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Consultancy Report
***Agricultural Credit in Romania: An Assessment of Training and
Development Needs***

***Romania: Agribusiness Exchange Program
EUR-0024-G-00-1066***

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April 1993

AGRICULTURAL CREDIT IN ROMANIA

An Assessment of Training and Development Needs

Consultancy Report

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April, 1993

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I. SCOPE OF WORK

Romanian agriculture is in a difficult transition from a centrally-controlled command system to a free market system of private ownership and production. ACDI commissioned this assessment of Romania's agricultural credit needs and asked how U.S. technical assistance should be provided. The assignment was described in the following way:

1. Prepare an analysis of the rural finance sector in Romania including a description of existing institutions, laws, and regulations. Discuss current government policies. Assess current sources of credit: bank loans, savings remittances, trade credits, etc., and current donor strategies, if known.
2. Outline an ACDI strategy for assistance to Romania in agricultural credit to include traditional forms of providing credit as well as areas such as trade credits, group credit to serve small borrowers, etc. Provide material that would assist in preparation of a proposal for long-term technical assistance to address areas identified in the analysis.
3. Assist in developing appropriate training activities (both in-country and in U.S.) for agricultural lenders in 1993.
 - a. Establish selection criteria for attendance at in-country training and for participation in U.S. training.
 - b. Within resources of the Agribusiness Exchange Project, make recommendations on course content and priorities.

The training assessment was conducted with Lee Rosner of the ACDI Training Department.

This report presents the consultant's observations, conclusions, and recommendations.


Jon F. Greeneisen
Strategies 2000, Inc.

April 30, 1993

II. INFORMATION SOURCES IN ROMANIA

Although the consultant made a two-day trip through the countryside, most sources of information were found in the capital city of Bucharest. These included departments of the Romanian government, assistance programs of foreign governments, Romanian banks, and other organizations involved in agricultural and rural development. A list of individuals contacted with addresses and phone numbers is provided in Appendix B.

The most open, helpful Romanian offices were the Romanian Development Agency and the National Agency for Privatization. Both are challenged to develop private enterprises, trade, and industry although they have limited knowledge of agricultural conditions. They have been operating only a short time and are still working on procedures and priorities.

The U.S. Agency for International Development (USAID) is supporting several programs in agriculture. ACDI is conducting the Agribusiness Exchange Program of training in the U.S. and Romania. VOCA is responding to rural requests for volunteer advisers. This summer Land O'Lakes will begin conducting training primarily in the dairy sector. And the International Fertilizer Development Center is arranging for the sale of protein feed in Romania to finance land surveys. The project's objective is to expedite titling of the new private farms. These U.S. programs have been underway only a matter of months and so are still in beginning stages.

The British Know How Fund has been providing technical assistance--primarily training--for more than a year. This includes courses in banking through the Banking Institute which is affiliated with the National Bank of Romania and supported by the U.S. Treasury Department. One course in agricultural credit is being conducted for loan officers of the Agricultural Bank.

The EC PHARE Program is focused in agriculture on establishment of a rural loan guarantee fund to be capitalized jointly with 1 million ECU from 4 Romanian banks and 9 million from the EC for total capital of 10 million ECU. The fund will guarantee up to 60 percent of uncollateralized loan. Two EC PHARE advisers will guide the rural guarantee fund and conduct training. The hope is that guarantees will make banks more interested in making loans to farmers. A World Bank team in March, however, found the banks unenthusiastic about the fund. Canadian advisers working in the Agency for Privatization reported similar difficulty in interesting banks in a companion guarantee fund for small businesses.

The World Bank fielded a large task force in March which is "formulating a medium-term strategy for the agricultural sector." Papers prepared by the Bank's mission on agriculture and banking provide insights to the current agricultural situation (see Appendix E). The World Bank has made a \$100 million loan to Romania for agricultural investment lending. Of this amount, \$75 million is being disbursed by the Agricultural Bank and \$25 million is being channeled through the Romanian Bank for Development.

Meetings were held with officers of four Romanian Banks-- Agricultural Bank, Romanian Bank for Development, Cooperative Credit Bank, and Interconfessional Bank. Information on these financial institutions is provided in the following section of the report and 1991 annual reports of the first three are included in the Appendices.

The consultant did not have an opportunity to visit any of the 843 credit cooperatives located in rural communities. AID, the World Bank, and the Cooperative Credit Bank indicated these cooperatives are of little significance today. However, time permitting, it would have been useful to confirm these views. Also, a meeting in the Banking Institute would have provided more detailed information about training for employees of the large banks in Bucharest.

III. ROMANIAN AGRICULTURE TODAY

It would be reasonable to describe Romanian agriculture in the spring of 1993 as being in a state of confusion, if not chaos. The Land Law designed to privatize 70 percent of the land is being implemented in a cumbersome way, while the government continues to use old measures of controlling farm prices in order to hold down food prices for consumers. As a result, some land will not be farmed this year and Romania, historically a major food exporter, will need to again import grain and potatoes as it did in 1991 and 1992.

At the time of the 1989 revolution, about 70 percent of the farm land (7 million hectares) was in collectives called "cooperative farms" with the balance in state farms. The cooperative farms are being privatized under the Land Law--broken up and given to individuals who have any basis to claim the pieces.

So far the government has received more than 5 million claims for an estimated 30 million parcels of land. Most parcels are in the range of three to four hectares and often are not contiguous. Claimants are receiving certificates for their new land, but the certificates cannot be used as a basis to lease or sell the land. (In fact, the Land Law prohibits use of land as loan collateral.) As of April, 1993, titles for land had been issued for less than 2,000 parcels. Romania has almost no land surveys and, with surveying under military control, obtaining a title for land is a slow and difficult process.

Some land continues to be farmed under the old cooperative farm organizations, while some is being staked out and farmed in small plots. Farmers are swapping parcels so their fields will be closer together, but such swaps are informal and without legal agreements. Many farmers who previously worked on collectives have joined together to form an estimated 3,000 farmers' associations. The function and operation of these associations is not clear and varies greatly among associations.

The new private farmers in Romania, therefore, are small farmers with a few hectares of land, most commonly from 5 to 10 hectares but in no case more than 100 hectares. This is a completely new and different set of borrowers with which Romanian banks have little experience.

Privatization of the land did not include machinery and the number of farm implements is decreasing when it should be increasing. The number of usable tractors is estimated at 100,000 when more than 700,000 are needed which is why many farmers are again using horses to till the land. Massive crop wastage at harvest and in transit to storage and processing plants has been reported.

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Farmers lack the money to buy new tractors or even to lease obsolete farm machinery sitting in state-owned depots. This is a clear, much-needed place for credit for farmers.

Wheat production, essential for urban consumption, declined 25 percent in 1991, while the drop in potato and vegetable production resulted in the 1991 potato "famine" and unprecedented potato imports. EC agronomists say Romanian agriculture is 60 years behind the times.

The livestock situation is worse. Because feed was scarce after the 1989 revolution farmers slaughtered many animals for cash. The pre-1989 poultry flock was 114 million birds, but today is less than 60 million. Average milk yield per cow is 70 percent less than in Denmark and egg yield per bird is 49 percent less than western averages--primarily due to inadequate feed.

Clearly, Romania requires considerable outside assistance to work out of its chaotic situation in agriculture.

IV. THE RURAL BANKING AND AGRICULTURAL CREDIT SITUATION

The new private farmers of Romania are in desperate need of reasonable credit on terms and conditions tailored to their situation. Until they have credit to facilitate land transfers into economic production units and credit for such farming inputs as feed, seed, fertilizer, and petroleum, Romanian agriculture will not meet the food requirements of the population.

Subsidized Credit, A Tool for Control

Despite admonitions from such world organizations as the IMF and the World Bank, the Romanian government continues the strategy of providing subsidized credit for agriculture and to use it as a device in depressing farm prices. According to the World Bank, this year the government will provide 65 billion Lei (about \$100 million) at 15 percent interest for input supplies and 15 billion Lei (about \$25 million) for farm machinery.

Subsidized credit is channeled by the Agricultural Bank through Romcereal and other state-owned suppliers of farm inputs. The Agricultural Bank grants funds to the suppliers--called "integrators"--at 15 percent interest. The integrators grant farmers credit for their supplies at 0 percent interest and, in return, farmers agree to sell their crops and livestock to the integrators at fixed, lower-than-market prices. Later the integrator markets the products at full price thus covering the loss of interest not charged the farmer and allowing a profit margin as well. World Bank estimates that with this system farmers are paying the equivalent of 70 percent interest through the lower prices received.

The government favors state farms with the subsidized credit and effectively blocks the small, private farmers from access to the free market. This will likely continue until there are alternative sources of reasonable farm credit available.

What possibilities for alternative sources of credit for farmers are there? In searching for the answer to this question, the consultant met with officers of four banks having an interest in rural banking--three large state banks and one newly-chartered bank that is not operational.

Rural Banks in Romania

Until two years ago Romania had a monolithic banking system. All banking in the country was state owned and controlled through the central bank, the National Bank of Romania. Although reform of the financial system is introducing universal (full service) banking, the banks today are still state owned and stratified to serve assigned segments of the economy.

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Agricultural Bank (Banca Agricola). The Agricultural Bank, second largest bank in Romania, provides 95 percent of the agricultural credit--594 billion Lei (roughly one billion dollars) in 1992. It has an national network with a branch in each of 41 districts, 99 subbranches, and 48 agencies. It is the agricultural bank of Romania.

The function of the bank traditionally has been to finance the state and cooperative farms. It still is oriented in that direction with only 5 to 10 percent of its loans to private farmers. A senior officer explained that more credit to private farmers is not possible because private farmers have no land for collateral and they are more risky. The way the bank is using the \$75 million World Bank credit line for agriculture is an indication of this corporate philosophy. As of the middle of April the bank had approved 18 loans under the program for a total of \$10 million which means these agricultural loans are averaging more than \$500,000.

The small amount of technical assistance in agricultural credit that Romania has received has been directed to the Agricultural Bank. The British Know How Fund is conducting a seminar on agricultural lending six times in 1993 for loan officers of the Agricultural Bank. The Agricultural Bank is the lead bank in the EC project to establish the rural loan guarantee fund.

The bank indicated it had received technical assistance from a considerable number of consultants, some of which was not considered constructive. It did, however, express interest in a U.S. training program for senior officers in 1993. Thus an invitation was extended to participate in U.S. training in July conducted by the ACDI Agribusiness Exchange Program.

Overall the bank did not indicate concern or particular interest in adjusting its credit services to meet needs of the new small farmers of Romania. A U.S. adviser who has worked in rural areas more than a year observed it is possible to obtain \$1 million of agricultural credit but not \$1 thousand.

Romanian Bank for Development. This bank was formed out of the investment financing section of the National Bank. Apparently it has new management and, possibly for that reason, is more aggressively transforming into a universal bank. For example, the credit function is divided into two departments: one for large, state, and corporate loans and one for small, medium, and private loans.

The bank has total assets of \$555 million and is among the four largest banks (the others include the Agricultural Bank, Bank for Foreign Trade and Commerce Bank). It has branches in all 41 districts, 118 subbranches and 3,800 employees.

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Most of the bank's rural customers are not farmers although the bank would like to finance farmers and agribusiness. The private lending department includes two agricultural economists and an agricultural engineer. This bank was allocated the balance of the World Bank credit line for agriculture (\$25 million) and three loans had been approved under the program.

Two VOCA volunteers (Bob Fischer and Jim Besore) conducted a three-day seminar on agricultural lending for some of the bank's loan officers in February. Because interest was expressed, an invitation also was extended for senior officers to participate in U.S. farm credit training to be arranged by ACDI's Agribusiness Exchange Program in the summer.

From the response to questions during the meeting and comments of others in Bucharest, it would seem that the Romanian Bank for Development is receptive to any assistance that might be available to equip it to provide credit for the new private farmers.

Cooperative Credit Bank (BankCoop). BankCoop is not a cooperative bank. In many ways it is similar to the Bank for Food Economy in Poland and the Takarek Bank in Hungary. It is a state bank with the non-voting shares held by 800 credit and 2,000 consumer cooperatives.

