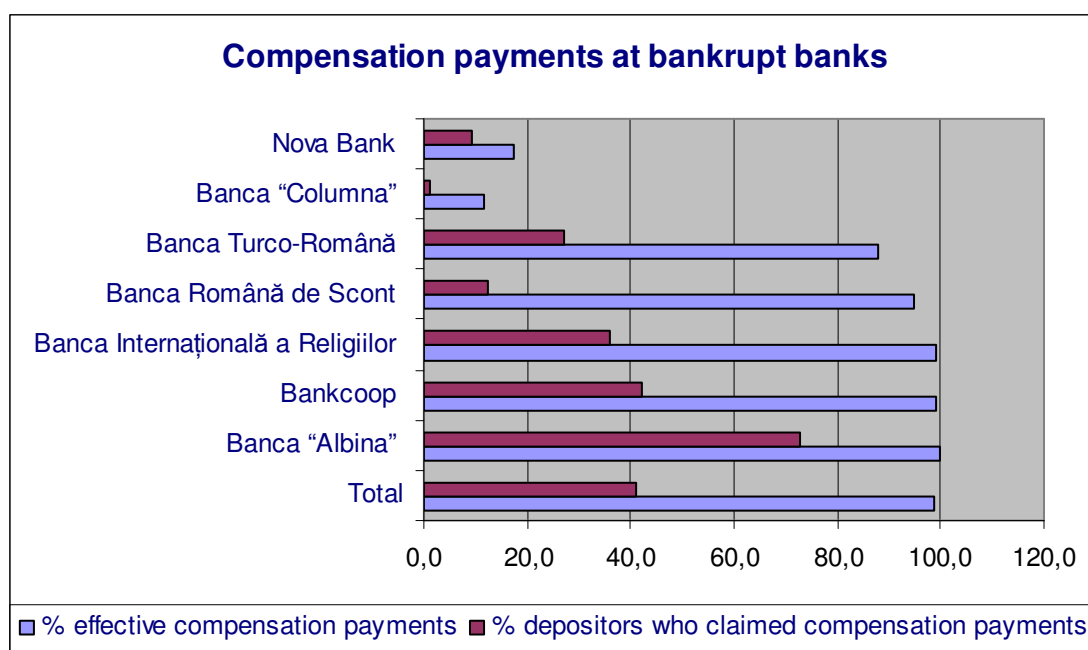
Out of the 797,818 depositors on the payment lists, approximately 59%, that is 470,353 depositors, did not claim the amounts of money they were entitled to, although the

Fund sent communiqués and released several announcements in the media and on its website concerning compensation payments and the deadlines related to them.

The unpaid compensations amount to approximately RON 6.4 million, that is 1.2% of the total compensations on the payment lists. The main reason that led to the depositors' lack of interest was the low value of their deposits – approximately 94% of the deposits were less than RON 10 worth.

2. Based on the data in the previous table, the state of the effective payments compared to those owed by the Fund, as well as of the depositors that asked for compensation payments compared to the number of depositors on the payment list is presented in the table and chart below:

| N° | Bankrupt banks | Effective payments of compensation as compared to Fund' s obligation written down in the payment list(subrogation to the rights of guaranteed depositors) - % - | Share of depositors who claimed compensation, as compared to the total number of depositors in the payment list - % - |
|----|------------------------------------|--|--|
| 1. | Banca "Albina" | 99.9 | 73.0 |
| 2. | Bankcoop | 99.2 | 42.1 |
| 3. | Banca Internațională a Religiiilor | 99.2 | 36.2 |
| 4. | Banca Română de Scont | 94.8 | 12.2 |
| 5. | Banca Turco-Română | 88.0 | 27.2 |
| 6. | Banca "Columna" | 11.5 | 1.2 |
| 7. | Nova Bank | 17.2 | 9.2 |



3. The compensation payments made by 31 December 2008, expressed in USD at the exchange rate at the date of each payment are shown below:

| | – USD thousand – |
|-----------------------------------|------------------|
| Banca “Albina” | 22,510.4 |
| Bankcoop | 136,020.0 |
| Banca Internațională a Religiilor | 75,194.0 |
| Banca Română de Scont | 262.2 |
| Banca Turco-Română | 4,747.2 |
| Banca “Columna” | 5.1 |
| Nova Bank | 25.3 |
| TOTAL | 238,764.2 |

CHAPTER IX

THE ACTIVITY OF THE FUND AS CREDITOR OF BANKRUPT BANKS AND THE STAGE OF CLAIM RECOVERY

1. As from 1999, the Fund was involved, in its capacity of creditor and/or liquidator, in the bankruptcy/liquidation procedure at the following banks:

- Banca Comercială “Albina” SA – went bankrupt on 25 May 1999;
- Bankcoop SA – went bankrupt on 8 February 2000;
- Banca Internațională a Religiilor SA (BIR) – went bankrupt on 10 July 2000;
- Banca Română de Scont SA (BRS) – went bankrupt on 16 April 2002;
- Banca Turco-Română SA (BTR) – went bankrupt on 3 July 2002;
- Banca “Columna” – went bankrupt on 18 March 2003;
- Nova Bank – went bankrupt on 9 November 2006, after being, as of 22 August 2006, in dissolution, followed by liquidation.

The main activity carried out by the Fund in 2008 in its capacity of creditor was to monitor and permanently support the liquidators of the bankrupt banks with a view to accelerating the implementation of the bankrupt procedures and continuously reducing the liquidation expenses.

2. While monitoring the liquidation of the bankrupt banks, the Fund participated in its capacity of creditor at the meetings of the Creditors’ Committee/Assembly of these banks and asked liquidators to take some measures, such as: to accelerate the recovery process of the banks’ claims and to realize their assets in order to optimizing the collection/expenditure ratio, to complete the selection and archiving the documents in order to hand over part of the archives to the National Archives for freeing the buildings occupied by documents or move the archives of the banks from their buildings to other rented buildings in order to be able to sell the buildings that are thus freed, to reduce the debtor portfolio of the banks, to accelerate the implementation of the reduction or closing down of territorial branches, their activity being taken over by the head office of the bank with a view to reducing personnel expenses and the other liquidation expenses.

3. The Fund’s claims that are to be recovered from bankrupt banks represent the amounts related to the compensations paid to the guaranteed depositors of these banks, plus – in the case of Bankcoop, BTR and Nova Bank – the contributions due to the Fund that they had not paid by the time of the bankruptcy.

In 2008, the Fund recovered from its claims only RON 0.41 million, compared to RON 1.36 million in 2007; this amount was recovered within the plan for the distribution of monies to creditors approved by the syndic only from the claim against Bankcoop.

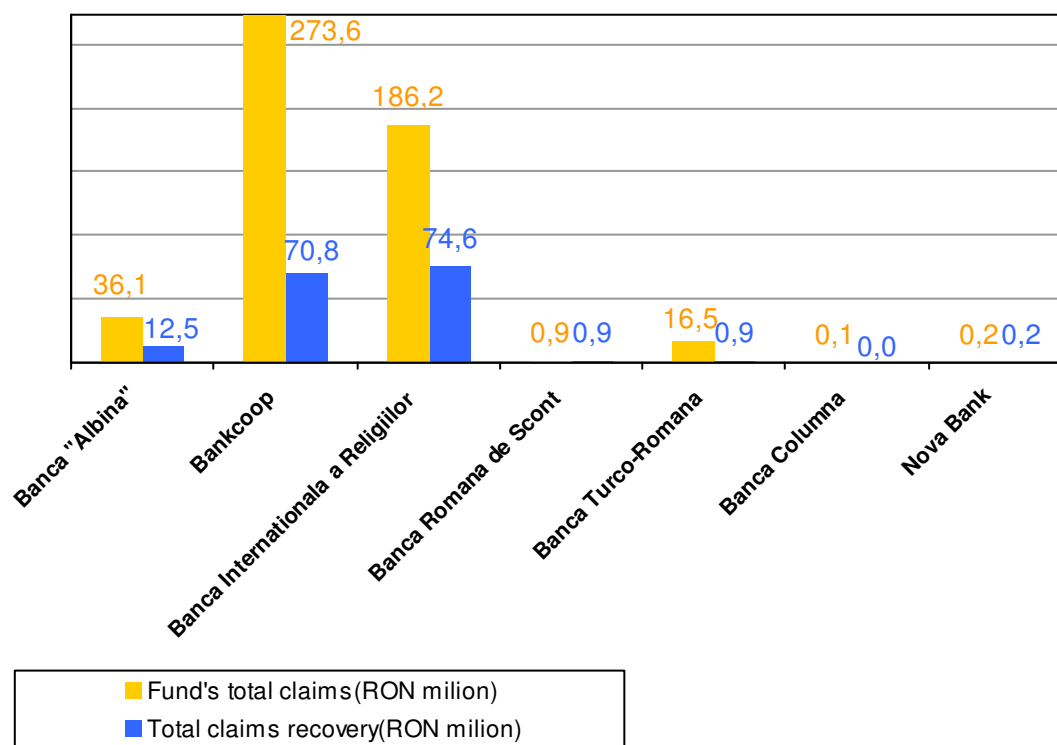
Therefore, in 2008, no monies were recovered from the Fund's claims against the other four banks, namely Banca "Albina" (the last distribution of monies to creditors was made in March 2007), BIR (the last distribution of monies to creditors was made in March 2006), BTR (the last distribution of monies to creditors was made in August 2006) and Banca "Columna" (the Fund, in its capacity of unsecured creditor, does not benefit from any distribution of monies until the secured and priority claims, including budgetary ones, which are prevailing in this case, have been entirely satisfied).

