
ALPHA BANK
BANCA CENTRALĂ COOPERATISTĂ CREDITCOOP
BANCA COMERCIALA CARPATICA
BANCA COMERCIALĂ FEROVIARA
INTESA SANPAOLO BANK
BCR
EximBank România
Millennium bank
BRCI Banca Română de Credite și Investiții
BANCA ROMÂNEASCĂ Membră a Grupului National Bank of Greece
BANCA TRANSILVANIA
Bancpost
leumi
BANK LEUMI ROMÂNIA
BCR BANCA PENTRU LOCUINȚE
BRD
GROUPE SOCIETE GENERALE
CEC Bank
CRÉDIT AGRICOLE
Credit EuropeBank
GarantiBank
Idea Bank
LIBRA INTERNET BANK
MARFIN BANK
nextebank
otpbank
PORSCHE BANK
Porsche Finance Group Romania
ProCredit Bank
Raiffeisen Banca pentru Locuințe
Raiffeisen BANK
UniCredit Țiriac Bank
VOLKSBANK

FGDB ANNUAL REPORT 2014

FGDB

FONDUL DE GARANTARE A DEPOZITELOR IN SISTEMUL BANCAR

BANK DEPOSIT GUARANTEE FUND

annual report 2014

THE BANK DEPOSIT GUARANTEE FUND

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BANK DEPOSIT GUARANTEE FUND

REPORT

2014

The FGDB is an institution operating in Romania whose mission is to guarantee the deposits of the population and legal persons, particularly small and mediumsized enterprises, with its member credit institutions.

The FGDB can intervene in the application of stabilisation measures to resolve issues that threaten financial stability when the National Bank of Romania so decides.

MISSION

VALUES

SAFETY

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

INTEGRITY

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

GOOD GOVERNANCE

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

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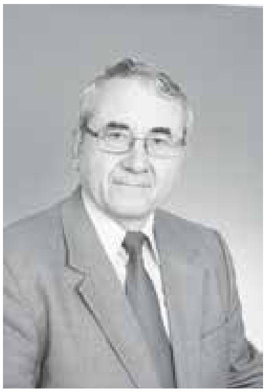
SUPERVISORY BOARD

Chairperson

Lucian Croitoru
Advisor to the Governor of The National Bank of Romania

Dumitru Laurențiu Andrei
Deputy Director at the Ministry of Public Finance



Constantin Barbu
Executive Director at the Romanian Banking Association

Gabriela Buculei
Advisor at the National Bank of Romania

Florin Dănescu
Executive President at the Romanian Banking Association

Liviu Stancu
Secretary of State at the Ministry of Justice

Lucia Sanda Stoenescu
Advisor at the National Bank of Romania

Mr. Florin Aurel Moțiu (01.01.2013-03.04.2014), representative of the Ministry of Justice, has also been a member of the Supervisory Board.

SUPERVISORY BOARD

- Internal Audit
- **Eugen Dijmărescu**
  CEO
- Supervisory Board' Secretariat

- Studies and External Relations
- Legal Affairs
- Treasury
- Financing Policy and Risk Management
- Advisors
- Bank Resolution
- Communications
- Human Resources

Alexandru Matei
Deputy CEO

- Administration, Liquidation and Compensation Payout
- Relations with Credit Institutions

Vasile Bleotu
CFO

- Budget and Accounting
- IT
- Administrative Department

Effective at the end of 2014.
The current version of the organisational chart can be found on FGDB's website.