This bank was formed at the beginning of 1990 by pulling out the cooperative portfolio from a division in the National Bank of Romania. The leader of that development, Alexandru Dinulescu, was the head of the association of 853 credit cooperatives and today he serves as chairman and CEO of the bank.

The bank was originally capitalized with 2.5 billion Lei which at that time was equivalent to roughly \$80 million. Today it would be about \$4 million. Most of the capital was invested in 77 buildings around the country for many of its 133 branch and subbranch offices. On December 31, 1992, BankCoop had total assets of 86.3 billion Lei (\$157 million), total loans of 48 billion Lei, and 2,500 employees.

Officers of the bank indicated its business strategy is to finance small and middle-sized businesses but not agriculture. The biggest part of the bank's business is in financing commercial trade.

It was clear that BankCoop in Bucharest controls the 853 credit cooperatives scattered in the villages across Romania. A vice president of the bank, for example, serves as president of the credit cooperatives' trade association. It appears the credit cooperatives are weak, barely functional institutions.

The consultant was unable to visit any of the local credit cooperatives to assess their viability or their interest in serving credit needs of farmers in the community. Romania continues to have a top-down control system of banking and one wonders if the views of BankCoop represent fairly the views of the credit cooperatives.

Interconfessional Bank. Banca Interconfessional Romana is an ecumenical project of the Orthodox, Roman Catholic, Baptist, and Muslim churches of Romania. The objective is to provide financial services to the people in the villages and to the churches. The bank's officers insist it is not a church bank but is open to everyone to finance "tractors, fertilizer, and materials" and other needs of rural people.

The bank is one of only two private banks to be licensed in Romania and expects to have 3 billion Lei in capital by end of summer. It plans to begin operations in the fall.

Although the bank has only eight employees, it has substantial institutional backing by the churches and is considered a viable banking project. The officers are seeking technical advice and assistance in starting-up operations that will provide sound banking service.

But what about the Romanian government? What concern does it have about adequate credit for agriculture. Unfortunately the government holds to the belief that the way to boost agricultural production is by providing subsidized credit. It has proposed to the Parliament a plan to set up a new Agricultural Credit Institution which would disburse subsidized credit and establish a new monopoly. Funds for the new agency would come from the government budget. The World Bank has told Romania, "The proposed Agricultural Credit Institution should be strongly discouraged."

The evidence is painfully clear. There is no constructive solution to farmers' need for credit on the horizon in Romania.

V. CONCLUSIONS

Current conditions in Romanian agriculture and banking lead to the following conclusions:

1. Agriculture is a significant sector in Romania and successful privatization of the farms is essential to establish a true market economy.
2. Romanian agriculture is in turmoil today and until the transformation is complete, food production will be inadequate.
3. Agricultural credit (to finance land transfers and production inputs) is desperately needed by private farmers to establish efficient, productive farms.
4. Credit is not currently available for small farmers on reasonable terms and conditions.
5. Large state banks that traditionally have served rural communities indicate little interest in financing small, private farmers and lack skills needed to provide such credit services.
6. Unless technical assistance is provided, financial institutions in Romania will be slow to develop credit services for private farmers.
7. How and where to help develop farm credit services is not clear. Three possibilities include
 - a. Teaching the Agricultural Bank and the Romanian Bank for Development that financing small, private farmers can be done efficiently with reasonable risk. Helping these banks develop policies, procedures, and staff to provide profitable farm credit service.
 - b. Assisting rural credit cooperatives and Interconfessional Bank in acquiring credit skills and implementing systems to finance small farmers.
 - c. Working with farmers' associations to organize production credit associations that would make loans to association members and sell the loan paper to large banks.
8. Technical assistance to help develop new credit services for farmers will not have lasting impact if provided on a piecemeal basis. U.S. farm credit advisers are needed on a long-term basis (three to four years) to help solve Romania's urgent need for agricultural credit.

VI. RECOMMENDATIONS

The United States should provide technical assistance in developing credit facilities for Romania's new, private farmers to help Romania complete the transition to a market economy with democratic institutions. The assistance should be given through training programs and technical guidance from farm credit advisers.

Technical Assistance

At least two farm credit advisers should be sent to work with Romanians for two to three years. The task is not simply to translate and deliver U.S. credit programs (scope of service, policies, procedures, forms, organization structures, etc.), but rather to establish a close working relationship with key agricultural and banking leaders and assist in developing a sound credit system for Romania's farmers.

The advisers would need to work with Romanian counterparts to establish such western financial concepts as equity, collateral, debt repayment capacity, depreciation, and efficiency. A new system of farm financial record keeping needs to be designed and ways found to teach these skills to farmers. Loan application forms should be developed and training programs prepared to equip loan officers in branch offices to analyze applications and farm balance sheets.

These new concepts and procedures should be developed in close collaboration with Romanians so the new credit systems will work in Romania's agricultural situation. This is why assistance should be long term--so the technical advisers can learn realities of the situation, earn the confidence of key leaders, and then work to find practical solutions to meet farmers' credit needs.

Training

A limited amount funds in ACDI's Agribusiness Exchange Program is available for training--both U.S. and in-country--for Romania in 1993. The question is how to use these funds most effectively. Based on our observations, ACDI's Lee Rosner and I recommend a U.S. training program for senior officers of the two banks financing Romanian agriculture--Agricultural Bank and Romanian Bank for Development.

Purpose of the training would be to familiarize the bankers with the way America's private farmers use credit to increase productivity and efficiency and how U.S. financial institutions serve their farmer/customers. The intent of the training would be to encourage the Romanian banks and teach them how to begin financing private farmers in their country. Objectives for the U.S. training program and the invitation letter presented to the banks are a part of this report (Appendices C and D).

VII. APPENDICES

- A. Map of Romania
- B. List of Contacts in Romania
- C. U.S. Training Objectives (FAX)
- D. Training Invitation to Banca Agricola
- E. "Agricultural Banking/Rural Financial Markets"
(World Bank Joint Mission, March 28, 1993)
- F. Banca Agricola 1991 Annual Report
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- H. Cooperative Credit Bank 1991 Annual Report

Romania



APPENDIX B

LIST OF CONTACTS IN ROMANIA / April 1993

(* Meetings were held with these individuals.)

AID/Bucharest

- Richard Hough, Country Representative, 312-5584
- * Bill Carter, Project Dev. Officer, 312-5565
- * Nicolae Ivan, 312-5568, FAX 312-0508

Banca Agricola (Agricultural Bank)

- * Irina Luca, Depty. Executive Director, Int. Dept.
615-7762, ext. 452, FAX 612-0340

Banca Interconfesional Romana

- * Dr. Ion Popescu, Director, 615-8377
- * Caius Filimon, Vice President
- * Nicolae Bladimir, Vice President
Bulevardul George Cosbuc nr.1, bloc P-5-B, Unirii

Banking Institute

William Gormly, KPMG (contract with U.S. Treasury)

British Know How Fund

- * Robert Macaire, Second Secretary, 612- 0303
British Embassy, 24 Strada Jules Michelet

Cooperative Credit Bank--BANKCOOP

- * Constantin Dan, Adviser, 615-2930
13, Ion Ghica Street (P.O. Box 6818)

EC PHARE Program

- * Jaak De Bruycker, Team Leader and Agro-economist, 615-4485
Blvd. Carol I, No. 16, 5th floor

European Bank for Reconstruction and Development

Mike Hicks U.S., Deputy Regional Representative, 615-6999
Strada Sipotul Fintinilor 8,

International Fertilizer Development Center

- * Terry Fredericks, 311-1286

Land O'Lakes, Inc.

- * Gabriel Cosa, Rep. for Romania, 311-0512
Jim Franz, Regional Representative

National Agency for Privatization

- * Hugh P. Carmichael, Adviser, 613-7983
(Federal Business Development Bank, Montreal, Canada)
2-4 Ministerului Street

Romanian Bank for Development

- * Valeria Mihaiescu, Head, Training Dept., 613-4640, Ext. 413
- * Florin Balauta, Inspector (economist), 613-3200, Ext. 268
4, Doamnei Street

Romanian Development Agency

- * Iosif Alb, Director, Foreign Investment Dept., 613-0057
- * Adrian Ciobanu, Foreign Investment Officer, 615-6686
- * Philip Corish, International Investment Officer
7 Blvd. Magheru

University of Washington

- * Tom Winsek, Project Officer, 312-5938, 312- 5940
Str. Tache Ionescu no.11 + Blvd. Magheru

VOCA/Bucharest

- * Jeffrey Levine (O/FAX) 631-6729 (H) 312-3460
- * Anca Traian, Office Manager; Liliana Batu, Asst.
Bulevardul Unirii 20, Bl 5C, Apt. 30, Sect 4
Volunteers:
 - * Donald Forner, Dairy Farmer, 5225 Hwy 212, Chaska, MN 55318
 - * Ed Matz, Hog Farmer, Rt. 3, Box 39, Hayward, MN 56043

World Bank/Bucharest

- Ms. Arntraud Hartmann, Resident Rep.
- * Ana Maria Mihaescu, Implmentation Officer, 312-1804
World Bank Resident Mission, Boulevard Dacia 83, Sector 2

World Care International

- * Kevin R. Hagen, Romania Project Director, 631-7728
 - * Marian Petrescu, Government Relations
-

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
50 F Street, N.W., Suite 900
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FAX MESSAGE

Two Pages

DATE: April 12, 1993

TO: Lee Rosner, ACDI/Warsaw
FAX #: 48 (22) 26 51 42

Sandy Blanchard, ACDI/Washington
FAX #: 202/626-8726

FROM: Jon Greeneisen, ACDI/Bucharest
Hotel Bucharesti, Tel. (40 1) 154640, FAX: 120927, Rm 832
(VOCA/Bucharest: Tel/FAX (40 1) 631-6729)

As I promised Lee last week here are a couple of ideas on objectives for the Romanian bankers for U.S. training this summer:

Program Purpose: Romanian banks traditionally have financed only large state farms and collectives ("cooperative farms") and are not providing credit for the country's new private (small) farmers. The purpose of this program is to familiarize senior officers of the two banks serving Romania's rural economy with the way America's private farmers use credit to increase productivity and efficiency and how U.S. financial institutions consider farmers good credit customers. It is the intent of this training to encourage these banks and show them how to begin offering credit to Romania's private farmers on terms suited to their needs.

Training Objectives:

1. To gain understanding of financial services (ie. checking accounts, credit cards, savings instruments, types of credit, etc.) provided for American farmers by the Farm Credit System, commercial banks, and the Farmers Home Administration.
2. To learn how American farmers use credit constructively in order to employ new technology and systems to increase farm productivity and efficiency.
3. To observe and understand the borrower/lender relationship between American farmers and their credit sources.
4. To learn how farm lenders design marketing strategies and develop new products and services for rural customers.

5. To become familiar with corporate philosophies, operating policies, capitalization structures, and profit objectives of financial institutions in a free-market economy.
6. To gain understanding of how the government supervises financial institutions in the United States.

It would be good if the group could receive training in a number of financial institutions and from a number of rural users of their services. This might include one or more Farm Credit Banks, Farm Credit Associations, commercial banks serving rural customers and offices of the Farmers Home Administration. Equally important would be opportunities to learn how farmers use credit constructively and how they work with lenders in managing their financial affairs. Sessions with agricultural cooperatives and other agribusinesses (particularly with their chief finance officers) would give insights on successful use of credit.

Two Farm Credit districts I'd suggest for contact on help with the training program are the Farm Credit Bank of Louisville and the Farm Credit Bank of Columbia, S.C. Last month we used the Baltimore Farm Credit Bank for the Polish bankers and the connection between the Farm Credit banks of St. Paul and our project in Poland continues to grow. I know Barney Barnett and Maxey Love (bank presidents in Louisville and Columbia) would help arrange training in their districts if at all possible.

Hope this is helpful.