The comparative summary of the recovered claims and the Fund's total claims against bankrupt banks is shown in the table below:

| N° | Bankrupt bank | Total claims | | Recovered claims | | Recovery ratio | |
|----|-----------------------------------|---------------|--|------------------|---|----------------|---------------|
| | | RON million | USD Thousand equivalent (at the exchange rate at the date of setting up the claim) | RON million | USD Thousand equivalent (at the exchange rate at the date of each distribution) | RON (%) | USD (%) |
| 0 | 1 | 2 | 3 | 4 | 5 | 6=4/2 | 7=5/3 |
| 1 | Banca "Albina" | 36.06 | 22,510.42 | 12.46 | 5,078.25 | 34.55 | 22.56 |
| 2 | Bankcoop | 273.64 | 136,236.27 | 70.75 | 23,011.62 | 25.86 | 16.89 |
| 3 | Banca Internațională a Religiilor | 186.15 | 75,194.03 | 74.57 | 23,772.81 | 40.06 | 31.62 |
| 4 | Banca Română de Scont | 0.87 | 262.17 | 0.87 | 280.31 | 100.0 | 106.92 |
| 5 | Banca Turco-Română | 16.45 | 4,918.15 | 0.89 | 321.49 | 5.41 | 6.54 |
| 6 | Banca "Columna" | 0.09 | 27.66 | - | - | - | - |
| 7 | Nova Bank | 0.21 | 75.81 | 0.21 | 83.34 | 100.0 | 109.93 |
| | TOTAL | 513.47 | 239,224.51 | 159.75 | 52,547.82 | 31.11 | 21.97 |

Therefore, the significant downward trend in the recovery of the Fund's claims, from RON 1.60 million in 2006 to RON 1.36 million in 2007 and RON 0.41 million in 2008, is due to the fact that in the last years it was more and more difficult to recover the claims and realise the assets of the bankrupt banks, since those banks had fewer assets or claims and of lesser value or difficult to realise, which proves that the respective banks are closer to the final stage of the liquidation activity.

The comparative summary of the total claims and recoveries of claims recovery as of 31 December 2008 is presented in the chart below:



CHAPTER X

THE ACTIVITY OF THE FUND AS LIQUIDATOR AND SPECIAL/INTERIM ADMINISTRATOR

1. In compliance with the provisions of Government Ordinance n° 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, republished, with its subsequent amendments and supplements, the Fund may carry out activities in one of the following capacities:

- special administrator;
- interim administrator (for the period between filing the petition for bankruptcy and the appointment of the liquidator);
- judicial liquidator of a bankrupt credit institution, in the event that it is appointed by court;
- administrative liquidator, in the event that the liquidation of a credit institution takes place at the shareholders' initiative or when the National Bank of Romania orders the dissolution followed by liquidation; in this case, the Fund is, according to law, sole liquidator.

As of 2002, the Fund has been carrying out the specific activity related to the bankruptcy procedure at two bankrupt banks, namely Banca Română de Scont (which went bankrupt on 16 April 2002) and Banca Turco-Română (which went bankrupt on 3 July 2002).

During this period, the Fund carried out its activity in the aforementioned capacity in compliance with the specific regulations provided for the applicable legislation on the bankruptcy of credit institutions (Law n° 83/1998 on the bankruptcy of credit institutions, with its subsequent amendments and supplements), with the provisions of the general applicable framework on bankruptcy (Law n° 85/2006 on the insolvency procedure), as well as with the Fund's internal regulations (Regulation n° 3/2007 on the activity of the Deposit Guarantee Fund in the Banking System in its capacity of liquidator, special administrator and interim administrator) which establish the duties of the Fund's representative in the event that the Fund is appointed in one of these capacities.

The Fund's activity in its capacity of judicial liquidator of the two bankrupt banks also materialized in the continuation of the activity of handling the cases pending before the courts of law, with a view to recovering its claims from the bank's debtors. This proved to be difficult, given both the criminal character of the various operations carried out by the two banks prior to bankruptcy and the fact that the courts of law usually set court hearing dates that were far apart and, in many cases, the verdicts were in favor of the debtors.

Under these circumstances, both the Fund and its representatives in the two bankrupt banks turned to the criminal investigation authorities, the courts of appeal, the Ministry of Justice and the Higher Council of the Magistracy, asking for support with a view to a rapid ruling on the cases pending before the courts of law.

2. Aspects related to the Fund's activity in its capacity of judicial liquidator of:

A. Banca Română de Scont – bankrupt bank (BRS)

The Fund's activity as liquidator with respect to the bankruptcy procedure at BRS in 2008 consisted in:

a) Continuing to handle the cases pending before the courts of law, with a view to recovering the bank's claims from its debtors.

To this end, the prosecution and attachment of the debtors' movable and immovable property continued. The debts as at 31 December 2008 amounted to RON 16.5 million. Over 44% of this amount was represented by the outstanding debts from credits and interest related to the first 10 debtors, ranked according to the size of the debt.

Following the civil case sentence n° 956/sind/10 November 2006, final and enforceable, the enforceable title in the case of the patrimonial liability of the former president of BRS, Nicolaescu Teodor, was obtained. To this end, the distraint upon his identified property was ordered. The seized goods could not be realised in 2008 because the respective goods are also seized by the Public Prosecutor's Office attached to the High Court of Cassation and Justice in the criminal case on the bankruptcy of BRS, which is still pending.

From the point of view of the possibility to collect the contested monies in the legal actions taken by the bank in order to recover them, the estimated amount to be collected is approximately USD 1.2 million in lei equivalent, corresponding to the investments made by the bank in the 8 premises (former offices of the bank) rented from SC Imobiliar Network 2002 SA in 1999-2000, which makes the object of the damage compensation action brought by BRS against the aforementioned company and which is being tried at Bucharest Court of Appeal.

As regards the legal actions taken by the bank in order to recover the outstanding debts, we mention that at 31 December 2008 248 files were in progress, out of which: 64 enforcement files, 96 criminal files and 70 suspended files.

In the 70 files for claims amounting to RON 148.9 million and USD 2.08 million, the trial was suspended until the resolution of criminal file 34/D/P/2005 on the bankruptcy of BRS, which makes the prospect of recovering the claims that make the object of the aforementioned legal actions to be uncertain.

It is also worth mentioning that in August 2008 the assessment report in this criminal file was handed in, including to BRS, in order for the parties to acknowledge it and to formulate remarks.

We mention that, in the assessment report, BRS is considered the responsible party in the civil lawsuit for losses amounting to approximately RON 87.0 million, on the grounds that BRS-SMB recorded in the bank's operation registers and its clients' bank statements several operations that could not be endorsed by documents. Given this situation, the liquidator of BRS filed a statement in the aforementioned criminal file with the Public Prosecutor's Office attached to the High Court of Cassation and Justice – DIICOT – requesting that the real beneficiaries of the monies embezzled from the bank be admitted in the proceedings with a view to recovering the losses incurred by the bank and covering the creditors' claims.

In order to continue the bank's bankruptcy procedure, in 2008 there were seven court hearing dates.

b) Continuing to carry out the recovery of the claims from credits, interests and other claims, as well as realising BRS' assets.

In 2008 the amount of RON 1.6 million was recovered from claims and other assets, of which RON 1.5 million represent recovered claims.

The evolution of the claim recovery and the monies collected from realising the assets of the bankrupt credit institution during the bankruptcy procedure is shown below:

- RON million -

| Explanation | Claims and other assets on 16 April 2002 (bankruptcy date) | Cash collections between 16 April 2002 and 31 December 2008 | out of which: in 2008 | % |
|---|--|---|-----------------------|-------------------------|
| 0 | 1 | 2 | 3 | 4=column 2/ column 1 |
| Total claims and other assets, out of which: | 54.57 | 29.1 | 1.6 | 53.33 |
| 1. Claims | 37.75 | 10.0 | 1.5 | 26.49 |
| 1.1.credits | 27.09 | 5.2 | 0.4 | 19.20 |
| 1.2.interests | 6.06 | 2.3 | 1.1 | 37.95 |
| 1.3.other claims | 4.60 | 2.5 | - | 54.35 |
| 2. Other assets | 16.82 | 16.4 | - | 97.50 |
| 3. Other collections (rent, dividends, interests for cash accounts) | - | 2.7 | 0.1 | - |

The claims recovered since the bankruptcy date amount to RON 10.0 million, that is 26.49% of the total amount of claims at the date the bank went bankrupt (RON 37.75 million).

If we also take into account the amount of RON 12.8 million consisting of RON 9.0 million from setting off claims against debts and RON 3.8 million from asset takeovers for the bank's claims, from debtors S.C. Romcuarț S.R.L. and S.C. Cuarț SA, then the recovery ratio from credits, interests and other claims represents 60.40% of the total claims from credits, interests and other claims at the bankruptcy date, the greatest recovery ratio compared to the other bankrupt banks.

Out of the RON 16.4 million, representing total collections in the "other assets" row since the bankruptcy date, the amounts from the sale of 9 bank premises (RON 8.5 million) and the recovery of investments made in rented buildings (RON 2.8 million) carry the greatest weight, while the rest comes from the assignment of equity investments in TransFond, the Romanian Loan Guarantee Fund for Private Entrepreneurs and the Rural Credit Guarantee Fund (RON 3.8 million), sale of vehicles and other assets, recovery of guarantees for the EUROPAY card implementation contract.