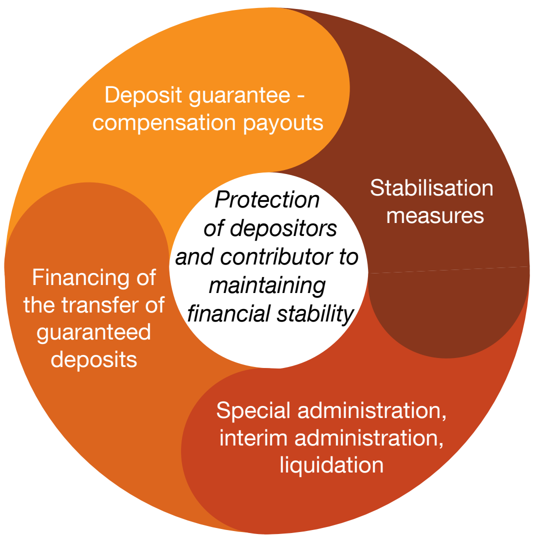

1. FGDB PROFILE, DUTIES AND MANAGEMENT

PROFILE OF THE BANK DEPOSIT GUARANTEE SCHEME IN ROMANIA

The FGDB has been operating in Romania as the country's official bank deposit guarantee scheme ever since 1996. The FGDB's fundamental mandate, entrusted to it under the law since its creation, is to guarantee deposits with its member credit institutions[1] and to pay out compensations to guaranteed depositors, natural or legal persons, according to the law.

If a credit institution goes bankrupt or some other situation arises in which deposits become unavailable, the FGDB is legally bound to compensate each guaranteed depositor at the respective credit institution up to the upper guarantee ceiling of EUR 100,000 in the RON equivalent. Due compensations should reach guaranteed depositors within 20 working days at the most of the date deposits became unavailable[2].

FGDB's mandate and duties



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[1] A list of FGDB-member credit institutions is given in Annex 1.

[2] Once the new European deposit guarantee schemes directive is transposed into national legislation, this deadline will be reduced to 7 working days.

On the other hand, when a credit institution faces difficulties, the National Bank of Romania may take a number of banking stabilisation measures aimed, among other things, at securing depositors' continuous access to the money they have in their bank accounts. In line with legal provisions and with the decision reached by the National Bank of Romania, the FGDB may finance the application of those measures.

The implementation of stabilisation measures is intended to:

- ensure a continuation of the activities which, if interrupted, could significantly impact the operation of the economy or of the financial market;
- maintain financial stability and market discipline;
- protect guaranteed depositors.

Stabilisation measures can apply to any credit institution, no matter its size, and their implementation does in no way affect the protection depositors enjoy.

In applying these measures, the FGDB can act as:

- special administrator, interim administrator or liquidator of credit institutions;
- delegated administrator and, as the case may be, shareholder of a credit institution going through stabilisation measures as decided by the National Bank of Romania;
- sole shareholder of a bridge bank, exercising the tasks of its supervisory board.

DUTIES

The FGDB's duties, deriving from the law governing its operation, as well as its current activitites are permanently adapted to changes in legislation and best practices in this area.

The FGDB's organisation and operation are set under the Fund's own statute approved by the Board of Directors of the National Bank of Romania following a proposal by the FGDB's Supervisory Board and the advisory opinion of the Romanian Banking Association.

The aim of the FGDB's entire activity is to responsibly and efficiently fulfil its duties, according to the law, so as to protect depositors and contribute to financial stability.

To apply legal provisions to FGDB activities and ensure their observance, the FGDB and the National Bank of Romania, as the case might be, are empowered to issue the necessary regulations (rules, norms, ordinances, circular letters).

FGDB activities focus on:

- *Deposit guarantee and compensation payment* - materialising in the protection of depositors by repaying the amounts in their accounts at credit institutions in full or partially (up to the guarantee ceiling) if their deposits become unavailable (when a credit institution goes bankrupt, for instance). To increase the efficiency and speed of the payout process, the FGDB departments act along multiple lines – from securing permanent and adequate financial resources and managing them in conditions of utmost safety to taking all the necessary steps in the relationships with the member credit institutions to efficiently manage data on depositors and to maintain an optimal operation of the information systems that ensure data flows between the FGDB and credit institutions, in particular, the list of outstanding compensation payments.