END OF FAX

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APPENDIX D

AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL
50 F Street, N.W., Suite 900
Washington D.C. 20001
Phone: (202) 638-4661
Fax: (202) 626-8726

April 9, 1993

Mr. Gheorghe Barbulescu
Chairman and Chief Executive Officer
Banca Agricola S.A.
Bucharest, Romania

Dear Mr. Barbulescu:

We recently were afforded the pleasure of meeting with Ms. Irina Luca, the Deputy Executive Director of your International Department, to discuss prospective areas of collaboration between Banca Agricola and Agricultural Cooperative Development International (ACDI). She suggested that we write directly to you about a proposal we presented to her which could serve as a starting point from which to determine if such collaboration would be mutually beneficial.

ACDI is a membership organization comprised of the leading farm credit institutions, agricultural cooperatives and trade associations in the United States. Our mission is to share the expertise of our membership with organizations serving farmers in other countries for the purpose of fostering economic development in nations with emerging free markets.

The U.S. Agency for International Development has provided a grant to ACDI which allows us to support senior-level delegations from selected Eastern European countries to visit the U.S. to receive first-hand exposure to American free market philosophy and institutions as they relate to agriculture. ACDI makes use of its membership organizations to tailor these programs to the specific needs of the visiting group.

Under the auspices of this grant, ACDI is proposing that a senior-level group of six individuals from Banca Agricola spend 3-4 weeks in the U.S. visiting selected farm credit banks, commercial banks, agricultural cooperatives, marketing associations and free market structures such as the Chicago Board of Trade. The purpose of such a program would be to assist Banca Agricola to identify free market concepts and practices which would be appropriate within the

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Mr. Gheorghe Barbulescu
Chairman and Chief Executive Officer
Banca Agricola
April 9, 1993

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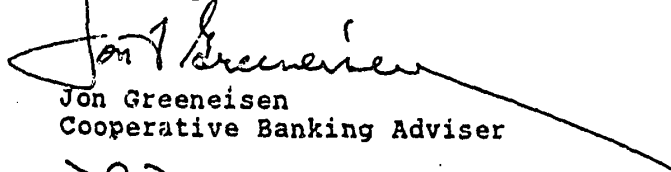
Rumanian context and which the Bank might want to apply to its own operations. Specific topics might include credit and investment philosophy, loan analysis, lender-borrower relationships, bank accounting and computer systems, management of deposits and other financial resources as well as other areas of interest identified by the group. Arrangements for any follow-up activities deemed necessary by the delegation could be made while in the U.S. We are suggesting that this visit take place during July, 1993.

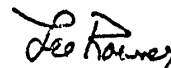
We respectfully invite you, in your capacity as Chairman and Chief Executive Officer, to consider leading this delegation. May we also suggest that a Vice Chairman attend, as well as four of your Executive Directors from departments which focus on the private sector. ACDI will cover all expenses related to the program, including support for two interpreters to accompany the group.

We will be in contact with you over the next few days to further discuss your interest in this program. Of course, further discussions will be necessary to refine and finalize the specifics of the program, including the organizations to be visited and the delegation members.

Your earliest consideration of this invitation is appreciated. We would look forward to working with you.

Sincerely,


Jon Greeneisen
Cooperative Banking Adviser


Lee Rosner
Director
Agribusiness Exchange Program

cc: Irina Luca
Deputy Executive Director
International Division, Banca Agricola

William M. Carter
Project Development Officer
USAID/Bucharest

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ROMANIA

JOINT MISSION TO ADVISE ON AGRICULTURAL & FOOD POLICY OPTIONS^{1/}*Agricultural Banking/Rural Financial Markets*

(March 28, 1993)

1. Although the financial system reform has introduced the universal bank model and intermediaries have been accordingly transformed, the banking system remains highly stratified in ure, with the Agricultural Bank responsible for nearly all agricultural credit (594 bill. Lei in 1992, around 95% of total lending to the sector), the balance being shared by the Development Bank and the others. Identical segmentation is found in the deposit collection activity, whereby in 1992 the National Savings Bank raised 390 billion Lei out of 418 billions overall of household deposits. Change is slowly occurring in the acceptance by management of the universal bank policy. More specifically, movement of state owned and private banks into agricultural credit will be slow, owing to lack of an extensive network (with the exception of Bancoop) and because agriculture is a more difficult and generally riskier business. The newly formed private banks will not therefore bring any dramatic change into agricultural lending, with the possible exception of the food-processing industry, which might well be interesting to their commercial approach. The NBR is currently undertaking a study along with foreign experts to develop in the country a credit union network. However, that target, even though commendable, is going to take quite a few years to be accomplished. In that regard, Bancoop doesn't have the features of a real cooperative credit institution, mainly being a private bank which was established through the purchase of previous state owned cooperatives. Competition in the sector appears therefore to be weak and the Agricultural Bank will remain prominent in agricultural credit for the foreseeable future.

2. There is a fair amount of popular support for the idea that Romania only needs to provide investment through subsidized credit to greatly boost agricultural production. This would be channelled through a new Agricultural Credit Institution, for which provisions are made in the Government strategy for agriculture and a draft law is currently before the Parliament. The creation of this new specialized intermediary would turn out to be a costly initiative, not tackling any of the major constraints of agricultural credit. It is inconsistent with the enacted reform of the financial system, based on the universal bank model. It focuses on the disbursement of subsidized credit, with a likely perspective of establishing a new monopoly in contrast with the need to foster competition within the banking sector. The actual availability of cheap refinancing has not been assessed and therefore its overall financial viability appears to rely solely on public budget allocations. The proposed Agricultural Credit Institution, therefore, should be strongly discouraged.

3. The interest rates within the whole financial system are highly negative in real terms. The discount rate at the National Bank was 70% at the time of the mission, while the estimated inflation rate was in the range of 200%. Market lending rates to agriculture are however as low as 55-60% owing to access to various sources of cheaper funding. Interest rates on term deposits average 50% and for sight deposits about 25%. These low rates are undoubtedly impacting on deposit mobilization. During 1992 overall nongovernment deposits rose from L 885 billion to L 1135 billion - a fall of over 50% in real

^{1/} Copies of this document are available with the World Bank's Resident Mission, Bucharest.

terms. Outstanding credit also fell by over 50% in real terms. The Savings Bank, which has the largest share of deposits had a 60% increase during 1992 when inflation rate was about 200%. Other public banks' increase was generally poorer than this and while private banks were more successful, they only command a small share of total deposits at this time. The Savings Bank has a large network and at present provides a valuable service in providing rapid access to funds at any of its branches throughout the country. Other banks are extremely slow in interbank and interbranch dealings. The Savings Bank enjoys a particular advantage in that its deposits are guaranteed by the State (the only such bank) and it still has a strong public confidence.

4. Although the Government strategy for the transition clearly states that interest rates should not be subsidized (i.e. below market) several programs of the like are about to be implemented in the country, namely for input supply (Lei 65 bill. at 15% interest rate) and farm mechanization (Lei 15 bill. at 15% interest rate). These follow similar programs of Lei 105 billion for inputs and Lei 10 billion for mechanization in late 1992 and Lei 40 billion in 1991/92. More subsidized credit comes from the utilization of deposits at 0% interest rate placed by the Government and social security (unemployment fund, pension fund) mainly with the Commercial Bank and the Agricultural Bank. Subsidized credit is largely being channelled by the Agricultural Bank through Romcereal and similar state owned input suppliers. The system is effectively interlinked: subsidized credit is granted at 15% interest rate by the Agricultural Bank to the so-called integrators. These grant credit in kind (for input supply) to the farmers at 0% interest rate and in return the farmers undertake to sell their products at a fixed (lower than market) price to the concerned integrator, which provides for storage and processing facilities. Later the integrator markets the product at full market price, covering the loss of the interest not charged to the farmer and allowing itself a margin. The present system of allocating credit favors state farms and the juridical farmers' associations. Although administered in response to the government's belief that only these kinds of farming units can assure the availability at lower prices of basic products for consumption, effectively prevents the majority of private farmers from having access to the free market and developing business skills. The input credit subsidy is effectively a consumer subsidy as farmers are paying the equivalent of 70% interest through the lower prices received.

5. Farmers are also allowed to borrow money directly from the bank without resorting to the integrators; however, the Agricultural Bank along with all the others is very security conscious. It normally requires collaterals equal to 100% of the loan, plus the interest, plus a margin, all adding up to 170% of the amount borrowed. Under the current legal framework buildings can be mortgaged and used as collateral, however their valuation in the rural areas is very low compared to the major cities, so it is not markedly helping to overcome the constraint. Preliminary land titles, which represent 98% of farm ownership are not accepted for security. Also, preliminary land titles are regarded as a cause of further concern, the risk being that the title can be challenged and the land taken away from the borrower before he can fulfil his obligation. Therefore many farmers are ineligible for loans because their assets are insufficient (largely personal ones). Finally, even the Agricultural Bank doesn't seem to be ready to serve the very small scale farmers to a large extent, since they are not regarded as a viable form of exploitation of agriculture. As a consequence of all the above constraints, a large share of the agricultural sector is pushed to resort to the integrators' system. However, many officials in the Ministry of Agriculture and the Agricultural Bank seem to support the integrator system as a means of ensuring production.

6. An important difficulty is the general lack of medium term finance, affecting in particular the availability of funds to purchase tractors. AGROMECH equipment is old and, with virtually no replacement during the last three years, is rapidly wearing down. In some cases delays or even lack of performance

of agricultural operations are seriously reducing yields.

7. Given the gridlock of constraints and shortages, the mission's proposals are:

to move away from below market interest rates (subsidized credit) as soon as possible, bearing in mind that the so-called market interest rate is highly negative. This is irrevocably linked to greater freedom of prices and markets. The decision should therefore coincide with the removal of administered prices for agricultural products set for May 1st, 1993. However, borrowers must be convinced by an uncompromising statement by the Government that the decision to terminate subsidized credit is definitive. Any hint of going back will cause farmers to hold back investments in the hope of restoration of cheap credit;

at this time the Savings Bank is the only entity capable of mobilizing a consistent amount of household savings with the public, notwithstanding the negative real interest rates. Careful consideration should therefore be given to safeguard such potential before ready alternatives are available;

the Agricultural Bank capital is low and will place a burden on further development of lending as the banking system is urged to progressively approach western standards with regard to solvency ratio, provisions for write off etc.. Ownership of its office building is only partially hedging capital inadequacy, and the ongoing recapitalization program should be expanded. A portfolio diversification strategy is also recommended, both to ease the financial risk and to facilitate eventual privatization (the interest of investors to enter the agricultural credit business only might be weak). A training program focused on general management issues and targeted to the bank's senior executives is also appropriate;

the draft law regarding the establishment of a new Agricultural Credit Institution should be abandoned;

a legal mechanism is required to allow banks to rely on preliminary land titles of their applicants. Until this happens, a high degree of discrimination will be in place, with credit preferentially being directed towards state farms, juridical associations, and people with substantial assets or even personal connections. Farmers will continue to be forced to enter the integrators system merely for lack of finance. It should be noted that for seasonal lending the financial risk is very low, since any claim against the preliminary title will have to be filed in court: that obviously takes time, thus allowing the farmer to at least conclude his annual production and fully repay the bank. A solution can either be achieved in the form of a guarantee by the government or a regulation/agreement that the preliminary title represents a lease of the property for several years. The establishment of the Rural Credit Guarantee Fund envisaged under the EC funding might also be a ready-for-use instrument to tackle the problem, provided agreement is reached with the sponsor to widen the scope of the fund's guarantee. However the banks' attitude towards the fund appears to be unenthusiastic, partially because there is no experience of the actual benefit it might generate. Also, it is regarded as a financial investment which should rapidly provide monetary returns rather than a provision aimed at

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Improving the soundness of the banking sector;

- the fund, along with the banks' contributions, should be allowed tax relief in order to foster its financial soundness, and participation should be extended to all the banks willing to enter agricultural credit. Careful consideration should however be given to guarantee application appraisal by the Secretariat of the fund, in order to ensure that a proper risk assessment is carried out by the participating banks. Attention should also be given to avoiding overlap with the other credit guarantee scheme which is being set up by the Romanian Development Agency; this apparently will be focused on medium and small enterprises other than those active in agriculture;
- the sharp falls in outstanding loans and deposits in real terms is increasingly marginalizing the formal financial system. Unless interest rates become less negative, individuals and firms will more and more resort to real assets, foreign exchange, and informal channels.



annual
report

BANCA AGRICOLĂ
S.A.