As for the prospects of realising the bank's assets we mention that, at present, the bank owes, together with S.C. ASTRA S.A., the exploitation rights for the quartz resources and reserve in the Siglău-Uricani deposit, Hunedoara County, out of which the bank owns an undivided share of 15.21%, worth RON 3 million (USD 1,294,225), taken in payment in 2007 from the debtor SC Romcuarț SRL, as well as 2 buildings from S.C. Cuarț SA, namely an unincorporated area pertaining to the quartz quarry and a built-in area where there are (partially demolished) constructions. In December 2008, BRS and S.C. ASTRA SA concluded an agreement with a view to rapidly realising the exploitation rights commonly held with S.C. ASTRA S.A., by means of S.C. Novacuarț S.R.L., Bucharest (recently established), whose sole associate is S.C. ASTRA S.A.. To this same end, at the beginning of 2009, the permit for quartz exploitation in the Siglău-Uricani perimeter was transferred from S.C. Romcuarț S.R.L. to S.C. Novacuarț S.R.L.

BRS also owns an apartment in Bucharest, taken over for the claim against the owner, a property which is to be realised depending on the evolution of the real estate market.

In 2008, the bank operated with a number of 15 employees, that is 2 employees less than the previous year, which led to a reduction in the personnel expenses.

c) Distributions to creditors from collected amounts

Following the results obtained in the bankruptcy procedure, in 2008 the liquidator made another money distribution to the unsecured creditors, amounting to RON 1.15 million.

From the opening of the bankruptcy procedure to 31 December 2008, nine distributions were made to creditors, amounting to RON 17.2 million, that is 44.79% of the total amount in the list of creditors of RON 38.4 million. The unsecured creditors benefited from the receipt of over 42% of their total claims amounting to RON 36.5 million, whereas the Fund and the State recovered their claims in full.

d) Elaborating monthly progress reports on the bankruptcy procedure and on the fulfilment of the liquidator's tasks.

The monthly activity reports were submitted for analysis to the Fund's Board and to the Creditors' Committee and then submitted, according to the provisions of law, to the syndic for approval and to the National Bank of Romania for information purposes. We mention that all monthly reports were approved by the syndic, in the conclusions made in an open meeting.

e) Financial results

Altogether, since the date the bankruptcy procedure was initiated and until 31 December 2008, as a result of the measures taken in order to increase revenues and reduce losses, the financial results were positive, amounting to RON 5.7 million. The profit was intended for/distributed for partially covering (28%) the fiscal losses, amounting to RON 19.8 million, which the bank had at the date the bankruptcy procedure was initiated.

f) Participation in the creditors' committees/assemblies meetings

One meeting of the Creditors' Committee and two meetings of the Creditors' Assembly took place in 2008, in October 2008 and November 2008 respectively, in order to inform on the measures taken by the liquidator and on the results obtained during the bankruptcy procedure, on the plan for distributing monies to creditors, as well as to approve other concrete measures, such as the agreements concluded by the bank with SC Asigurare-Reasigurare ASTRA SA, and to analyze some ordinary problems in the liquidation activity.

g) The Fund's financial effort in its capacity of judicial liquidator

From the point of view of the Fund's financial effort in its capacity of judicial liquidator of this bank, we mention that, as regards the expenses with the Fund's personnel directly involved in the bankruptcy procedure, on 31 December 2008 these were not covered by the collections representing the counter value for the Fund's services and the remuneration due to the Fund in its capacity of liquidator, according to law, namely 3% of the collections from the bankruptcy procedure; the costs were over two times higher than the remuneration received. Taking into account the prospects that future collections could be significantly lower, it is estimated that the Fund, in its capacity of liquidator, will not cover its expenses with the personnel involved in the liquidation activity.

B. Banca Turco-Română – bankrupt bank (BTR)

The activity of the Fund in its capacity of liquidator with respect to the bankruptcy procedure at BTR in 2008 consisted in:

a) Continuing to handle the files pending before the courts of law in order to recover the bank's claims from its debtors.

At the end of 2008, 69 files were pending, out of which: 14 enforcement files, 25 commercial files, 18 administrative files, 11 criminal complaints and one criminal file.

In order to recover the claims pertaining to the two Turkish companies – Bayindir Holding AS and Bayindir Insaat Turizm Ticaret ve Sanayi AS – the main debtors of the bank, as well as to hold accountable the former directors and main shareholders who are responsible for the bank's bankruptcy, two civil legal actions taken by BTR in 2003 and a criminal action following the complaint lodged by the National Bank of Romania in 2001 are still pending before the courts of law. On 12 April 2001, BTR became a civil party in the lawsuit for the damages incurred. The stage of these legal actions is presented below:

- Damage compensation action, brought in March 2003, against Bayindir Holding AS and Bayindir Insaat Turizm Ticaret ve Sanayi AS, in order to force them to jointly cover the damage incurred by the bank.

By the end of 2008, so after almost six years, the court had not heard the case merits due to the fact that both the trial court and the appeal court admitted the non-competence exception in the case of Romanian courts.

Following the liquidator's appeal, on 31 December 2008 the file was with the High Court of Cassation and Justice, which postponed the trial following the non-compliance with the summons procedure via the Ministry of Justice, first with both Turkish debtors and then only with Bayindir Insaat Turizm Ticaret ve Sanayi AS.

In 2008, two court hearing dates were set in order to comply with the summons procedure, on 28 May and 22 October 2008, when a new hearing date was set, on 25 February 2009 and then on 24 June 2009.

- Civil action regarding the liability of the former directors and main shareholders who were responsible for the bankruptcy of the bank.

Although this action was brought in April 2003, the summons procedure for the non-resident defendants (Turkey and USA), both natural and legal persons, was only finalized on 21 August 2007, and at the next three court hearing dates set by the end of 2007 the court rejected a number of exceptions raised by the defendants.

At the first court hearing date in 2008 (12 February), the court admitted the financial accounting expertise which aimed at establishing the damages attributed to each defendant, appointed the chartered accountant (who was replaced at the hearing date on 15 April 2008) and admitted the experts for BTR and the National Agency for Fiscal Administration (ANAF), as well as for six out of the 13 defendants.

In order to finalize the accounting expertise report, three more hearing dates were set by the end of 2008 and two more for 2009, the last being set at 15 September 2009.

- Legal action regarding the criminal liability of the former directors, natural persons who signed the guarantee and trust contracts which enabled Bayindir Insaat Turizm Ticaret ve Sanayi AS to benefit from credits granted by foreign banks. BTR is a civil party in the lawsuit for the damage incurred.

By criminal sentence n° 1071 of 19 April 2007, the former directors were sentenced to 5 to 13 years of prison for abuse of office, document forgery and other offences and forced to reimburse USD 59,421,921.04 and EUR 11,326,199.99 to BTR, in lei equivalent at the enforcement date, plus the legal interest since 31 March 2003 to the date of settlement.

All the accused appealed; the first court hearing date was set on 26 November 2007. By the end of 2008, although six court hearing dates had been set, the discussion of the case merits had not begun, due to the non-compliance with the summons procedure. The last court hearing date was set at 8 June 2009.

The liquidator took the necessary steps to recover the bank's claims from other debtors as well and in 2008 it brought eight legal actions, out of which six commercial actions, a civil action and a criminal one; in 2008 statements of claim were filed in the case of eight debtors for which the bankruptcy procedure, two was opened which were rejected by the appointed liquidator as having exceeded the statute of limitation.

Out of the total number of 156 debtors on 31 December 2008 (others than the Bayindir Group), 14 were involved in an attachment procedure, 7 of them had civil or criminal files pending before the courts of law, 14 were involved in the bankruptcy procedure, for 23 of them the bankruptcy procedure had ended, for 86 of them no legal actions could be brought because the statute of limitation had been exceeded, and for 12 of them all legal ways of claim recovery had been exhausted.

In 2008, following the sentences of the courts of law, the claim pertaining to the National Agency for Fiscal Administration (ANAF) was increased from RON 20.0 million, the amount that had originally appeared in the list of creditors, to RON 96.45 million, the amount that is temporarily recorded in the bank's list of creditors at the end of 2008. The amount is temporarily recorded, until a fiscal audit for the 2000-2002 period is carried out.

On 31 December 2008, BTR's debt towards the 706 creditors, others than ANAF, amounted to RON 90.7 million, out of which RON 16.4 million are due to the Fund. In order to continue the bank's bankruptcy procedure, in 2008 there were five hearing dates.

b) Continuing to carry out the recovery of the claims from credits, interests and other claims, as well as realising BTR's assets.

The total collections in 2008, amounting to RON 3.37 million, represent 8.12% of the total collections during the entire period of the bankruptcy procedure at BTR.