MEANINGFUL DATA AS OF 31 DECEMBER 2014

GUARANTEE CEILING

The FGDB covers guaranteed deposits up to the RON equivalent of EUR 100,000 per depositor per credit institution

GUARANTEED DEPOSITORS 14,749,200 natural and legal persons

- 13,843,863 guaranteed natural persons
  - 13,711,434 residents
  - 132,429 non-residents
- 905,337 guaranteed legal persons (mainly small and medium-sized enterprirses)
  - 902,341 residents
  - 2,996 non-residents

FGDB-MANAGED RESOURCES

The Bank Deposit Guarantee Fund: 4.2 bn. lei

The Bank Resolution Fund: 0.35 bn. lei

GUARANTEED DEPOSITS

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

TOTAL GUARANTEED DEPOSITS 171.5 BN. LEI (25.7% of GDP)

- RON-denominated deposits: 109.4 bn. lei
- Deposits denominated in foreign currencies: the equivalent of 62.1 bn. lei

- Natural persons' deposits: 128.6 bn. lei
- Legal persons' deposits: 42.9 bn. lei

- Deposits of resident natural and legal persons: 166.6 bn. lei
- Deposits of non-resident natural and legal persons: 4.9 bn. lei

FGDB-MEMBER CREDIT INSTITUTIONS

All credit institutions licensed by the National Bank of Romania, which numbered 31 at end-2014

(N.B. the branches in Romania of credit institutions headquartered in other EU member states participate in the guarantee schemes operating in their home countries)

- *Funding of the transfer of guaranteed deposits* – as an alternative to compensation payouts, the FGDB resources may be employed to implement resolution measures implying the transfer of guaranteed deposits, including purchase and assumption transactions, provided that the respective transfer proves less expensive than the direct payment of compensations.

- *Application of bank stabilisation measures* – focusing on measures intended to resolve credit institutions in difficulty which might pose a threat to financial stability. The FGDB may be involved as delegated administrator and, as the case might be, as shareholder of a credit institution undergoing a stabilisation measure decided by the National Bank of Romania. If a bridge bank is created, the FGDB will be its sole shareholder and will also exercise the duties of its supervisory board. Moreover, attention is also given to the optimal management of crisis situations so that the smooth run of activities should be in no way affected.

- *Special administration, interim administration and liquidation of credit institutions* – the FGDB may operate either as special or interim administrator of credit institutions facing difficulties or as liquidator of failed banks, a role that it has already played so far in the case of two banks. Furthermore, the FGDB is the sole liquidator of credit institutions coping with situations other than bankruptcy.

- *Management of resources* – the FGDB currently manages two funds:

  ➢ the bank deposit guarantee fund, intended to cover compensation payments and to finance the transfer of guaranteed deposits;
  ➢ the bank resolution fund, which finances bank stabilisation measures and compensates persons affected by measures taken during special administration procedures.

The investment policy primarily aims at ensuring the safety and liquidity of investments, while investment yields is a secondary target. The main goal is to continuously strengthen the FGDB's funding capacity allowing it to easily cover the costs of its potential interventions, be they compensation payouts or funds to support stabilisation measures.

- *Verification of credit institutions* - represents one of the activities that puts conditions in place for an accurate classification of both depositors and deposits in point of FGDB coverage. This aspect is essential for both fair compensation payouts and an adequate financing of the bank deposit guarantee fund and of the bank resolution fund. Moreover, in view is also the prompt, exact and complete information of depositors in connection with the guarantee of their deposits at credit institutions. In line with legal provisions, the FGDB annually verifies its member credit institutions for their deposit classifications according to guarantee coverage and for compliance with legislation on the information that credit institutions supply to depositors.

MANAGEMENT

Similar to the dual system, the FGDB's administration and management are based on a two-tier model: (i) the Supervisory Board and (ii) the executive management.

The FGDB's Supervisory Board includes seven members, of which three are representatives of the National Bank of Romania, one represents the Ministry of Public Finance, one is a representative of the Ministry of Justice

The administration and management of the FGDB rest on good governance principles and standards so that, to depositors, the FGDB stands out as a safe, solid, efficient and transparent institution.

and two represent the Romanian Banking Association. The Chairman of the FGDB Board is a representative of the National Bank of Romania. The members of the Supervisory Board answer to the institutions they represent – the Government, the authority regulating and supervising banks, the banking community – for the way in which the mandates entrusted and the objectives set by these authorities are fulfilled.