Message of the Chairman of Banca Agricola S.A.

The year ending 31 December 1991 represented a significant step forward in Romania's drive from centralised command economy to a market economy.

The overall restructuring of the economy was directed towards the following objectives

- decentralisation of economic activity;
- privatisation of existing State companies;
- land reform in particular restitution of land to farm owners or their descendants;
- restructuring of the banking and financial sector and
- encouragement of foreign investment.

In this rapidly changing environment, Banca Agricola ("the Bank") adopted a strategy aimed at reducing risks and maximising profits, which resulted in the Bank reporting a profit for the year ended 31 December 1991 which was 30 % higher than for 1990.

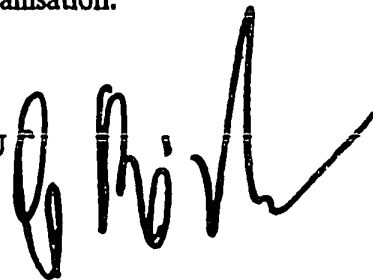
To achieve these strategy objectives, the Bank has:

- oriented its activity towards the small and medium size enterprises and increased considerably the proportion of short-term lending relative to medium and long-term lending;
 - commenced building up loan loss provisions to cover future loan losses;
- made every effort to increase its level of capital. In 1991 the capital was tripled;
- embarked on an overall restructuring program aimed at computerising the Bank, reorganising its activity, training its personnel and developing its network. This program will enable the Bank to be closer to its clients, to offer better services and to improve its position in an increasingly competitive market.

In addition, the Bank has authorised a review of the Bank's activities both operational and financial, by the international firm KPMG Peat Marwick under the auspices of the World Bank with funds from EC Phare.

The Bank's achievements over the past year have only been made possible by the continuing support and commitment of our shareholders, staff and clients. On behalf of the Board of Directors, I sincerely offer my thanks and appreciation for their contribution to the wellbeing of the organisation.

GHEORGHE BĂRBULESCU
chairman



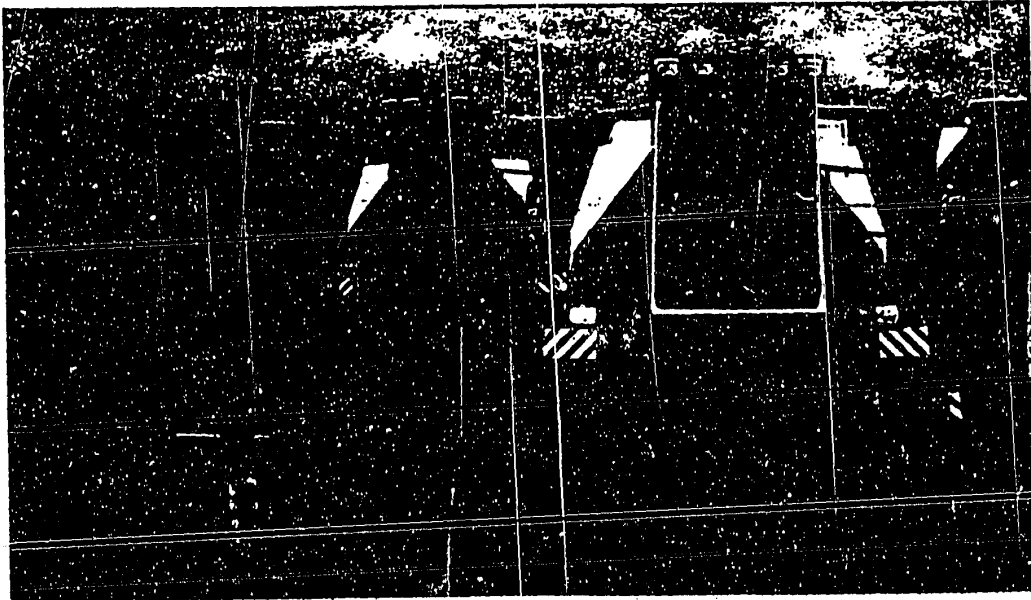
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BANCA AGRICOLĂ IN 1991

MISSION

Banca Agricola is the second largest bank in Romania and has been in existence for more than 100 years. Although it possesses a universal banking licence, Banca Agricola has focused primarily on the agricultural, food processing and distribution sectors of the economy where the Bank enjoys significant competitive advantages derived from its history and substantial experience. Nevertheless, the Bank has explored and entered into other profitable activities, mainly in the new and dynamic private sector.



Whilst being a profit oriented commercial bank, Banca Agricola has retained its traditional role as a development bank by supporting the growth of agriculture with State support and by utilising internal and external resources to this end.

LEGAL STATUS

Banca Agricola is a joint stock company, with the State as sole shareholder of the 1,2 million nominal shares. The authorised capital of 6 billion lei has been entirely paid in by the State in 1991 and when this is combined with the reserve fund and provisions for risks, it results in the Bank's share capital and reserves totalling some 10 billion lei by the end of the year

A program has been adopted for the privatisation of the Bank by the issue of new shares to private investors.

MANAGEMENT

The Bank is organised as a joint stock company. The supreme authority is the General Assembly which meets in ordinary session once a year to review the Bank's activity, approve the financial statements, decide upon the profit distribution, any capital increase, any share issuance and any other issues related to the Bank's policy.



Iulius Cezar Petredeanu

vice chairman



Nicolae Chelu

vice chairman

Between the meetings of the General Assembly the decision-making body is the Board of Directors. Its eleven members (consisting of the president, vice-presidents, representatives of the shareholders and the Bank's senior officers) are appointed by the General Assembly for a four year term. The Board meets a minimum of once a month and whenever necessary.

The Board of Directors delegates executive power to seven of its members (including the president and two vice presidents) forming the Executive Committee which meets in session a minimum of once a week.

CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER
Gheorghe Bărbulescu

VICE CHAIRMAN
Iulius Cezar Petredeanu

VICE CHAIRMAN
Nicolae Chelu

ORGANIZATION CONTROL, PRODUCTION
AND HUMAN RESOURCES
Scorn Popescu
EXECUTIVE DIRECTOR

FINANCIAL DEPARTMENT
Emanuel Găbăruș
EXECUTIVE DIRECTOR

LEGAL DEPARTMENT
Mihaila
EXECUTIVE DIRECTOR

PRIVATE COMPANIES DEPARTMENT
Vasile Coman
EXECUTIVE DIRECTOR

ACCOUNTING DEPARTMENT
Vasile Tănăsoliu
EXECUTIVE DIRECTOR

ADMINISTRATIVE DEPARTMENT
Nicolae Luca
EXECUTIVE DIRECTOR

RESEARCH AND STUDIES
Victor Doandea
EXECUTIVE DIRECTOR

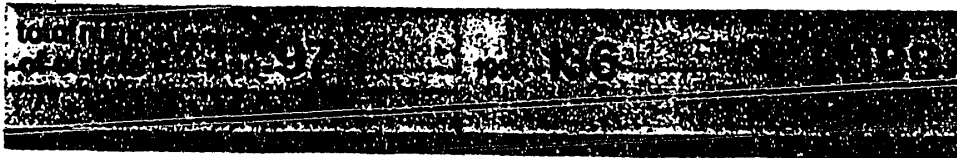
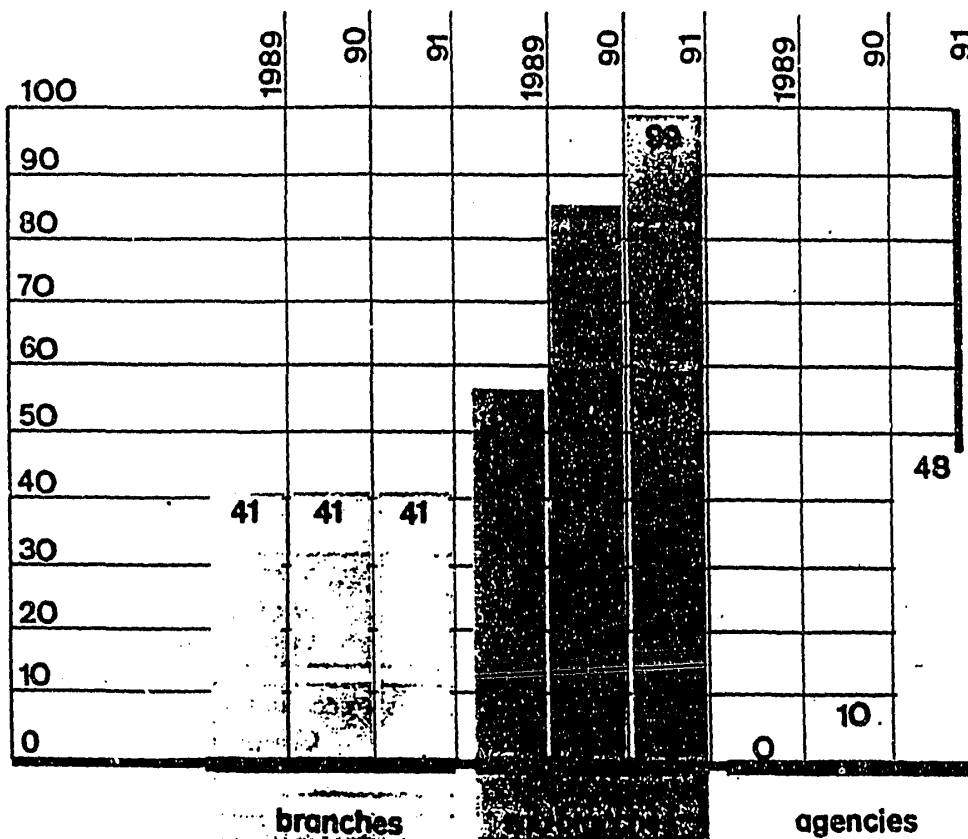
STATE COMPANIES FINANCING DEPARTMENT
Gheorghe Belcin
EXECUTIVE DIRECTOR

AGRICULTURAL COMPANIES FINANCING DEPARTMENT
Lucian Gheorghe
EXECUTIVE DIRECTOR

FOOD INDUSTRY DEPARTMENT
Adrian Epure
EXECUTIVE DIRECTOR

NETWORK

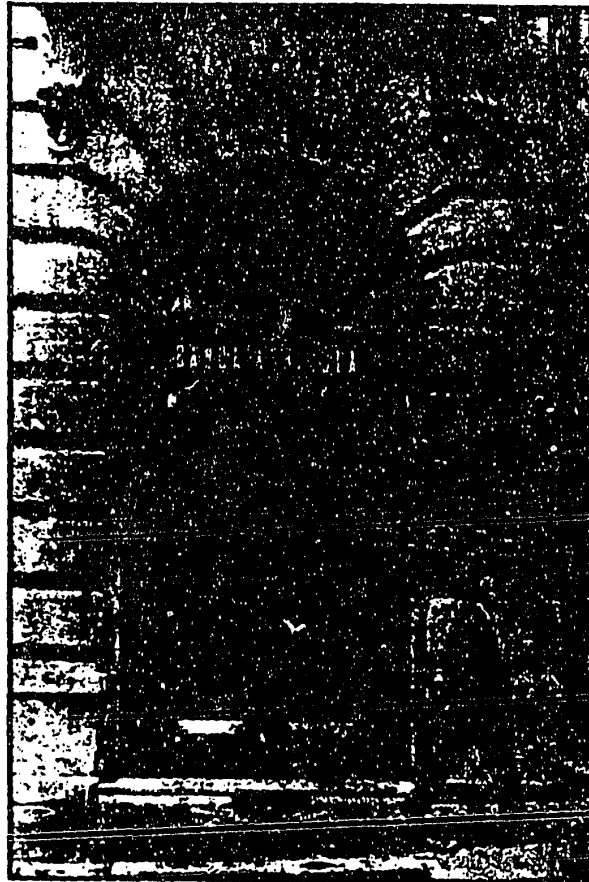
The Bank serves its customers through a network of branches, sub-branches, agencies and representative offices covering the entire country. In 1991, Banca Agricola expanded its network in order to access new private sectors customers and so increase the volume of customer deposits available to the Bank. The evolution of the Bank's network is shown below.