The summary of the recovery of the claims from credits, interests and realisation of other assets between 3 July 2002 and 31 December 2008 is presented below:

-RON million -

| Explanations | Claims and other assets on 3 July 2002 (bankruptcy date) | Cash collections between 3 July 2002 and 31 December 2008 | out of which: in 2008 | % |
|--|--|---|-----------------------|---------------------|
| 0 | 1 | 2 | 3 | 4=column 2/column 1 |
| Total claims and other assets, out of which: | 274.15 | 41.48 | 3.37 | 15.13 |
| 1. Claims | 227.48 | 4.13 | 0.22 | 1.82 |
| 1.1.credits | 98.19 | 1.33 | 0.1 | 1.35 |
| 1.2.interests | 17.30 | 1.92 | 0.08 | 11.10 |
| 1.3.other claims | 111.99 | 0.88 | 0.04 | 0.79 |
| 2. Other assets | 46.67 | 31.63 | 0.40 | 67.77 |
| 3. Other collections | - | 5.72 | 2.75 | - |

The total collections from claims recovery represent 1.82% of the total claims at the date the bankruptcy procedure was initiated; 92.08% represent the claims against the two Turkish debtors, whereas the 6.1% difference is represented by unrecovered claims due to the absence of original debt securities for initiating enforcement procedures or damage compensation actions, as a result of the closure of the bankruptcy procedure in the case of some debtors and of the prescription of BTR's material right to legal action in the case of other debtors.

In the total collections column, the "other claims" row, amounting to RON 0.88 million, comprises the monies recovered from debtors from various operations, other than credits, and from the debtors related to cards' operations.

In the "other assets" row, out of the total amount of RON 31.63 million, the collections from the sale of immovable property (five buildings and two plots of land) carry the greatest weight; the rest comes from the sale of movable property and equity investments.

In the “other collections” row, out of the total amount of RON 5.72 million, the interests pertaining to the bank’s cash accounts (RON 2.74 million) represent 47.90%, while the rest comes from other sources.

In 2008, the bank operated with an average number of 11 employees, that is 5 employees less than the previous year, which also led to a reduction in the personnel expenses.

c) Distributions to creditors from the amounts collected

In 2008, as in the previous year, there were no distributions of monies to creditors; these are to be resumed after the definitive settlement of the ANAF claim.

d) Elaborating monthly progress reports on the bankruptcy procedure and on the fulfilment of the liquidator’s tasks.

The monthly activity reports were submitted for analysis to the Fund’s Board and to the Creditors’ Committee, and then submitted, according to the provisions of law, to the syndic for approval and to the National Bank of Romania for information purposes. All 2008 monthly reports were approved by the syndic.

e) Participation in the creditors’ committees/assemblies meetings

Five meetings of the BTR Creditors’ Committee took place in 2008, in order to inform on the measures taken by the liquidator, to approve the sale by public auction of six assets (movable and immovable goods, one equity investment) and the starting price for the auction based on the assessment reports, as well as in order to approve other concrete measures regarding some ordinary problems in the liquidation activity.

The BTR Creditors’ Assembly took place on 30 June 2008 and approved the sale by public auction of six BTR assets and the starting prices for the auction, as well as the reduction from 9 to 7 of the number of members of the BTR Creditors’ Committee.

f) The Fund’s financial effort in its capacity of judicial liquidator

From the point of view of the Fund’s financial effort in its capacity of judicial liquidator of this bank, we mention that, as regards the expenses with the Fund’s personnel directly involved in the bankruptcy procedure, on 31 December 2008 these were not covered by the collections representing the counter value for the Fund’s services and the remuneration due to the Fund in its capacity of liquidator, according to law, namely 3% of the collections from the bankruptcy procedure; the costs were over ten times higher than the remuneration received. Taking into account the prospects that future collections could be significantly lower, it is estimated that the Fund, in its capacity of liquidator, will not cover its expenses with the personnel involved in the liquidation activity.

CHAPTER XI

ACTIVITY OF THE BOARD

1. In its monthly meetings held in 2008, the Board analyzed, endorsed or approved, as the case may be, different materials regarding the main issues that the Fund deals with, such as:

- the Fund's organizational and personnel structure, as well as its salary policy, namely supplementing the organizational chart with a new department, creating the deputy director position and changing the executive management;
- the Fund's income and expenditure budget;
- setting out the coordinates of the Fund's financing policy and of the target exposure coverage ratio, of the annual contribution rate and of the amount of the stand-by credit lines;
- monitoring the collection of the contributions due by credit institutions;
- concluding agreements with the credit institutions regarding stand-by credit lines;
- the proposals concerning the elaboration of regulations on the setting out of the coordinates of the Fund's financing policy;
- monitoring the evolution of the implementation of the bankruptcy procedure in the case of bankrupt institutions where the Fund is a creditor, in order to recover as much as possible of the outstanding claims, as well as analyzing and approving solutions to various issues resulting from the implementation of the bankruptcy procedure, such as to reduce expenses and realise the assets of bankrupt banks;
- the annual strategy regarding the Fund's exposure, whose main objectives are risk minimization and investment liquidity and also, as an additional objective, their efficiency;
- investing the Fund's financial resources within the limits and under the conditions of the strategy approved by the Board of the National Bank of Romania;
- the activity at the bankrupt banks where the Fund was appointed liquidator, according to the provisions of law, taking the necessary measures based on the proposals in the monthly activity reports and in the other materials elaborated by the Fund's representatives in these banks, with a view to increasing the monies recovered by the Fund;
- verifying the accuracy of the calculation of the contributions due to the Fund by the credit institutions and the way depositors are informed on the deposit guarantee scheme;
- the measures proposed by the Fund's executive management with respect to the information of the public on deposit guarantee;
- the measures regarding the Fund's new head office;
- modifying and supplementing some internal regulations of the Fund regarding the subordination relations of some departments, the organization of protocol actions and the establishment of expense limits;

- the adequate enforcement of the laws and regulations related to the Fund's activity;
- achieving the indicators in the income and expenditure budget;
- the distribution of the Fund's annual profit;
- the annual activity report and the annual financial statements;
- the Fund's half-yearly bulletin.

2. The Board's chairman was concerned with the proper conducting of the Board's activity and put into effect the decisions of Board of the National Bank of Romania and of the Fund's Board, informed the executive management of National Bank of Romania on the way the decisions were implemented and controlled the director's activity.

CHAPTER XII

FINANCIAL RESOURCES OF THE FUND

1. The contributions paid by banks in 2008, compared to 2007, are presented below:

– RON thousand –

| Contribution type | 2007 | 2008 |
|-------------------------|-----------------|------------------|
| – initial contributions | 1,355.0 | 450.0 |
| – annual contributions | 69,838.8 | 99,959.7 |
| – special contributions | – | – |
| TOTAL | 71,193.8 | 100,409.7 |

The annual contribution for 2008 was transmitted to the Fund at the beginning of the year, based on the declarations of the credit institutions, and was paid by the credit institutions within the legal period, with no delays.

The annual contributions collected by the Fund in 2008 include the amount of RON 3,186.7 thousand, the difference in contribution that resulted from the examination by the Fund of the calculation base for the annual contribution due by credit institutions in 2006 and 2007.

The increase in the amount of annual contributions collected in 2008 was due exclusively to the growth in the amount of guaranteed deposits, since the annual contribution rate was maintained at 0.1%, as in 2007.

2. In accordance with the approved financing policy, in 2008 the Fund concluded agreements with the credit institutions participating in the deposit guarantee scheme on stand-by credit lines amounting to EUR 190 million, in lei equivalent. These credit lines, valid until 01 March 2009, were not drawn down because no credit institution participating in the Fund's deposit guarantee scheme failed in 2008. According to the provisions of law, the Fund pays to credit institutions, within 30 bank working days from the date the stand-by credit lines are no longer valid, a commitment fee of 0.5%, amounting to RON 3,174.1 thousand.

3. The evolution of the financial resources and the payments made from the date the Fund was established until 31 December 2008, compared to 31 December 2007, is presented below:

Deposit Guarantee Fund in the Banking System

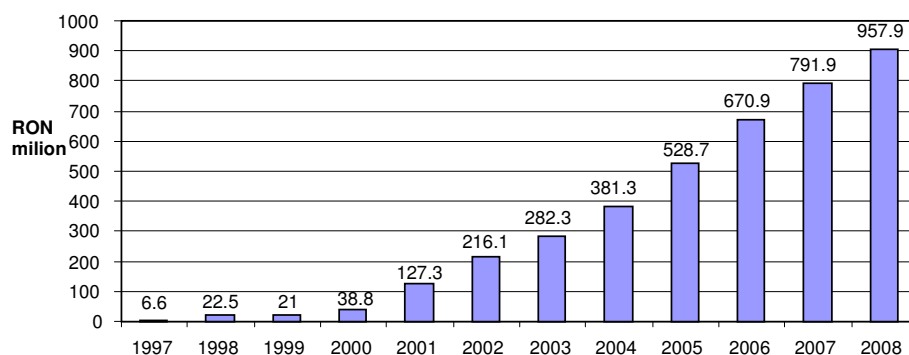
- RON thousand -

| N° | INDICATORS | 31.12.2007 Cumulated data | Year 2008 | 31.12.2008 Cumulated data | % |
|----|---|---------------------------------|-----------|---------------------------------|---|
| 0 | 1 | 2 | 3 | 4 | 5 = (column 4 –column 2)/column 2 |
| A. | RESOURCES –total, out of which: | 1,767,927.6 | 169,204.1 | 1,937,131.7 | 9.57 |
| | 1. Banks' contribution | 857,490.9 | 100,409.7 | 957,900.6 | 11.71 |
| | 2. Fund's profit distributed in 1996-2007 | 400,061.2 | 68,323.3 | 468,384.5 | 17.08 |
| | 3. Borrowings | 350,000.0 | - | 350,000.0 | - |
| | 4. Collections from recovered claims from bankrupt banks* | 159,335.1 | 415.1 | 159,750.2 | 0.26 |
| | 5. Collections from liquidator's remuneration | 1,040.4 | 56.0 | 1,096.4 | 5.38 |
| B. | PAYMENTS – total, out of which: | 976,056.6 | 3,174.1 | 979,230.7 | 0.33 |
| | 1. Compensation payments | 512,243.7 | - | 512,243.7 | - |
| | 2. Payments related to borrowings, out of which: | 458,774.9 | - | 458,774.9 | - |
| | 2.1. repayments of principal | 350,000.0 | - | 350,000.0 | - |
| | 2.2. interests related to borrowings | 108,774.9 | - | 108,774.9 | - |
| | 3. payments due related to the commitment fee for stand-by credit lines | 5,038.0 | 3,174.1 | 8,212.1 | 63.0 |
| C. | YEAR END BALANCE | 791,871.0 | 166,030.0 | 957,901.0 | 20.97 |

* The sums also include the contributions due to the Fund and collected from Bankcoop and Banca Turco-Română (by 31 December 2006) and from Nova Bank (in 2007).