The individuals in the membership of the Board boast high training in the economic or legal sectors, a fine reputation and honorability, as well as vast experience in the financial-banking industry. To avoid a possible conflict of interests, the Board members must not be employees, directors, members of the administration board or of the supervisory board, or executives of a credit institution.

In line with the FGDB's key objectives relating to the protection of depositors and the maintenance of financial stability, in 2014 the FGDB's Supervisory Board made a number of decisions on the strengthening of the Fund's response capability in situations that might call for its intervention. Compensation payout procedures were revised and updated. There was a simulation of a transfer to a mandated bank of the funds needed to pay out compensations, which was followed by an update of the clauses of the mandate contract between the FGDB and the credit institutions that have been selected to pay off compensations if need be.

Another concern of the Supervisory Board and of the executive management was to promptly and correctly inform the public in every situation. To this end, the FGDB's Supervisory Board decided to work out *Communication and Compensation Procedures in case bank deposits become unavailable* referring to the organisation of communication activities, communication tactics and channels, including social networks, as well as message models and materials to be used. At the same time, the Board intends to create a special section on compensation payouts on the FGDB's website.

In 2014 a Business Continuity Plan was adopted setting forth organisational measures and strategies to ensure the continuity of FGDB' activities or the prompt resumption of operations in case of crisis/disaster.

Furthermore, following an assessment of the FGDB's IT system, measures were taken in 2014 to improve the architecture and security of the information system in line with the best practices in this field.

With a view to strengthening the FGDB's institutional capacity, the Supervisory Board further pursued the policy of providing conditions for the implementation of internal control activities within each of the Fund's departments and of internal audit, as well as for the management of risks associated with specific FGDB activities. To this end, the Supervisory Board decided that reports on preventive financial control would be worked out every six months, while the other activities would be covered in annual reports.




2. ACTIVITY FRAMEWORK IN 2014

INTERNATIONAL FRAMEWORK REGULATING THE ACTIVITY OF BANK DEPOSIT GUARANTEE SCHEMES

The year 2014 meant the adoption of essential regulations on increased uniform depositor protection in the 28 European Union member states, greater financial stability and enhanced confidence in banks, as well as the protection of taxpayers' money in cases when banks might face difficulties.

Depositor Protection According to the New European Union Regulations

The Directive on deposit guarantee schemes[3] stands for a significant reform towards improving depositor protection and giving it a uniform character in all European Union member states.

Depositors throughout the European Union continue to benefit from a guaranteed coverage of EUR 100,000 per depositor per bank[4]. Furthermore, for limited periods of time (of 3 to 12 months) coverage beyond the standard level of EUR 100,000 will be extended to certain types of deposits, such as deposits resulting from real estate deals or particular events in a depositor's life (marriage, divorce, retirement, dismissal, redundancy, invalidity, death) or deposits that serve purposes laid down in national law and refer to payment of compensations for criminal injuries or wrongful convictions.

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[3] Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes. The Directive provisions apply to member states starting 3 July 2015.

[4] According to the Directive on the recovery and resolution of credit institutions and investments firms, natural persons and small and medium-sized enterprises holding deposits over EUR 100,000 benefit, in insolvency procedures and for the part that exceeds the guarantee ceiling, from a higher ranking than that of ordinary non-preferred and non-guaranteed creditors.

According to the new Directive, which is being transposed into national legislation, in case of bank failure or of some other situation in which deposits become unavailable, deposit guarantee schemes will make compensation payouts to depositors within 7 working days, a deadline almost three times shorter than the current one of 20 working days[5].