STAFF AND TRAINING

The expansion of the branch network required the Bank to permanently increase its staff number.

As the network developed over the 1990 - 1991 period, the number of staff employed by the Bank increased from 4,310 to 5,809 of which 56 % are under 40 years old. University graduates account for 22 % of this total, and are distributed among the Bank's outlets such that they comprise 74 % of the staff in head office; 32 % in branches; 20 % in sub-branches; and 15 % in agencies.



One of the major concerns of the Bank is upgrading the skills of its staff through continuous training. The Bank requires competent personnel, who adequately understands the risks inherent in a market economy, in order to compete with the other commercial banks. Therefore it has invested heavily in training courses for all staff. In 1990 - 1991, 363 people were trained outside the Bank, of whom 42 attended courses abroad (including Austria, France, Italy, USA, Greece and Germany) The training courses were in the following areas: management, credit analysis, trade finance, capital markets and agricultural credit. In addition to the external courses, over one thousand staff members participated in internal training sessions organised by the Bank's management to communicate new internal regulations and procedures. The Bank also continually organises English lessons for its personnel.



The Bank has been aided in its training objectives by a number of foreign international banks and international agencies such as The World Bank, EC Phare and the Know-How Fund.

The Bank will continue to devote significant financial resources to improve the skills of its staff which are considered the key to its future success.

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PRINCIPAL PRODUCTS AND SERVICES

The main business of the Bank is to provide corporate and individual customers with complete banking facilities. These services are offered both in domestic and foreign currencies and include:

- * **sight and term deposits;**
- * **short, medium and long-term loans to both corporate and personal customers;**
- * **settlements and transfers;**
- * **finance of foreign and domestic trade;**
- * **issuance, confirmation and acceptance of guarantees;**
- * **foreign exchange services;**
- * **financial and trade advisory services;**
- * **safety deposit box facilities;**
- * **on-lending of funds for the development of agriculture and food industry under credit lines offered by international agencies (IBRD, IFC, and EBRD) and other funds obtained from international aid agencies (e.g. PHARE and USAID).**



COMMENTARY ON FINANCIAL STATEMENTS

OVERVIEW

BANCA AGRICOLĂ S.A.
(in Lei '000)

BALANCE SHEET

ASSETS	31.12.1990	31.12.1991
1. Cash	67,171	3,648,447
2. Cr.	52,000	9,284,472
		2,676,975
	98,381	3,257,805
	73,500	6,723,923
	169,600	96,981,728
5.	6,100	286,159
6.	4,222	4,222
7. Cr.	2,281,200	7,266,015
TOTAL	173,041,000	393,148,018

The total assets of the Bank increased by 127 % during 1991 to 393,1 billion lei at 31 December 1991. The major reasons for this increase are:

- * the Bank attracted a large number of new corporate customers from all sectors of the economy;
- * the Government reduced price controls on agricultural products;
- * the Government significantly devalued the lei;
- * by means of Law 80/91, the Government implemented a non-recurring "compensation" scheme to ease a credit shortage in the economy which had been caused by strict credit controls during the year. This compensation scheme authorised the Bank to make a number of State guaranteed loans:
 - * the high rate of inflation in the country.

LIABILITIES	31.12.1990	31.12.1991
1. Capital	2,323,668	6,000,000
2. Other funds	800,000	4,074,516
3. Current Accounts	32,309,928	122,356,702
4. Deposit Accounts	444,321	1,306,000
5. Loans	129,707,362	224,570,878
6. Fixed Asset Funds	60,162	286,159
7. Creditors	8,662	2,744,417
8. Accruals	307,130	341,000
9. Other Liabilities	4,147,257	27,669,893
10. Profit	2,934,562	3,798,447
TOTAL	173,043,050	393,148,018

LOANS

The majority of the Bank's assets are loans. These loans are denominated either in lei or foreign currency, and have terms ranging from a few months to a maximum of ten years. The Bank's loan portfolio increased in value by 114 % to 362.5 (1990: 169.4) billion lei at 31 December 1991. The vast majority of this increase was in short-term loans which increased by 188 % to 275.8 (1990: 95.6) billion lei, whereas the medium and long-term loans increased by 18 % to 86.7(1990: 73.5) billion lei. Approximately 2 % (8.3 billion lei) of the Bank's loan portfolio was classified as overdue at 31 December 1991.

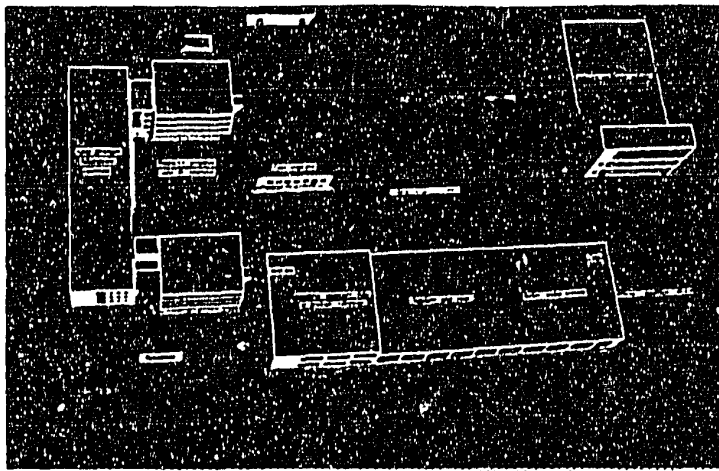
126.5 billion lei (35 %) of the short-term loans at 31 December 1991 are loans which, due to their nature, are unlikely to recur.

These can be analysed as follows:

* 77.2 billion lei of loans made as part of the compensation scheme described above. These loans mature on or prior to 31 July 1992; and

* 49.3 billion lei of loans which were made to fund State companies for either losses made in 1989 and 1990 or long-term investment projects. These loans are non-performing and are unlikely to be recovered. However by Government Resolution No. 447/91 and Law 7/92, the Ministry of Economy and Finance ("MEF") has agreed to guarantee 44.4 billion lei (90 %) of the resulting loss, which limits the Bank's loss to 4.9 billion lei (10 %). The MEF has also agreed to reimburse the Bank's funding costs of carrying these non-performing credits. The 4.9 billion lei will be covered by the gross profit during the following 5 years.

During 1991 the Bank's reduced medium and long-term loans relative to total loans such that, at 31 December 1991, they represented only 24 % (1990: 44 %) of total loans by value.

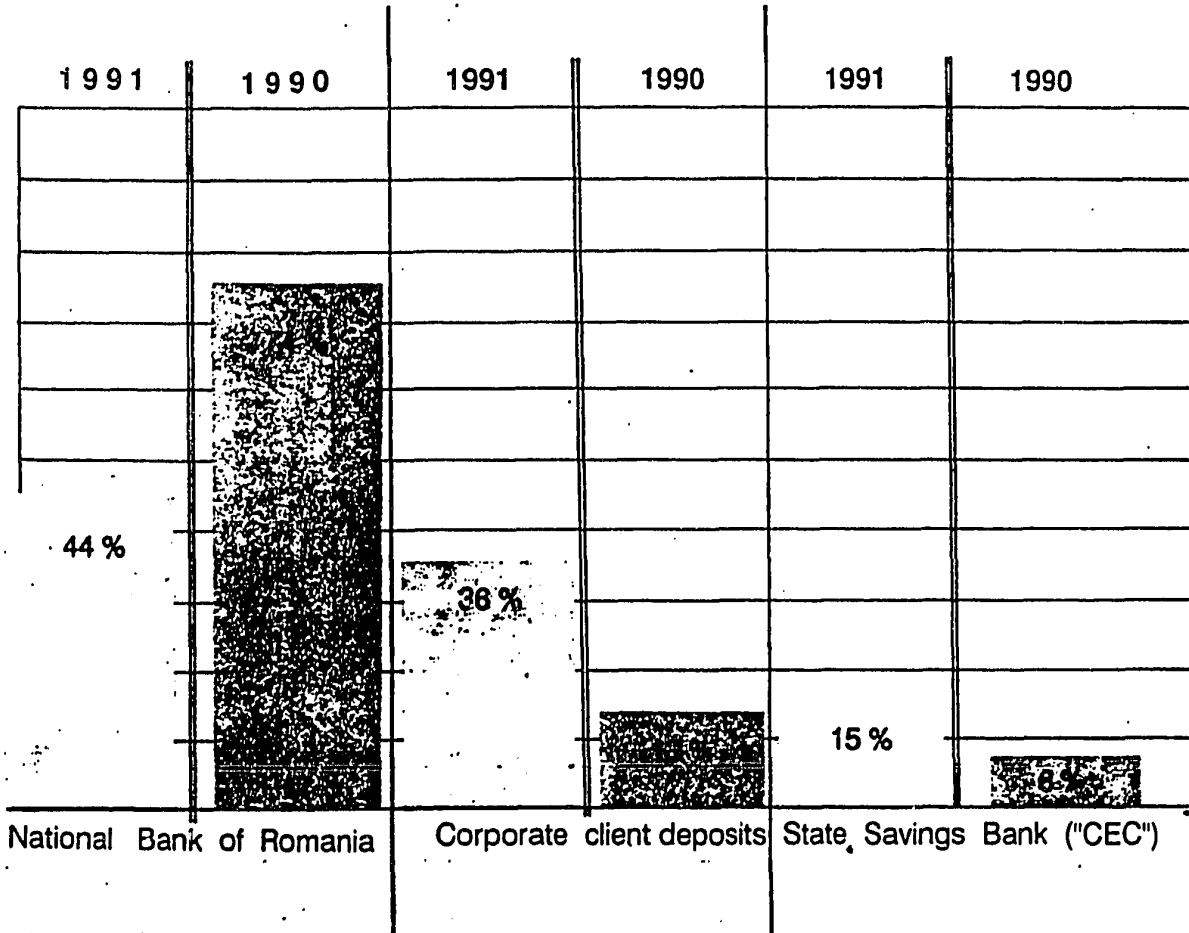


In 1991 the Bank used 7.3 billion lei of funds which had been specifically provided by the State budget:

- * to finance work to complete filtering stations and soil erosion control activities;
- * to finance the equipping of laboratories in research institutes; and
- * to pay some interest that had been outstanding since 1990 on loans to units subordinate to the Ministry of Agriculture and Food Industry and the Ministry of the Environment.

SOURCES OF FUNDS

In previous years the Bank has obtained the majority of its funds from the National Bank of Romania. However in 1991, the Bank obtained a far greater proportion of its funds from other sources as follows:



These other sources charge lower interest rates than the National Bank of Romania, therefore this has enabled the Bank to grant loans at more favourable rates than the other Romanian commercial banks.

FOREIGN CURRENCY BALANCES

The Bank's foreign operations increased significantly in 1991, and its foreign currency assets were equivalent to US\$ 55.1 million when translated at the Romanian official exchange rates at 31 December 1991. A substantial majority of these assets were invested in current and deposit accounts with correspondent banks. The Bank's foreign currency liabilities at 31 December 1991 when translated at the official exchange rates were equivalent to:

US\$ 12.8 million of deposits from corporate customers

US\$ 12.5 million of loans from foreign banks

US\$ 10.8 million deposits for letters of credit

US\$ 0.5 million profit from foreign currency operations

FIXED ASSETS

The Bank invested 368.4 million lei in 1991 to extend its network of banking units by opening new or modernised branches, sub-branches and agencies, and to equip the Bank with modern information technology and communications equipment.

PROFIT AND LOSS ACCOUNT

BANCA AGRICOLĂ S.A.