As it results from the data above, the Fund's available resources intended for deposit guarantee on 31 December 2008 increased by RON 166,030 thousand (+20.97%) compared to 31 December 2007, while the Fund owes for 2008 a commitment fee for the stand-by credit lines granted by credit institutions of 0.5% per year, amounting to RON 3,174.1 thousand.

Evolution of the Fund's financial resources as on 31 December



In 2008, the sums allotted from the Fund's profit represented 40.4% of the resources, whereas the annual contributions represented 59.3% of the total financial resources pertaining to 2008.

CHAPTER XIII

INVESTMENT OF FINANCIAL RESOURCES

1. The financial resources of the Fund can be invested in government securities, government-guaranteed securities and securities issued by the National Bank of Romania, as well as in time deposits, certificates of deposit and other financial instruments of the credit institutions in Romania. Moreover, as of the date of our country's accession to the European Union, it also became possible for the Fund to invest in securities issued by the member states of the European Union, securities issued by their central banks, as well as in securities issued by the United States Department of Treasury.

In compliance with the legal provisions, the Fund's financial resources are invested based on an annual exposure strategy for each financial instrument and issuer, which establishes the methods, the ceilings, the terms and conditions for investment. This strategy is drawn up by the Fund, endorsed by the Fund's Board and approved, according to law, by the Board of the National Bank of Romania.

The main objectives of the strategy are the minimization of risks and the liquidity of investments, and, as an additional objective, their efficiency.

2. In 2008, the Fund's resources were invested in government securities and time deposits with the credit institutions that had been selected by means of the approved strategy. The Fund's resources were evenly invested in time deposits (RON 309,640.0 thousand – 52,4%) and government securities (RON 281,296.5 thousand – 47.6%), and the structure of the average invested capital and the average interest rate obtained by the Fund in the 2008 investments is presented in the table below:

Investments made in 2008:

| N° | Financial instruments | 1 st semester | | 2 nd semester | | Total | |
|----|--------------------------------------|--|-------------------------|--|-------------------------|--------------------------------|-------------------------|
| | | Average invested capital -RON thousand - | Average interest rate % | Average invested capital -RON thousand - | Average interest rate % | Average invested capital -RON- | Average interest rate % |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | TOTAL INVESTMENTS, out of which: | 86,193.2 | 10.87 | 402,140.1 | 11.71 | 244,166.6 | 11.80 |
| 1. | Investments in government securities | 44,744.6 | 10.04 | 120,758.3 | 11.06 | 82,751.4 | 10.99 |
| 2. | Investments in time deposits | 41,448.6 | 11.77 | 281,381.8 | 11.99 | 161,415.2 | 12.21 |

The weight of the average capital invested in government securities is smaller than the weight of financial resources invested in time deposits in the total of the investments made by the Fund in 2008 because the investments in this financial instrument were made mainly towards the end of the year (in November and December – 57.8% of the total), that is during a short period of time.

The structure of the average invested capital during the entire period, namely in 2008 and the previous years (with maturities which exceed the date of 1 January 2008), per financial instruments, is presented below:

TOTAL investments:

| N°. | Financial instruments | 1 st semester | | 2 nd semester | | Total | |
|-----|--------------------------------------|----------------------------------|-------------------------|--|-------------------------|---|-------------------------|
| | | Average invested capital - RON - | Average interest rate % | Average invested capital -RON thousand - | Average interest rate % | Average invested capital - RON thousand - | Average interest rate % |
| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. | TOTAL INVESTMENTS, out of which: | 799,762.2 | 7.98 | 882,080.1 | 9.46 | 838,724.0 | 8.91 |
| | Investments in government securities | 135,956.3 | 8.20 | 149,655.3 | 10.38 | 142,432.3 | 9.51 |
| 2. | Investments in time deposits | 663,805.9 | 7.94 | 732,424.8 | 9.27 | 696,291.7 | 8.79 |

3. The weights of the different types of financial instruments in the total investments made by the Fund exclusively in 2008, as well as in the total investments made in 2008 and in previous years (investments with maturities which exceed the date of 1 January 2008) is presented below:

Investments made in 2008:

| N° | Financial instruments | Average invested capital (%) | | |
|----|--------------------------------------|------------------------------|--------------------------|--------|
| | | 1 st semester | 2 nd semester | Total |
| 0 | 1 | 2 | 3 | 4 |
| | TOTAL INVESTMENTS | 100.00 | 100.00 | 100.00 |
| | out of which: | | | |
| 1. | Investments in government securities | 51.91 | 30.03 | 33.89 |
| 2. | Investments in time deposits | 48.09 | 69.97 | 66.11 |

TOTAL investments:

| N° | Financial instruments | Average invested capital (%) | | |
|----|--------------------------------------|------------------------------|--------------------------|--------|
| | | 1 st semester | 2 nd semester | Total |
| 0 | 1 | 2 | 3 | 4 |
| | TOTAL INVESTMENTS | 100.00 | 100.00 | 100.00 |
| | out of which: | | | |
| 1. | Investments in government securities | 17.00 | 16.97 | 16.98 |
| 2. | Investments in time deposits | 83.00 | 83.03 | 83.02 |

5) On 31 December 2008, the investments in government securities came to represent 24.40% of the Fund's total investments, compared to 12.60% at the end of 2007.

The expected annual average interest rate for 2008 was 7.44%, and the annual average interest rate achieved at the end of the year was 8.91%.

CHAPTER XIV

FINANCIAL RESULTS FOR 2008

The Fund's financial activity was monthly analyzed by the Fund's Board, based on the information presented by the executive management on the contribution collection, the recovery of claims from bankrupt banks, compensation payments, investment of the available financial resources and the Fund's current expenditures.

1. The Fund's financial statements

The Fund's balance sheet

– RON–

| | Asset | | Liability | | |
|---|--------------------|--------------------|--|--------------------|--------------------|
| | 31.12.2007 | 31.12.2008 | 31.12.2007 | 31.12.2008 | |
| 1. Fixed assets, total, out of which: | 649,765,755 | 567,378,102 | 1. Own funds, total, out of which: | 806,271,088 | 972,302,112 |
| – intangible assets | 3,951 | 16,761 | – reserves | 806,271,088 | 903,978,786 |
| – tangible assets | 88,041 | 213,242 | – financial year profit | 51,897,608 | 68,323,326 |
| – financial assets | 649,673,763 | 567,148,099 | – profit distribution | 51,897,608 | - |
| 2. Current assets, total, out of which: | 160,048,946 | 407,761,664 | 2. Debts, total, out of which: | 3,551,604 | 2,837,654 |
| – short-term financial investments | 159,944,406 | 407,651,594 | – debts to be paid within a year at most | 3,551,604 | 2,837,654 |
| – bank accounts | 29,025 | 11,912 | | | |
| – other claims (bank settlements) | 75,515 | 81,234 | | | |
| 3. Advance expenditures | 7,991 | 16,924 | | | |
| TOTAL ASSET | 809,822,692 | 975,139,766 | TOTAL LIABILITY | 809,822,692 | 975,139,766 |

In 2008, the financial assets that represented investments with maturity higher than 1 year decreased, whereas short-term financial investments increased, due to the priority given to the investment of available funds with maturity of less than one year. The debts to be paid within a year at most are mainly the commitment fee for the stand-by credit lines due for 10 months pertaining to 2008, amounting to RON 2,644,430.

Profit and loss account

The summary of the Fund's profit and loss account at the end of 2008, compared to 2007, is the following:

– RON–

| | 31 December 2007 | 31 December 2008 |
|------------------------|------------------|------------------|
| Operating incomes | - | - |
| Operating expenditures | 4,824,075 | 6,702,818 |
| Financial incomes | 56,722,949 | 75,026,144 |
| Financial expenditures | 1,266 | - |
| Total incomes | 56,722,949 | 75,026,144 |
| Total expenditures | 4,825,341 | 6,702,818 |
| Gross profit | 51,897,608 | 68,323,326 |
| Income tax | - | - |
| Net profit | 51,897,608 | 68,323,326 |

2. The analysis of some financial information reported for the financial year which ended on 31 December 2008

The Fund's **total incomes** in 2008, amounting to **RON 75,026,144**, come from:

- **RON 74,964,610**, interests from the investment of the Fund's financial resources in 2008. The interests for the investments represent 99.80% of the total incomes for 2008. For the investments made in 2008, the Fund benefited from an annual average interest rate of 8.91%;
- **RON 61,534**, interests collected for the available funds in the Fund's current accounts with banks.