In order to be able to comply with the new payout deadline, deposit guarantee schemes will periodically test their systems. Furthermore, deposit guarantee schemes will have to be immediately informed if competent authorities detect problems within a credit institution likely to trigger interventions by deposit guarantee schemes.

Another significant change refers to the guarantee scope, which will be extended to include the deposits of all non-financial companies, regardless of their size[6].

Compensations will be paid from the resources that the deposit guarantee schemes had accumulated before deposits became unavailable. Therefore, all deposit guarantee schemes should be ex-ante funded, while the resources of each deposit guarantee scheme should reach, within 10 years, a target level of at least 0.8 percent of the value of covered deposits[7].

The FGDB has been funded ex-ante from the very beginning and the resources it accumulated by end-2014 outrun the target level set in Europe.

An adequate level of guarantee schemes' available financial resources limits the risk of using taxpayers' money in potential Government interventions to save credit institutions in difficulty[8].

Credit institutions will pay periodical contributions[9] tailored to their risk profile. The guarantee schemes will develop their own risk-based contributions systems and the methods employed will be approved by competent authorities and submitted to the European Banking Authority.

Besides cash, deposits and low-risk assets, the available financial resources of deposit guarantee schemes may also consist of payment commitments of credit institutions provided they should not exceed 30 percent of total resources. Credit institutions' payment commitments towards a deposit guarantee scheme must be fully collateralised, while the real collateral must consist of low-risk assets, must be unencumbered by third party rights and must be available to the respective deposit guarantee scheme.

If a deposit guarantee scheme's available financial resources prove to be insufficient to pay compensations, the scheme will collect extraordinary ex-post contributions from credit institutions in due time.

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[5] The payout deadline will be gradually reduced to 7 working days before 1 January 2024 at the latest. The Directive stipulates that the 20-working-day period stays in force until 31 December 2018 at the latest, being subsequently cut first to 15 working days for a period of 2 years and then to 10 working days for the following 3 years. According to the Directive, if a deposit guarantee scheme is unable to reimburse depositors within the 7-day time limit during the transitional period that ends on 31 December 2023, then it will ensure depositors' access to an appropriate amount to cover the cost of living within 5 working days of their request.

[6] The deposit guarantee schemes Directive in its previous version stipulated that only the deposits of legal persons in the category of small and medium-sized enterprises and of other similar entities may be guaranteed.

[7] A covered deposit means the part of the guaranteed deposit that does not exceed the guarantee ceiling.

[8] According to European Commission data, over the 2007-2014 period, 112 credit institutions in distress in the European Union received state aid consisting of EUR 671 billion in capital and loans and EUR 1,288 billion in guarantees.

[9] At least once a year.

Furthermore, member states should see to it that bank deposit guarantee schemes have access to adequate alternative financing mechanisms allowing them to get short-term funding. In the case of Romania, for instance, in line with the Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions, if the FGDB needed resources besides its own, the Romanian Government, through the Ministry of Public Finance, would provide the necessary funds within five working days after receiving the FGDB's request.

At the same time, a voluntary mechanism of mutual borrowing between the bank deposit guarantee schemes of European Union countries will operate in the relationship among them, in certain conditions.

The Directive also stipulates that depositors should be offered more information about deposit guarantee so that they become aware of the ways in which their deposits are protected. Before signing a deposit contract, banks should provide depositors with a standardised information sheet containing information on deposit coverage and the guarantee scheme accountable in this respect. At the same time, bank statements will also include mentions about deposit guarantee.

Depositors holding their money with a branch of a credit institution with units in other member states will be compensated by the bank deposit guarantee scheme operating in the host state, which will act on behalf of the guarantee scheme of the home country, including communication with depositors[10].

The resources of the bank deposit guarantee schemes may be used to finance resolution measures, in line with the bank recovery and resolution Directive. Under particular circumstances, the guarantee schemes' financial means may be used to fund alternative measures to prevent bank failure with a view to avoiding the costs of reimbursing depositors, as well as other adverse effects.