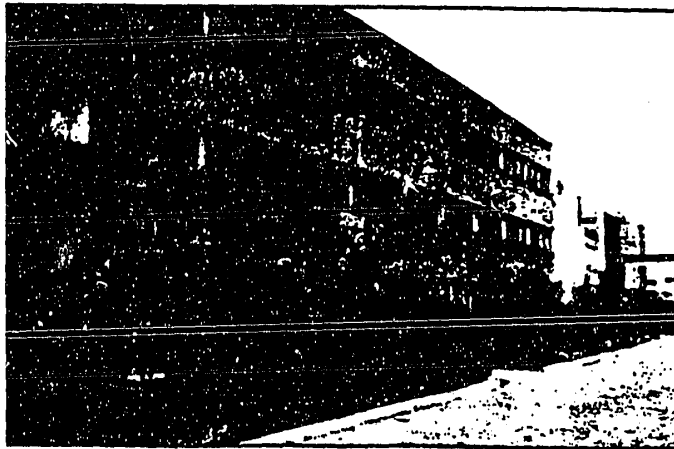
(in Lei '000)

PROFIT AND LOSS ACCOUNT

REVENUES	31.12.1990	31.12.1991
1. Interest Received	7,444,026	21,999,449
2. Commissions and Fees Received	253,587	963,352
3. Other Income	6,216	35,352
TOTAL	7,703,829	23,028,153



EXPENSES	31.12.1990	31.12.1991
1. Interest Paid	4,305,525	17,808,992
2. Commissions and Fees Paid	20,512	49,563
3. Other Business Expenses	116,964	61,431
4. Wages and Other Wage Related Expenses	267,590	936,480
5. Fixed Asset Depreciation	2,548	4,792
6. Other General Expenses	56,128	7,965,342
7. Profit	2,934,562	3,798,447
TOTAL	7,703,829	23,028,153



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The Bank did not incur any material losses during 1991 and does not have any overdue debits at 31 December 1991. As a result of careful financial management the Bank ended the year with a gross profit of 3.8 billion lei and net profit of 0.4 billion lei as follows:

	Billion lei
Total income	23.0
Total expenditure	<u>(19.2)</u>
Gross Profit	3.8

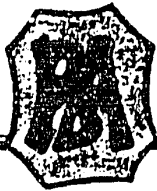
Less expenses that are deducted from gross profit in accordance with Annex No. 2, law no. 12/91:

* Reserve fund	0.4
* Risk fund	1.9
	<u>(2.3)</u>

TAXABLE PROFIT	1.5 Billion lei
TAX ON PROFIT	(1.1) Billion lei

<u>NET PROFIT</u>	<u>0.4 Billion lei</u>
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INTERNATIONAL BANKING ACTIVITIES

Under the reform process in Romania , the monopoly of one bank allowed to deal in foreign currencies (which has lasted for more than four decades) was abolished. Consequently in April 1990, Banca Agricola was authorised to perform foreign currency banking activities and during 1991 a special division was established in head office to monitor the development of these new activities.

Using its competitive edge and large network , the Bank attracts deposits in foreign currency from all over the country. Besides accepting deposits, the Bank offers its clients a wide range of services related to foreign currency transactions: loans, trade finance guarantees documentary credits, money transfers, foreign exchange operations, collections and advisory services. The Bank also acts as a broker on the interbank auction market.

Special efforts were made by the Bank to develop a wide network of correspondent banks.

Having had significant experience in project finance, Banca Agricola continues to be one of the banks which mobilises funds from international credit agencies (IBRD, IFC and EBRD) or from Governmental credit lines and channels these funds towards domestic investment projects which qualify for external financing.

The Bank entered into negotiations with the IBRD and the EBRD for credit lines totalling \$ 170 million devoted to the development of the private sector in agriculture, food processing and related services.

Banca Agricola has a foreign investment as it is a shareholder of MISR Romanian Bank - Cairo.

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STRATEGY FOR THE FUTURE



In the coming years, the Bank's main strategic will be to:

- * strengthen its capital base with a view to meeting BIS requirements;
- * a substantial annual injection of capital from the Government is expected on the next 3 years;
- * significant additional loan loss provisions will be built up in the next years;
- * reduce the dependence on interbank funding by increasing the volume of customer deposits from the current level of 36 % of liabilities;
- * increase the level of automation employed by the Bank;
- * extend the branch network to remain close to existing and future customers;
- * develop relationships with foreign banks and international financial agencies;
- * develop highly trained and motivated staff; and
- * support the development of Romanian agriculture by acting as an intermediary for Government policy towards this sector.

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APPENDIX G

1 9 9 1



ROMANIAN BANK
FOR FOREIGN TRADE

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ROMANIAN BANK FOR DEVELOPMENT

BANK'S MANAGEMENT

~~BOARD OF DIRECTORS~~

MARIAN CRISAN

Chairman

MIHAIL IOVU

Deputy Chairman

PETRE BUNESCU

Deputy Chairman

MEMBERS

EMIL GHIZARI

First deputy Governor of the National Bank of Romania

NICOLAE CONSTANTINESCU

Managing Director in the Ministry of Economy and Finance

LUCIAN MOTIU

State Secretary in the Ministry of Industry

ION TISLER

Adviser to the Chairman

MIHAIL NISTOR

Expert in the RBD

IOAN ANCA

Expert in the RBD

~~MANAGING COMMITTEE~~

Chief Executive Officer

Members

MARIAN CRISAN

MIHAIL IOVU

PETRE BUNESCU

ION TISLER

MIHAIL NISTOR

~~EXECUTIVE DIRECTORS~~

CONSTANTIN VINULESCU

Treasury Division

ELENA COSMA

Loan Division for Commercial Companies

IOAN NICULESCU

Loan Division for Private Activities

IRIMIA IONITA

Loan Division for Regies Autonomes

MIOARA IONESCU

International Division

CONSTANTIN BOZDOGHINA

Studies & Strategies Division

VASILE BUSE

Accounting Division

NICOLAE POPA

Data Processing Division

SAVA FEODOROF

Personnel and Training Division

NICOLAE GEORGESCU

Economic and Public Relations Division

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CHAIRMAN'S MESSAGE

The year 1991 meant for the Romanian Bank for Development (RBD) the first operational year as a commercial bank. RBD, as well as the entire banking system, had to deal with the volatile economic background resulting in frequent changes in financial, monetary and credit areas, the unpredictable future of many economic entities and the lack of certain regulations for securing banking operations.

Despite all these difficulties the bank focused on establishing its position in the new economic environment, developing new banking services and widening its customer base by performing a prudent policy of market approach.

During 1991, RBD succeeded in strengthening its financial position by increasing capital from Lei 5.0 to 7.0 billion and setting-up reserve and risk funds of Lei 3.5 billion. RBD also succeeded in cleaning-off bad loans of Lei 20.7 billion from its balance-sheet. A substantial portion of these bad debts in total amount of Lei 18.6 billion was taken over by the Public Debt. Gross profit achieved was Lei 4.5 billion.

In 1991 RBD was deeply involved in supporting the restructuring of economy by penetrating new economic sectors, paying particular attention to profitability and minimizing risks in lending.

Attracting potential depositors has been continuously in our view by offering them a wider range of banking services. Last year, customer number increased more than eleven times compared to the situation in 1990.

Being involved in privatization process, RBD has been granting specific banking services for small and medium size private customers. RBD is one of the five Romanian companies and the only bank authorised to undertake economical, technical and financial expertises for privatization purposes.

Bank's domestic network is in present four times larger than it was at the beginning of its activity given to creating of new sub-branches and agencies.

Our bank had to make itself known outside Romania and to set-up a foreign correspondent banks network, in order to perform foreign currency activities. Currently RBD has more than 80 correspondent banks and performs a wide range of foreign currency operations.

RBD was agreed as a disbursement bank for a certain range of loans granted to Romania by the World Bank.

RBD is a shareholder of MISR-Romanian Bank, located in Cairo, Egypt.

Bank's performance in 1991 was due to the professional skills, initiative and efforts of our staff whom I wish to thank for their contribution, on behalf of the Board of Directors.

For 1992 RBD will be focusing on:

- increasing capital and attracting funds, especially term deposits;
- cleaning-up old non-performing loans from the balance-sheet;
- selective business policy, directing its human resources and funds towards profitable and low-risk activities;
- supporting the restructuring and the privatisation of Romanian enterprises by selecting feasible projects according to market demand and attracting foreign capital in the Romanian economy, particularly in small and medium size enterprises;
- penetrating the stock market once the stock exchange will be operational;
- ensuring a flexible organisational structure in order to meet customer needs for high quality and diversified banking products and services;
- achieving RBD computerization and performing foreign currency operations by SWIFT system;
- undertaking an Operational Audit by an independent foreign auditor, including adjusting the accounting system to International Accounting Standards, in order to prepare the field for a Full Audit of the bank;
- continuing staff training both in Romania and abroad and setting-up selection based on sound criteria of professional competence;
- creating the prerequisites for the beginning of RBD's own privatisation process.

We truly believe that people wish to bank with people and a personal commitment is still important.

We all look forward to 1992 with enthusiasm.



MARIAN CRISAN
Chairman
and
Chief Executive Officer

BUSINESS REPORT FOR 1991

Activities

The Romanian Bank for Development has been established in accordance with the Romanian legal framework and organized as a joint stock company.

The Bank started its activity on December 1st, 1990 by taking over the assets and liabilities of the former Investment Bank. The Bank is performing a wide range of commercial banking operations in Lei and foreign currency both for corporate clients and individuals and specific services such as: expertise for investment projects; economic, financial, technical and legal consultancy; patrimonial evaluations including those for privatisation purposes.

Results

The gross profit for the period ending 31st December 1991 was Lei 4.473 million.

The net profit amounted to Lei 775 million and was distributed according to the legal provisions, as following:

	Lei million
- Own Development Fund	447
- Dividends	250
- Staff profit share	78

Capital

On July 1st, 1991 the subscribed and paid-up capital increased to Lei 7.000 million from Lei 5.000 million.

The State is, for the moment, the only shareholder.

Administration

Bank's management is vested in the Board of Directors, made up of: the Chairman, Deputy-chairmen, experts from the Bank and other institutions.

Auditors' Committee

Auditors' Committee is made up of three members who are representatives from the Ministry of Economy and Finance.

Staff

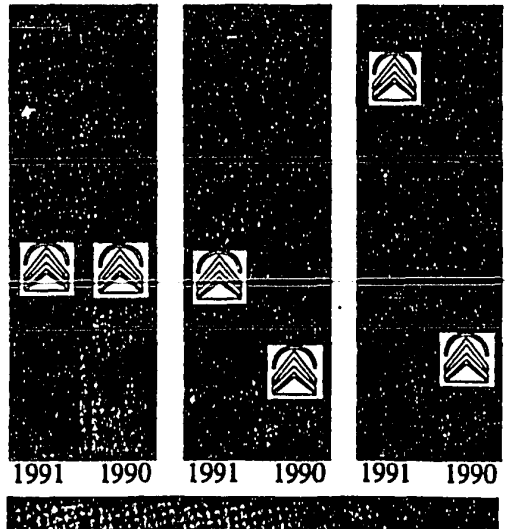
Give to changing the organisational structure, widening the activity and developing the territorial network, the staff number increased to 2,936 employees, from 1,908 employees at the end of previous year.

It has to be mentioned that 22 percent of this personnel increasing was due to hiring cashiers and security staff involved in the new developing cash-activities.

In order to meet customers' needs, R.B.D. paid a special attention for staff training. During 1991, experts from Head Office and branches have been trained, both in Romania and abroad.

Network

The Bank carries out its activity by a network consisting of 41 branches and 118 sub-branches and agencies operating in the main urban and rural centers all over the country.



THE EVOLUTION OF RBD'S NETWORK

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ROMANIAN BANK FOR DEVELOPMENT

FINANCIAL STATEMENTS
for the year ended December 31st, 1991
PROFIT AND LOSS ACCOUNT

Lei million

	NOTES	1991	1990
Net interest income	2	3,301	1,568
Commission & Fees income	3	1,250	610
Other income		719	-
Gross Profit			
		4,473	1,986
Profit before tax	4	1,987	497
Tax charge	5	1,212	451
Net profit		775	46

The notes from pages 10-13 are integral parts of the financial statements.