The Fund's **total expenditures** incurred in 2008, amounting to **RON 6,702,818**, represent 8.93% of the total incomes and consist of:

- **RON 5,052,391, personnel expenses**, representing 75.38% of the total expenditures, out of which:
 - RON 3,876,029 expenditures related to the wages of the Fund's personnel (76.72% of the total personnel expenses);
 - RON 1,176,362, payments to special budgets, namely social insurance, health insurance, unemployment benefit, accident risk fund and social fund (23.28% of the total personnel expenses);
- **RON 1,351,284, expenditures related to services provided by third parties** (20.16% of the total expenditures), consisting of:
 - RON 421,656, expenditures with the allowances of the Board members;
 - RON 255,280, expenditures with internal and external auditing and other expenditures related to services provided by third parties;
 - RON 157,169, maintenance and repair expenditures;
 - RON 148,241, rent expenditures;

- RON 154,421, advertising and publicity expenditures (half-yearly bulletins, annual report, Finmedia directory, studies carried out by Metromedia);
- RON 214,517, other expenditures related to services provided by third parties (expenditures with domestic travels – namely delegating the Fund’s personnel to BRS and control actions at credit institutions with the head office outside of Bucharest; foreign travels – the participation of the Fund’s representatives in the events organized by the international professional associations – EFDI and IADI; electricity and water expenditures; mailing expenditures and telecommunication fees; insurance premiums expenditures; commissions and fees expenditures, etc.);
- **RON 235,204, expenditures related to consumables** and inventory items (3.5% of the total expenditures);
- **RON 55,979, expenditures related to the depreciation** of tangible and intangible assets (0.84% of the total expenditures);
- **RON 7,960, contingent expenditures.**

Given that the investment fund provided for 2008 had not been fully used (mainly for the purchase of the Fund’s head office), the Board of the National Bank of Romania approved the redistribution of the amount of **RON 14,352,000** from reserves – development fund used in the Fund’s own capital to the Fund’s **available resources** necessary for potential compensation payments to guaranteed depositors.

The Fund’s 2008 financial year ended with a gross profit of RON 68,323,326 compared to RON 54,242,000, the expected value; thus, the profit increased by RON 14,081,326 (26%).

According to the provisions of law, the Fund’s profit is tax free and distributed according to the approval of the Fund’s Board.

During the financial year that ended on 31 December 2008, the Fund had a **net accounting profit amounting to RON 68,323,326**, distributed as follows:

- **RON 67,303,093**, to completing the Fund’s financial resources earmarked for the potential compensation payments to guaranteed depositors (98.5%);
- **RON 683,233**, to constituting the annual profit participation fund (1%);
- **RON 337,000**, to constituting the investment fund approved by means of the income and expenditure budget for 2009 (0.5%).

3. Independent auditors' report to the Board of the Deposit Guarantee Fund in the Banking System

Report on financial statements

1. We have audited the accompanying financial statements of the Deposit Guarantee Fund in the Banking System (the "Fund") which include the balance sheet as at 31 December 2008, the profit and loss account for the financial year which ended at that date and a summary of the significant accounting policies, as well as other explanatory notes, numbered from page 1 to page 26. The aforementioned financial statements refer to:

| | |
|-----------------------------------|----------------------|
| Total liabilities | RON 975,139 thousand |
| Net profit for the financial year | RON 68,323 thousand |

Responsibility of the management for the financial statements

2. The Fund's management is responsible for the elaboration and accurate presentation of these financial statements, in compliance with the Order of the Governor of the National Bank of Romania n° 5/2005, with its subsequent amendments and supplements. This responsibility comprises: to design, implement and maintain an internal control which is relevant to the elaboration and accurate presentation of the financial statements that are free from material misstatement whether, due to fraud or error; to select and apply adequate accounting policies; to elaborate reasonable accounting estimates under the circumstances.

Responsibility of the auditor

3. Our responsibility is to express an opinion about these financial statements, based on the audit that we carried out. We conducted our audit in compliance with the International Auditing Standards. These standards ask us to comply with the ethical requirements, to plan and carry out the audit with a view to obtaining reasonable assurance whether the financial statements are free from material misstatement.

4. An audit consists in carrying out procedures in order to get the audit evidence with respect to the amounts and the information in the financial statements. The selected procedures depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. While assessing these risks, the auditor takes into account the internal control relevant to the elaboration and accurate presentation of the Fund's financial statements in order to determine the adequate audit procedures under the circumstances, but not for the purpose of expressing an opinion about the effectiveness of the Fund's internal control. An audit also includes the assessment of the adequacy level of the accounting policies that are used and the reasonable character of the accounting estimates elaborated by the management, as well as the assessment of the overall presentation of the financial statements .

5. We consider that the audit evidence that we obtained is sufficient and adequate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the accompanying financial statements offer a truthful image, from all important points of view, of the Fund's financial position as at 31 December 2008, as well as of the financial performance for the financial year which ended at that date, in compliance with Order of the Governor of the National Bank of Romania n° 5/2005, with its subsequent amendments and supplements.

Other aspects

7. This report is meant exclusively for the members of the Fund's Board as a body. Our audit was carried out in order to be able to report to the Fund's Board those aspects that we need to report in a financial audit report and serves no other purposes. In compliance with the law, we only accept and assume responsibility towards the Fund and the members of the Fund's Board as a body for our audit, for this report and for the opinions that are expressed.

Report on the conformity of the administrators' report with the financial statements

In compliance with the provisions of Order 5/2005, article 161, paragraph 1, we read the administrators' report attached to the financial statements. The administrators' report is not part of the financial statements. In the administrators' report we have not identified any financial information which did not correspond to the information presented in the accompanying financial statements.

Vasile Iuga

Statutory auditor, registered with

The Chamber of Financial Auditors of Romania under number 264/20 December 2000

Illegible signature

Seal

for and on behalf of

PricewaterhouseCoopers Audit SRL

Audit company registered with

The Chamber of Financial Auditors of Romania under number 6/25 June 2001

Bucharest, 1 April 2009

The attached financial statements are not meant to present the financial position, the result of operations and a complete set of notes to the financial statements in compliance with regulations and accounting principles accepted in countries and jurisdictions other than

Romania. Therefore, the accompanying financial statements are not meant for persons who do not know the Romanian accounting and legal regulations, including the Order of the Governor of the National Bank of Romania n° 5/2005, with its subsequent amendments and supplements.

4. Income and expenditure budget

In short, the provisions of the income and expenditure budget for 2008 were achieved as follows:

– RON thousand –

| | | Provisions 2008 | Achieved 2008 | Differences |
|----|--|------------------------|----------------------|--------------------|
| 1. | Incomes | 61,042 | 75,026.1 | +13,984.1 |
| 2. | Expenditures | 6,800 | 6,702.8 | – 97.2 |
| 3. | Total net result of the financial year | 54,242 | 68,323.3 | +14,081.3 |

The year 2008 recorded an exceeding income of RON 13,984.1 thousand. This is due both to the increase of the average invested capital and to the increase of the annual average interest rate for the investments that were made. Compared to a predicted average invested capital of RON 814,104 thousand, an average capital of RON 838,724 thousand was invested, which led to an exceeding amount of RON 24,620 thousand. We mention that the expected annual average interest rate for 2008 was 7.44% and the annual average interest rate at the end of 2008 was 8.91%.

5. The Fund organized and kept accounting records according to the provisions of Accounting Law n° 82/1991. The financial statements were drawn up according to Order n° 5/2005 on the approval of accounting regulations compliant with EU directives, applicable to credit institutions, Order n° 1/2008, on the amendment and supplement of Order n° 5/2005 issued by the Governor of the National Bank of Romania for the approval of accounting regulations compliant with EU directives, applicable to credit institutions, as well as in accordance with the accounting regulations specific to the Fund, approved both by the Accounting Regulation Department of the Ministry of Public Finance and by the Regulation and Authorization Department of the National Bank of Romania.

The balance sheet for 2008 was submitted to the appropriate bodies of the Ministry of Economy and Finance within the legal period.

CHAPTER XV

INTERNATIONAL RELATIONS OF THE FUND IN 2008

In 2008, the Fund, through its representatives, actively participated in the events organized by the international professional associations in the field and had close collaboration relations with other deposit guarantee schemes.

As a member of the European Forum of Deposit Insurers – EFDI), the Fund participated in 2008 at a series of events organized under the aegis of EFDI.

The first of them was the meeting of the EFDI EU Committee, which took place on 10-11 April 2008, at the head office of the Joint Research Center (JRC) of the European Commission in Ispra, Italy. The main topics on the agenda were: a presentation of the results of the study carried out by JRC concerning the efficiency of deposit guarantee schemes in the European Union and the preliminary reports of the five working groups within the EFDI EU Committee on the projects developed in agreement with the European Commission regarding different aspects highlighted after the review of the EU directive on deposit guarantee schemes.