At the same time, member states may decide to use deposit guarantee scheme resources to finance measures ensuring depositors' access to covered deposits (including transfer of assets and liabilities and deposits transfer) within national insolvency proceedings. In such cases, the cost covered by the deposit guarantee scheme should not exceed the total compensations paid to the guaranteed depositors of the respective credit institution.

Protection of Taxpayers in the New Bank Recovery and Resolution Framework

The bank recovery and resolution Directive[11] defines a common framework to prevent bank crises and ensure an orderly resolution for credit institutions so as to minimise the impact on public finances and the real economy.

The member states are given common tools and powers to efficiently manage situations involving non-viable banks or banks about to get into difficulty in three stages: preparation and prevention measures, early intervention by competent authorities and resolution of credit institutions.

[10] The bank deposit guarantee scheme in the home state will supply the scheme in the host state with the necessary funds to pay compensations before the start of the reimbursement process.

[11] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council, as well as Regulations (EU) no. 1093/2010 and (EU) no. 648/2012 of the European Parliament and of the Council. Directive provisions apply to member states starting 1 January 2015.

Banks within the European Union must work out recovery plans explaining the measures to be taken if their situation were to deteriorate. At the same time, national resolution authorities must prepare resolution plans for each and every bank about to run into difficulty in order to ensure the continuity of their critical functions, maintain financial stability and avoid the recourse to public funds.

Likewise, authorities are given certain powers allowing them to intervene before the situation of a bank deteriorates seriously.

When banks face major difficulties, the authorities may employ several resolution tools, as follows:

a) sale of part of a non-viable bank to one or several entities;

b) bridge bank – it is a temporary structure ensuring the continuity of the essential banking functions of troubled institutions;

c) separation of good assets from bad assets, with the latter being transferred to an asset management vehicle; this tool can only be applied in combination with another resolution tool;

d) *bail-in* mechanism (of internal recapitalisation) – consists of the write-off/reduction of the liabilities of institutions undergoing resolution procedures or the conversion of their debts into equity.

If the bail-in mechanism is applied, guaranteed depositors' funds are protected by the bank deposit guarantee schemes operating in the European Union up to the coverage level of EUR 100,000.

Any losses, costs or other expenses incurred by the use of the resolution tools will be first borne by the shareholders and the creditors of the institution under resolution and ultimately by the financial system, through contributions.

When certain resolution measures are applied to ensure depositors' continuous access to their deposits, the bank deposit guarantee schemes must provide an amount equivalent to the losses they would have incurred if the institutions under resolution had been liquidated under normal insolvency procedures, with the other financing needs being met from the resolution fund.

Credit institutions' contributions to national resolution funds, very much like their contributions to bank deposit guarantee schemes, will be set according to their risk profiles. The calculation base will include the institutions' liabilities less their own funds and covered deposits. By 31 December 2024, national resolution funds should reach a target level of 1 percent of covered deposits.

In October 2014, the European Commission issued the delegated regulation on ex-ante contributions to resolution financing arrangements supplementing the Directive on the recovery and resolution of credit institutions. The regulation stipulates, inter alia, that by end-January of each year bank deposit guarantee schemes must provide resolution authorities with the average amount of covered deposits, calculated quarterly, of all member credit institutions.

Starting 2016, the national resolution funds of the states participating in the Banking Union will be replaced by the Single Resolution Fund[12].

In point of bank resolution the fact is also noteworthy that in October 2014 the Financial Stability Board[13] released an updated version of *Key Attributes of Effective Resolution Regimes for Financial Institutios* incorporating guidance on their application to non-bank financial institutions

[12] The third section of the present chapter, titled „Developments in the Banking Sector in the European Union and in Romania" details the Single Resolution Fund as a part of the Single Resolution Mechanism.

[13] In April 2009, G20 leaders agreed on the creation of the Financial Stability Board, as a successor of the Financial Stability Forum.

EFDI Annual International Conference
"DGSs in a New Regulatory Environment"

Bucharest, 22-24 September 2014

and on the sharing of information related to the resolution of cross-border financial institutions.