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ROMANIAN BANK FOR DEVELOPMENT


BALANCE SHEET

Lei million

ASSETS	NOTES	1991	1990
Cash		2,234	8
Deposits with banks	6	3,807	123
Participating interests	7	324	312
Loans to customers	8	203,091	108,039
Non-performing loans taken over by the bank	8	2,070	-
Public debt taken over by the State	8	18,632	-
Net fixed assets	9	598	46
Other assets		5,947	2,331
LIABILITIES			
Capital		7,000	2,657
Reserve Fund		2,452	-
Risk Fund		1,027	-
Own Development Fund		288	5
Other Own Funds		686	49
Customer current accounts and deposits	10	79,361	30,796
Borrowings from banks	11	74,508	74,588
Creditors and dividends		740	97
Other liabilities	12	66,168	681
Gross profit		4,473	1,986

The notes from pages 10-13 are integral parts of the financial statements.

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ROMANIAN BANK FOR DEVELOPMENT

**STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

Lei million

	1991
SOURCE OF FUNDS	
Gross Profit	4,473
Depreciation on fixed assets	31
Increase in capital	4,343
Foreign currency revaluation	634
Other own funds	923
APPLICATION OF FUNDS	
Purchase of fixed assets	627
Tax charge	1,212
Dividends	250
Staff profit share	78
NET CHANGES IN WORKING CAPITAL	
Increase (decrease) in loans, deposits and other assets	125,844
Increase (decrease) in current accounts, deposits, creditors and other liabilities	117,607

RBD'S TOP PRIORITY OBJECTIVES

for 1992-1993

IMPROVING RBD'S MARKET POSITION

A. Financial strengthening:

- Increasing the capital and diversifying funding.
- Targeting an acceptable real return on capital.
- Improving risk management procedures.
- Developing pricing policies to take account of inflation and risk.
- Concentrating on short term lending.

B. Increasing quality and diversifying banking products and services.

INCREASING BANK'S PROFITABILITY

C. Ensuring a strong core infrastructure:

- Information technology base development in accordance to branch network.
- Improving accountancy and management information.

D. Improving operational procedures and controls:

- Reviewing levels of authority and administrative functions both at Head Office and branches.
- Strengthening internal audit.

E. Human resource management:

- Continuing to develop an appropriate corporate culture for the workforce.
- Developing a creative reward structure for best people.
- Training staff according to bank's strategy.

F. Focusing on Strategic Business Units:

- Corporate Banking.
- Retail Banking.
- Investment Banking.
- Treasury.

G. Establishing a flexible organisation structure which supports the strategic thrusts.

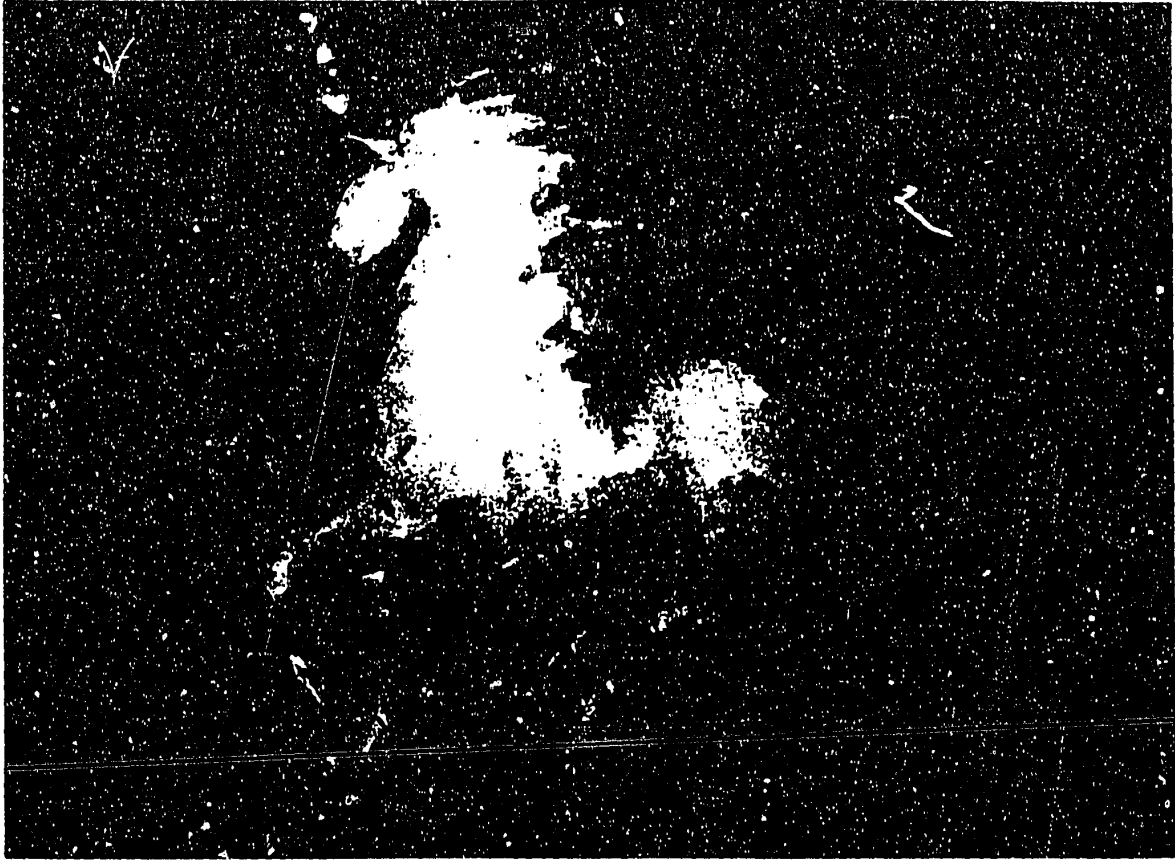
RBD'S PRIVATISATION

H. Creating the preliminary conditions for RBD's privatisation:

- Strengthening financial position.
- Searching for potential capital investors both from Romania and abroad.

THE COOPERATIVE CREDIT BANK

BANKCOOP



ANNUAL REPORT

THE COOPERATIVE CREDIT BANK
- joint-stock company -
is a commercial bank company by shares,
being a private legal person.

BANKCOOP was set up by the Decision of the Romanian Government No 992 dated 23rd September 1990; it was authorized by the National Bank of Romania on 1st November 1990; it was registered with the Ministry of Finance on 14th November 1990 and matriculated in the Office of the Commercial Register of Bucharest under number J 40.624 / 1991.

THE SOCIAL CAPITAL OF BANKCOOP:

- ◆ subscribed: 2.500 million lei,
divided in a million shares of 2.500 lei each;
- ◆ paid in capital on the 31st December 1991 - 1.700 million lei;
- ◆ the main shareholders:
 - consumer cooperatives: 1.200 million lei
 - credit cooperatives: 500 million lei
 - other organizations and private, mixed or state economic agents, as well as private persons: 800 million lei

On the 31st December 1991, BANKCOOP carried on its activity by its 41 branches in all districts of the country, as well as in the town of Bucharest and by its 39 sub-branches in the main towns and localities of the country, other 22 sub-branches and agencies being in the process of setting up.

BANKCOOP

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■ THE BOARD OF ADMINISTRATION
OF THE COOPERATIVE CREDIT BANK

Alexandru DINULESCU	Chairman
Aurel IOSIF	Deputy chairman
Alexandru GHIBA	Deputy Chairman
Ion VETRINEANU	Unremunerated deputy chairman
Dumitru SIMIONESCU	Unremunerated deputy chairman
Ion ANGELESCU	Member
Tudor BARON	Member
Gheorghe BELEAN	Member
Cornel CHITULESCU	Member
Ion DOBRESCU	Member
Ion DUMITRU	Member
Ion MĂRCULESCU	Member
Floarea STOICA	Member
Angela TONCESCU	Member
Maria VLAIC	Member

■ THE AUDITING COMMISSION
OF THE COOPERATIVE CREDIT BANK

Mircea BOULESCU	President
Constantin DRĂGAN	Member
Petru MIRESTEAN	Member
Gheorghe PÎRVJ	Member
Dan RUSANU	Member
Marin ALMĂJAN	Alternate Member
Viorel GÎLCA	Alternate Member
Victor GUGUI	Alternate Member

■ THE COMMITTEE OF DIRECTION
OF THE COOPERATIVE CREDIT BANK



Aurel IOSIF
Member



Alexandru DINULESCU
President



Alexandru GHIBA
Member



Ion VETRINEANU
Member



Dumitru SIMIONESCU
Member

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THE OBJECT OF ACTIVITY OF BANKCOOP

In accordance with Its Statute,
the Cooperative Credit Bank
- Joint-stock company -
carries out banking transactions
in lei and in foreign currencies
in Romania and abroad,
on its own account, in the name
of others or in collaboration
with third parties, as follows:

■ receives deposits from the associated cooperatives, from other associated or unassociated cooperatives and from other economic agents, Romanian and foreign, physical and legal persons, including the security, deposits from the administrators;

■ grants loans on short, medium and long term to the organizations and economic agents, the consumer and credit cooperatives, to the agricultural producers, craftsmen, tradesmen, to other private persons, especially to the members of the cooperatives carrying out economic activities on the basis of free initiative, as well as to other economic agents with private, mixed or state capital;

■ settlement of domestic transactions concerning the delivery of goods, carrying out of services, purchasing of products, performance of works, various payments for investments and foreign trade on behalf of the organizations and economic agents belonging to the consumer and credit cooperatives, of other physical and legal persons, clients of the bank;

■ issues, subscribes, administers, keeps in custody and sells governmental bonds, credit deeds and papers of value for its own account and for the third parties in the country and abroad, presents commercial papers to be discounted by the National Bank under the conditions established by the latter;

■ keeps available funds, either in deposits with first rank banks or with credit institutions from the country or from abroad;

■ purchases and sells foreign currency, gold and precious metal in ingots or processed objects, which may also include precious stones;

■ issues bonds and credit deeds;

■ grants and receives credits and makes deposits with other banks and credit institutions from the country and abroad, under the market conditions;

■ performs banking transactions in foreign currency in its own account or for third parties;

■ participates with capital in lei or in foreign currency to the commercial companies in any field of activity, including banking companies in the country and abroad;

■ organizes insurance joint-stock companies for the insurance and re-insurance of persons, material goods or credit risks;

■ takes part in the financial and banking transactions within some agreements, conventions and arrangements concluded by the Romanian authorities on domestic and international level;

■ buys or build houses, purchases furniture, tools and equipments and other objects in order to ensure the fulfilment of its own activity;

■ makes consulting banking transactions, mandate and other legal actions on its own account or for clients;

■ fulfils other banking and financial transactions in lei and in foreign currency, requested by clients, in accordance with the legal provisions in force.



The Cooperative Credit Bank
is a joint-stock company with private capital.

BANKCOOP began its activity on 10 December 1990,
when it opened its first paying desk for the public,
by setting up its Bucharest branch.

The main shareholders are represented by the consumer and credit cooperatives, created over 125 years, having a turnover of over 250 billion lei, with operative production units, units for carrying out services, purchasing, trading and credit ones, set in all the localities of the country.

The Cooperative Credit Bank - joint-stock company performs all the transactions specific to a commercial bank and addresses mainly to the commercial companies with private capital, both in the frame of consumer and credit cooperatives, as well as to the small and middle-size private companies.

Among its clients there are: economic agents with private capital, mixed or state companies and, especially, agricultural producers, craftsmen and tradesmen.

During the first year from its setting up, the Bank organized and started 41 branches in Bucharest and in the capitals of the districts of the country, 39 sub-branches in the main towns and localities from the country and intends to set up other 21 sub-branches.

In a mandatory way, the Bank sets itself the aim to perform banking transactions through 853 credit cooperatives.

On 31st December 1991, within the network of Bankcoop there were 1.600 employees.

Even though we are a new bank, the majority of the employees is represented by the professionals having over 10 years in their speciality.

In order to increase the efficiency and serve well its clients, since its setting up, BANKCOOP took care to buy computers and, respectively, put the stress on the informatization of its daily transactions, the accounting ones, activity which is now extended in the field of bank management and marketing.