On 21 May 2008, the Fund participated at the first meeting of the working group of the EFDI EU Committee on the development of common voluntary approaches for the inclusion of risk based elements for DGS. The meeting took place in Ispra, Italy, at JRC's head office, and the representatives of this institution presented the report "Risk-based contribution for EU deposit guarantee schemes: current practices". The report minutely presents the systems used by seven deposit guarantee schemes which apply risk-based contributions and three schemes which monitor the risk of the participating institutions, among which Romania. The system applied by the American deposit guarantee scheme was also presented.

On 22-23 September 2008, the Fund participated in Dublin at the Annual Meeting of EFDI. On this occasion, the first joint conference EFDI/FDIC took place: "Financial Integration and the Safety Net", and also the meeting of the working group of the EFDI EU Committee which deals with the project on including risk elements in setting the contribution of credit institutions participating in deposit guarantee schemes.

The joint conference EFDI/FDIC tackled topics related to the global financial integration and its challenges for maintaining cross-border stability, US and EU banking systems and deposit guarantee schemes, the concept of bank "too big to fail" and the problems that such a bank raises for the stability of the financial system, the mandates of deposit guarantee schemes, the payout procedure, the risk-based systems, risk

management, public's information on deposit guarantee, the plans of the European Commission regarding the amendment of the EU directive on deposit guarantee schemes.

At the end of 2008, the Fund became a member of a newly established working group within EFFI, whose aim is to develop research projects on different topics.

In July and November 2008, the Fund appeared in EFDI publications (Newsletter n° 9 and 10) with information materials on its current activity and concerns; this information is available to the public on the official EFDI website.

Besides EFDI, the Fund is also a member of the International Association of Deposit Insurers (IADI) and, in this capacity, participated at several events organized in 2008 by this professional association.

Thus, on 27-28 May 2008, the IADI conference on "Risk analysis in deposit insurance schemes" and the quarterly meeting of the IADI Regional Committee for Europe took place in Moscow.

The main topics of the conference were: basic approaches to risk analysis within deposit guarantee schemes, credit risk analysis within deposit guarantee schemes which apply risk-based contributions to the member credit institutions, the exposure coverage ratio as an instrument for assessing the adequacy of the resources of deposit guarantee schemes, assessing the adequacy of the resources of deposit guarantee schemes based on the risk analysis.

On 7-10 July 2008, a Fund's delegation participated in the "Resolution Management: Principles and Best practices" session organized within the framework of the professional training program for 2008 by Federal Deposit Insurance Corporation, the deposit guarantee scheme in the United States of America, founding member of IADI and which is currently holding the presidency of IADI. The aim of this session was to present the experience of various countries with respect to the implementation of administration bankruptcy procedures in the case of credit institutions that have failed/are insolvent by deposit insurers with extended powers (also involved in the intervention and liquidation activities, not merely in the payout procedure).

During 27 October – 1 November 2008 a series of events organized by IADI and hosted by FDIC took place in Arlington, the United States of America: the IADI Annual General Meeting, the meeting of IADI's regional committees the 7th IADI Annual Conference, entitled "The Role of Deposit Insurance in Promoting Financial Stability and Economic Inclusion", including the international exhibition of deposit guarantee schemes which also took place and where the Fund had its own presentation stand and displayed the latest annual report and half-yearly bulletin, CDs and presentations of the Fund's activity, as well as traditional handmade objects; all the materials were distributed to the interested IADI and EFDI members.

Besides the relations that are established within EFDI and IADI with other deposit guarantee schemes, several individual requests were received from some deposit guarantee schemes on various specific topics, including by answering more detailed questionnaires. The Fund asked also for the support of several deposit guarantee schemes with a view to obtaining information of interest for its activity.

Also, in 2008, the Fund met twice with the representatives of the International Monetary Fund(IMF) as part of the Financial Sector Assessment Program.

The first meeting took place in April 2008, and the discussions focused on such topics as: the compliance with EU requirements and the Fund's legal framework, the scope and level of coverage, the Fund's available resources, financial statements, coordination with the National Bank of Romania, the Fund's role in its capacity of liquidator, crisis management. A summary of all these pieces of information was included in a material elaborated by the Fund and handed to the IMF mission. This, together with the detailed information which was offered, were appreciated by the IMF representatives, which expressed the willingness of the international institution to provide the Fund with assistance in respect of various issues related to deposit guarantee.

The second meeting took place in November 2008 and aimed at updating the assessment report of the stability of the Romanian financial system – FSAP (Financial Sector Assessment Program). The discussions focused on the information included in the questionnaire that the Fund had filled in prior to the meeting, namely: financing, exposure coverage ratio, the procedure for determining deposits' unavailability, payout, investment of the resources of the deposit guarantee scheme, Fund's governance, guarantee scope, public's information, the possibility of providing financial assistance and applying certain intervention types in the case of the credit institutions which have failed.

The Fund provided explicit information on each of the topics that were discussed, and the International Monetary Fund formulated some recommendations which were included in the FSAP Aide Memoire – November 2008, in a separate chapter on deposit guarantee .

CHAPTER XVI

STRATEGY FOR 2009

By means of the actions that it will undertake in 2009, the Fond will strive to exemplarily fulfil its responsibilities and will permanently pursue to ensure all the conditions that are necessary to fulfilling its fundamental role of protecting individual and legal persons guaranteed depositors' savings and thus maintaining depositors' confidence in the safety of their deposits with the credit institutions participating in the deposit guarantee scheme and contribute to the enhancement of the stability of the Romanian financial and banking system.

To this end, the Fund will focus its activity on the following directions:

1. Elaborate proposals to amend the Fund's legislation with a view to implementing the new provisions of the EU directive on deposit guarantee schemes.

According to the decision of the executive management of the National Bank of Romania, the Fund is to closely collaborate with the specialized departments within the National Bank of Romania with a view to elaborating a common proposal to amend the Fund's legislation, which will then be submitted to the Board of the National Bank of Romania for approval and subsequently to the Parliament.

We mention that, in February 2009, the Fund's Board endorsed a first set of proposals regarding the updating of the Fund's legislation as a result of the amendments to the EU directive on deposit guarantee schemes, and these proposals were submitted to the executive management of the National Bank of Romania.

2. Take measures in order to ensure the compliance with the new provisions determined by the amendments to the EU directive on deposit guarantee schemes.

The Fund's goal is to find the best solutions to the practical problems which arise from complying with the new provisions of the EU directive on deposit guarantee schemes and it has already formulated proposals which were included in the aforementioned set on the amendment of the Fund's legislation.

One of the main challenges is ensuring a payout period of no more than 20 working days as of the date the deposits become unavailable, which represents a substantial reduction compared to the present 3-month period. This will involve a set of complex measures with respect to: ensuring the necessary resources for compensation payments; changing the selection mechanism of the credit institutions that are mandated to make the compensation payments; introducing the obligation, for the member credit institutions, to

have, at the end of each day, a complete and accurate list of the guaranteed depositors, including their deposits and the institution's claims against the depositors; provision by the liquidator of the list of guaranteed depositors and the related information within a much shorter period than the present one, namely 5 days instead of 30 days; informing the Fund if the competent authorities identify, at the level of a credit institution, some problems which may trigger the intervention of the deposit guarantee scheme; carrying out periodic tests of the deposit guarantee scheme mechanism.

The Fund will also take into consideration the recommendations formulated to this end by the representatives of the missions led by the International Monetary Fund which took place in Romania in November 2008 and March 2009.

3. Periodic tests of the deposit guarantee scheme mechanisms.

To this end, the proposal made in the draft of the amendment to the Fund's legislation, which is being finalized by the Fund and the National Bank of Romania, is for the Fund to carry out periodic tests with respect to the capacity of its own systems to ensure the collection of the information which is necessary to determine compensations to be paid, their verification and communication to the mandated credit institutions within the new time periods.

4. Continue taking steps with respect to the elaboration of the specific regulations needed to set out the coordinates of the Fund's financing policy, namely the target exposure coverage ratio, the annual contribution rate of credit institutions and the total amount of stand-by credit lines.

To this end, the Fund will continue to cooperate with the specialized departments of the National Bank of Romania – the Supervision Department and the Financial Stability Department – both with respect to the elaboration of the regulations establishing the coordinates of its financing policy and to the provision of the data and information necessary to the annual setting out of the Fund's financing policy coordinates.

The possibility of introducing a risk-based system will also be taken into account.

In order to support the Fund's actions to this purpose and to benefit from the international experience, mainly the experience at the level of the European Union, a Fund's representative will continue to participate in the working group of the EFDI EU Committee on including risk elements when setting the contributions of credit institutions participating in the deposit guarantee schemes; this working group is coordinated by the Joint Research Center of the European Commission.

We must remind the fact that the harmonization of the financing mechanisms of EU deposit guarantee schemes and the elaboration of possible models for introducing risk-based contributions are the object of the report that the European Commission must submit to the European Parliament and the Council of the European Union by the end of 2009.

5. Conclude agreements with the credit institutions participating in the Fund, by the end of February 2009 at the latest, on stand-by credit lines pertaining to March 2009 – February 2010, amounting to EUR 300 million, in lei equivalent.

6. Invest the Fund's financial resources in compliance with the objectives and requirements of the strategy on the Fund's exposure, which is approved by the Board of the National Bank of Romania.

7. Finalize the verification activity that the Fund began in 2008 at the credit institutions participating in the deposit guarantee scheme according to the provisions of article 41 of the law on the Fund's functioning, of the way of establishing the calculation base for the annual contribution owed by credit institutions and paid to the Fund in 2007 and 2008, of the correct classification of deposits into the two categories – guaranteed and non-guaranteed – as well as of the way the depositors are informed about deposit guarantee. The same verification activity will also be carried out for 2009.