On the 31st December 1991, after one year of activity, BANKCOOP had from its clients deposits at sights amounting to 16 billion lei and term deposits of 3 billion lei. It took loans for re-financing of 13 billion lei, out of which 1 billion lei on medium and long term.

In the first year of activity, the Bank granted short term credits of 30 billion lei and medium and long term credits of 2.5 billion lei.

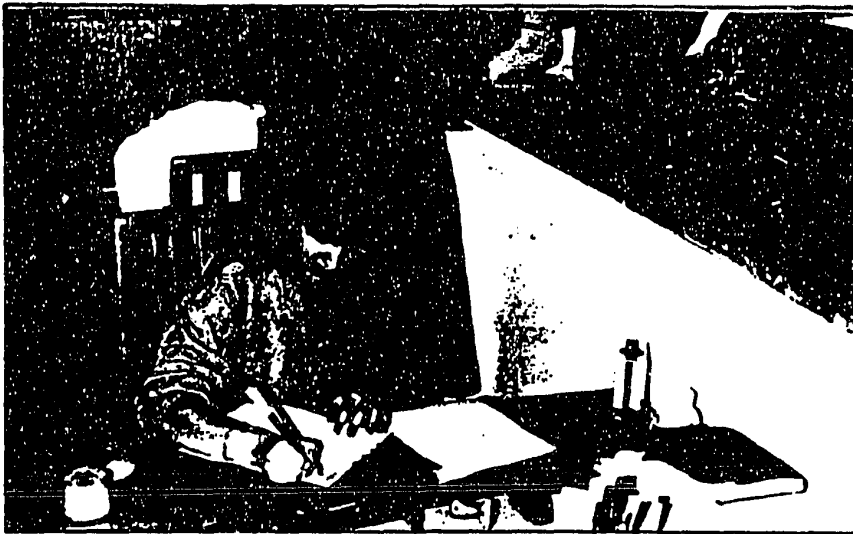
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At the end of 1991, BANKCOOP performed banking transactions for 26.670 clients.

From its activity carried out in 1991, the Bank had a gross profit of 898.5 million lei, out of which a benefit to be distributed of 558.5 million lei.

On the basis of the results obtained, it gave net dividends of 14 % for the shares bought in lei and 8 % for those bought in foreign currency, to its shareholders.

For 1992, BANKCOOP intends to double the balance sheet of the bank, to increase its volume of credits to over 40 billion lei and to extend the profit in such a way that it will be able to give dividends to its shareholders at the level of the interest paid by other financial institutions.



Among
the
objectives
of 1992,
BANKCOOP
intends to:

- consolidate the bank on its main components, such as:
organization, economic situation, staff and information system;
- increase the efforts of financing the activity carried on
by the small companies;
- develop the transactions in foreign currency;
- increase the saving deposits from the population;
- develop and improve the capacity of making banking services;
- extend the mandate given by BANKCOOP
to the credit cooperatives;
- further increase the bank's own resources in order
to improve the solvability and the liquidity.

THE BALANCE SHEET AS AT DECEMBER 31, 1991

<u>ASSETS</u>		= million lei =	<u>LIABILITIES</u>	
No. Explanations	Amount		No. Explanations	Amount
1. Shareholders	767.0		1. Capital	2,500.0
2. Cash	680.1		2. Reserve fund	179.7
3. National Bank of Romania	4,230.9		3. Risk fund	160.3
4. Deposits with other banks	4,232.4		4. Loans for refinancing	
			- on short term	11,794.7
5. Sight and time deposits	166.5		- on medium and long term	976.3
6. Loans:			5. Deposits from banks and other financial institutions	5,156.3
- on short term	29,599.0		6. Deposits from customers	
- on long term	2,467.3		- at sight	16,052.4
7. Interest in associated undertakings			- on term	2,775.2
- domestic	28.2		7. Regulatory transactions	3,230.6
8. Regulatory accounts	920.1		8. Other liabilities	41.9
9. Fixed assets, inventories and materials	178.7		9. Profit	558.5
10. Other assets	155.7			
TOTAL ASSETS	43,425.9		TOTAL LIABILITIES	43,425.9

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PROFIT AND LOSS AS AT DECEMBER 31, 1991

<u>EXPENDITURES</u>	= million lei =	<u>INCOMES</u>	
Interest paid	974.8	Interest received for loan	1,723.1
Commission	7.8		
Remuneration and other rights paid to the staff	188.8	Commission	403.8
		Other incomes	37.8
Administrative expenditures	44.9		
Other expenditures	49.9		
	1,266.2		
Alocations made in keeping with the provision of the law from gross income			
	340.0		
-to the reserve fund (20 % from the income)	179.7		
-to the risk fund (0.5 % on the volume of loans)	160.3		
	1,606.2		
Profit suggested to be distributed by decision of the General Meeting			
- investment fund	313.5		
- for payment of dividends to shareholders	200.0		
- bonuses to the staff for their work and results obtained	33.0		
- social-cultural and sports activities	10.0		
- remuneration for the Board of Administration and the Auditing Commission	2.0		
TOTAL	2,164.7	TOTAL	2,164.7

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In the process of setting up and organization of the Infrastructure besides the support received from the consumer and credit cooperatives, special efforts have been made to design and implement the own system of bank Informatics and Informations, to train the staff at the level of management and specialists especially for Informatics, for branches and subbranches, buying and giving to them computers and other modern office technology. At present, BANKCOOP is the only bank in Romania which has assured for all its units the procession by computers of all operations and transactions for cash receipts and payments and the book-keeping in analytic and synthetic accounts.

From a subscribed capital of 2.5 billion lei, the paid in part up to December 1991 represents 1.7 billion lei (i.e. 69.33 %) from which 870.5 million lei by the organizations and enterprises belonging to the consumer cooperatives, 415.2 million lei by the credit cooperatives and 447.3 million lei by other economic agents and private persons. From the subscribed capital the amount paid in by the consumer cooperatives represent 58.0 % and for the credit cooperatives 83 %.

In keeping with the objectives of its activity in 1991, BANKCOOP made banking and financial transactions in lei and in foreign currency, in the country and abroad, for its own account and for the account of its clients. It also extended short, medium and long term credits in lei and in foreign currency.

From its own resources, from refinancing resources received from the Savings Bank and from a part of the deposits received, loans have been granted to the clients which on December 31, 1991, amounted to 32 billion lei, from which 2.5 billion lei on medium and long term.



The consumer and credit cooperatives have the greatest proportion of the credits given (51%).

The overdue credits on December 31, 1991, amounted to 372.5 million lei. Loans for refinancing received from the Saving Bank on December 31, 1991, amounted to 9,648.3 million out of which 8,672.0 million lei on short term and 976.3 million lei on medium and long term.

Cash and deposits with the banks, on December 1991 amounted to 9,871.5 million lei out of which 3,321.5 million lei in foreign currency.

On December 31, 1991, the registered value of fixed assets amounted to 169.8 million lei and the amortisation for it was of 5.5 million lei.

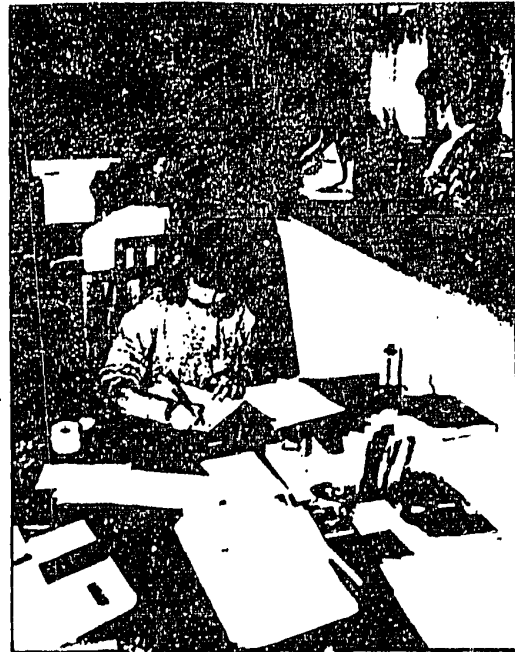
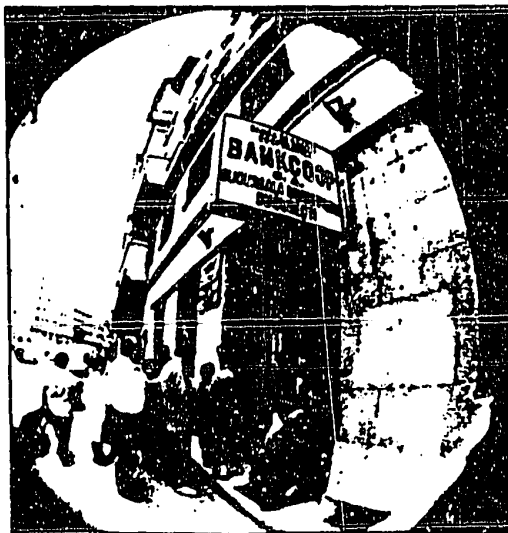
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The inventories and other material values were of 15.8 million lei, out of which 2.1 million lei were inventories.

The gross profit on December 31, 1991, established as a difference between the incomes and expenditures established was 898.5 million lei, out of which 112.3 million lei from foreign exchange transactions.

The net profit obtained after deducting from the gross profit, in keeping with the legal provisions a reserve fund of 179.7 million lei and a risk fund of 160.3 million lei, was of 558.5 million lei.

Bearing in mind the stipulations of Article 46 from the Statute of the Cooperative Credit Bank - Joint-stock company, the Board of Administration suggested to the General Meeting of the shareholders the distribution of the net profit obtained during 1991, amounting to 558.5 million lei for the following purposes:



million lei

- Setting up an investment fund 313.5
- Payments of dividends (14 %)..... 200.0
- Granting bonuses from the profit to the employees in keeping with their work..... (6 %) 33.0
- Financing social, cultural, sportive activities as well as advertising and training activities..... 10.0
- Remuneration of the members of the Board of Administration the Auditing Commission and of other persons who supported the organisation and rapid development of the activity of the bank..... 2.0

On December 31, 1991, in keeping with the figures of the balance-sheet, the available funds in cash and with banks amount to 9,871.4 million lei out of which 680.1 million lei cash and 9,191.3 million lei balances in the correspondent accounts opened with Romanian banks 6,387.0 million lei and with banks abroad 2,804.3 million lei.

During the year 1991, the Auditing Commission controlled a number of 32 branches and sub-branches and it has been found a permanent concern coming from the management in order to ensure the organization and the proper function and to observe the Norms of BANKCOOP.

On the occasion of the controls made it has been found also some difficulties concerning the insufficient pay offices and employees working with cash, the deposit with regularity of the cash in banks, the limits of cash and so on for which measures were taken on the spot to set things right or suggestions were made to the management of the verified units and to the Board of Administration of BANKCOOP, Bucharest.

During the controls it was seen the way in which it was recorded and administrated the material values by the cashiers and they were found in order.

At the end of the year, the branches and the sub-branches compared by statements of accounts, the concordance of their book-keeping with the statements of account of the banking units. Generally, the balances of the bank's book-keeping were corresponding to those of the economic agents' book-keeping.

The gross profit obtained on 31 December 1991 is of 898.5 million lei, from which, according to the Law 33/1991, was transferred to the reserve fund 179.7 million lei and 160.3 million lei to the risk fund.

Regarding the distribution of the net profit, suggested by the Board of Administration, according to the article 46 of the Statute of BANKCOOP, the Auditing Commission agrees with the established destinations and amounts.

From the checking-up of the annual balance sheet, of the profit and loss account and of the other annexes to them presented by the Board of Administration, it was found out that:

- the balances from the synthetical balance are correctly taken over in lei in the balance sheet, from the book-keeping;
- the balance sheet and the annexes to it are made and presented in keeping with the methodological norms and contain all the data stipulated by them.

The Auditing Commission after checking-up of the balance sheet and the profit and loss account for 1991 suggest to the General Meeting of the shareholders the acceptance of the report of the Board of Administration of BANKCOOP and the activity carried on during 1991.