8. Continue to monitor the activity of the liquidators of bankrupt banks where the Fund acts in its capacity of unsecured creditor, including in the creditors' committees/assemblies of these banks, with a view to implementing a set of measures that would lead to: the acceleration of the claim recovery process, the realisation of the remaining assets starting from the prices estimated in the assessment reports, continuance of carrying out the selection and archiving of documents with a view to handing over part of the archives to the National Archives in order to free the buildings they occupy and sell them, continuance of distributing monies to the creditors of bankrupt banks depending on the amounts that will be recovered and collected in 2009, reduction of the debtor portfolio, as well as the further implementation of the measures intended for decreasing operating expenditures, mainly personnel expenses.

9. In the liquidation activity, the Fund, in its capacity of judicial liquidator of Banca Română de Scont and Banca Turco-Română, will focus on the following main directions:

- continue the handling of the cases pending before the courts of law and, if necessary, take new legal actions in order to recover the claims of bankrupt banks from their debtors, be represented in the courts of law, draw up the procedure documents for supporting the legal actions taken by the liquidator in order to protect the legitimate interests of the respective banks;

- find profitable solutions for realising the goods taken over by Banca Română de Scont, together with ASTRA SA, from debtor SC Cuarț SA, namely the exploitation rights for the quartz resources and reserve in the Siglău-Uricani deposit, as well as the immovable goods pertaining to the quartz quarry and those used to treat and store the extracted quartz ;

- sell the remaining assets of Banca Turco-Română, in compliance with the legal provisions in force, the Fund's regulations and the terms approved by the Creditors' Assembly of the bank;

- continue to distribute monies to the creditors of the two bankrupt banks depending on the amounts that will be collected and recovered in 2009;
- take actions in order to manage and preserve the existent goods, that were not realised to reduce the operating expenditures of banks, as well as to obtain incomes from investing the banks' available resources, to archive and hand over the archives to the specialized state bodies, in compliance with the provisions of law, to elaborate and present every month progress reports the bankruptcy procedure and the stage of fulfilling the liquidators' tasks, respectively.

10. Enhance the communication activity with a view to improving public's awareness level regarding deposit guarantee, that is determinant in increasing depositors' confidence in the banking system.

In accordance with the measures that are taken all around the world, including in the European Union by means of the new provisions of the EU directive on deposit guarantee schemes, in 2009 the Fund will take a set of actions meant to contribute to the increase of public's awareness level on deposit guarantee, an essential condition for maintaining stability in the financial and banking system.

To this end, the Fund will continue to collaborate with the credit institutions participating in the deposit guarantee scheme. One of the actions that will be taken in 2009 is an advertising campaign aimed at informing the public on deposit guarantee, which will include the elaboration and printing of leaflets, posters, etc. on this subject, which the participating credit institutions will make available to their clients.

Another major concern of the Fund will be the updating and permanent improvement of its website, especially of the frequently asked questions section.

Information on the deposit guarantee scheme will also be promoted via newspapers, radio and television programs, specialized publications and by participating at various events in the field.

11. Undertake studies/analyses and elaborate the Fund's publications

Given that it is necessary for public to have updated information on the evolution, determinants and saving prospects, as well as on the deposits in the banking system, topics which have been previously tackled in the Fund's half-yearly bulletin, the intention is that, as of 2009, the Fund's bulletin to be published quarterly instead of half-yearly.

Also, in the first half of 2009, the vast study initiated at the end of the previous year will be published. It will include several aspects related both to the saving and crediting process in Romania.

This study will develop such topics as: the presentation of the saving and crediting theories, the presentation of international trends, the evolution of savings and loans in

Romania in the last decade, household and company behavior with respect to saving and debts (preferences, determinants, sensitivity to changes in the saving and crediting conditions and to changes in the relevant policies of public authorities or financial institutions, the attitude towards risk, etc.), the effects of these behaviors on the macroeconomic level and on the financial system, trends, risks and the role that the policies of public authorities or financial institutions can play.

The set of actions undertaken in the last 3 years continues and in 2009 the Fund will commission a market study on the saving behavior, determinants, evolution and prospects, whose results will be used both in order to take measures for informing the public on deposit guarantee and in the Fund's publications.

The Fund also wants to conduct other studies on different topics of interest in the field of deposit guarantee, depending on the requirements and concrete situations that will come up in 2009.

It is worth mentioning that the intention is to carry out a study on the Fund's compliance with the core principles concerning deposit guarantee schemes, as well as with the application of the best practices in the field. With respect to these aspects, the analysis will be performed mainly based on the core principles jointly elaborated by the Basel Committee on Banking Supervision and the International Association of Deposit Insurers (IADI) in order to ensure efficient deposit guarantee systems. At the present stage, the aforementioned document, which was issued by the two institutions in March 2009, is being publicly discussed and is to be finalized in May 2009.

12. Expand the Fund's international activity in EFDI and IADI, as well as the relations with other deposit guarantee schemes and international entities in the field.

The Fund will pursue to continue to actively participate in the two international professional bodies in the field of deposit guarantee, including in the committees and working groups in their structure and to follow closely the international evolutions with respect to deposit guarantee schemes with a view to applying the best practices in the field and adapting the Fund's regulations accordingly.

In compliance with the new requirements of the EU directive on deposit guarantee schemes, in 2009 the Fund will pay special attention to concluding cooperation agreements with similar international institutions with respect to information exchange, the payout procedure and other aspects of common interest.

Given the challenges of the present international context on the financial markets and the requirements imposed in the European Union with respect to the deposit guarantee schemes that are officially recognized in the member states, the main objective of the Fund in 2009 will be to reach maximum effectiveness in protecting the depositors of credit

institutions and contributing to the maintenance of the stability of the Romanian financial and banking system by adopting all necessary measures to this end, including to formulate proposals to amend its legislation accordingly.

To this end, the Fund envisages to continue to closely cooperate with the institutions in charge. A special appreciation goes to the specialized departments within the National Bank of Romania, whose support the Fund counts on in 2009 as well.

The Fund also seeks to expand the good relations with the credit institutions participating in the deposit guarantee scheme and to undertake common actions in order to increase public's awareness level with respect to deposit guarantee and to ensure all the necessary conditions so that to conduct the payout procedure in optimal conditions and in the shortest period possible given the unavailability of deposits with a credit institution.

Summing up, the Fund's activity will continue to focus on the efficient fulfilment of its tasks as deposit guarantee scheme which is officially recognized in Romania and thus will be an important factor in increasing public's confidence in the Romanian financial and banking system.

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The activity report of the Deposit Guarantee Fund in the Banking System was analyzed and approved by the Board of the National Bank of Romania in the 25 June 2009 meeting.

Annex 1

**List of credit institutions participating in the deposit
guarantee scheme as at 31 December 2008**

| N° | Name of the credit institution |
|--|---|
| I. Banks – Romanian legal persons | |
| 1. | Banca Comerciala Romana - S.A. |
| 2. | RAIFFEISEN BANK - S.A. |
| 3. | BRD - Groupe Societe Generale - S.A. |
| 4. | ATE BANK ROMANIA - S.A. |
| 5. | UniCredit Tiriac Bank - S.A. |
| 6. | Bancpost - S.A. |
| 7. | Banca de Export Import a Romaniei EXIMBANK - S.A. |
| 8. | Banca Romaneasca - S.A. Member of National Bank of Greece Group |
| 9. | Credit Europe Bank (Romania) - S.A. |
| 10. | Banca Transilvania - S.A. |
| 11. | MKB ROMEXTERRA Bank - S.A. |
| 12. | ALPHA BANK ROMANIA - S.A. |
| 13. | PIRAEUS BANK ROMANIA - S.A. |
| 14. | RBS Bank (Romania) – S.A. (former ABN AMRO Bank (Romania) - S.A.) |
| 15. | OTP BANK ROMANIA - S.A. |
| 16. | Citibank Romania - S.A. |
| 17. | BANCA COMERCIALA INTESA SANPAOLO ROMANIA - S.A. (former BANCA COMERCIALA SANPAOLO IMI BANK ROMANIA S.A) |
| 18. | Emporiki Bank – Romania - S.A. |
| 19. | LIBRA BANK - S.A. |
| 20. | Banca C.R. Firenze Romania - S.A. |
| 21. | ROMANIAN INTERNATIONAL BANK - S.A. |
| 22. | MARFIN BANK (ROMANIA) – S.A. (former EGNATIA BANK (ROMANIA)- S.A.) |
| 23. | Banca Comerciala CARPATICA - S.A. |
| 24. | BANK LEUMI ROMANIA - S.A. |
| 25. | VOLKSBANK ROMANIA - S.A. |
| 26. | ProCredit Bank - S.A. |
| 27. | Raiffeisen Banca pentru Locuinte - S.A. |
| 28. | PORSCHE BANK ROMANIA - S.A. |
| 29. | C.E.C. BANK – S.A. (former Casa de Economii si Consemnatiuni C.E.C.-S.A.) |
| 30. | HVB BANCA PENTRU LOCUINTE - S.A. |
| 31. | Banca Millennium - S.A. |
| 32. | BCR BANCA PENTRU LOCUINTE – S.A. |

II. Credit cooperatives – Central houses

1. Banca Centrala Cooperatista CREDITCOOP.