Besides developments within the European Union as far as regulations were concerned, in November 2014, the International Association of Deposit Insurers (IADI) issued a revised version of *Core Principles for Effective Deposit Insurance Systems*, which the Financial Stability Board included in the *Compendium of Key International Standards of Financial Stability*.

Core Principles for Effective Deposit Insurance Systems

The lessons of the crisis had a significant bearing on the *Core Principles*, providing the framework for their revision.

Greater emphasis was placed on the need to ensure the operational independence of bank deposit guarantee schemes, to provide these schemes with additional tools and to better integrate guarantee schemes into the financial safety net.

In revising the *Core Principles* account was also taken of the experience gained as part of FSAP[14] self-assessments and assessments, of the change in the regulatory framework, of the most recent guidance developed by the IADI to address recommendations from the Financial Stability Board, as well as of aspects related to financial inclusion[15].

The new version of the *Core Principles* was developed by a joint working group including representatives of the IADI, the Basel Committee on Banking Supervision, the European Forum of Deposit Insurers, the European Commission, the Financial Stability Board, the International Monetary Fund and the World Bank.

The review resulted in 16 *Core Principles*, encompassing 96 criteria to assess the guarantee schemes' compliance with those principles (http://www.iadi.org/docs/cprevised2014nov.pdf).

Unlike the initial version of the *Core Principles*, the revised variant includes the compliance assessment methodology which proposes a set of essential criteria to gauge each core principle according to a five-grade scale depending on the degree of compliance with the respective criterion.

[14] The Financial Sector Assessment Programme implemented by the International Monetary Fund and the World Bank.

[15] In the document containing the Core Principles for Effective Deposit Insurance Systems, financial inclusion refers the extent to which individuals and entities have access to and utilise financial services in the market. In 2010, the G20 launched the Global Partnership for Financial Inclusion mainly aimed at implementing the G20 Financial Inclusion Action Plan that targets consumer protection, financial literacy, small and medium-sized enterprise finance, regulations, markets and payment systems. Steps were taken in the European Union to ensure adequate access to basic financial services. So, for instance, in line with a European Commission recommendation, member states should ensure consumers' access to basic payment account services, irrespective of their financial situation, in order to guarantee the broadest possible access to such accounts.

THE DOMESTIC REGULATORY FRAMEWORK

The new European regulatory framework for bank deposit guarantee schemes and the recovery and resolution of credit institutions is being transposed into national legislation on a proposal from the National Bank of Romania as the authority responsible for the regulation and prudential supevision of credit institutions.

In May 2014, Order no. 656/2014 of the Minister Delegate for Budget was adopted referring to the approval of the Procedure whereby the Bank Deposit Guarantee Fund can apply for and receive Government loans[16]. It outlines the technical details whereby the FGDB is given a loan within 5 working days from the date of the application to cover compensation payments, to finance guaranteed deposit transfer operations and to fund stabilisation measures. The necessary amounts come from privatisation proceeds in lei and in foreign currency, as well as from state loans.

Late in October 2014, the Ministry of Public Finance released a draft law on the macro-prudential supervision of the national financial system which provides for the creation of the National Committee for Macro-Prudential Supervision (CNSM) as a structure of inter-institutional cooperation, without legal personality, between the National Bank of Romania, the Financial Supervisory Authority and the Government of Romania.

According to the draft law, the FGDB, given its responsibilites, will participate in the CNSM's General Council meetings as observer.

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

Developments in the European Union

"Both banks and governments continued to take action in 2014 to address legacy risks from the crisis. Euro area bank balance sheets were strengthened further in the course of the year, with a clear shift towards capital increases – related to the comprehensive assessment carried out by the ECB – from deleveraging and de-risking in previous years. At the same time, progress by euro area governments in implementing fiscal consolidation and structural reforms continued, although the pace was uneven across countries. The improved sentiment resulted in significantly declining yields on lower-rated euro area government bonds, which in some cases reached levels last seen before the eruption of the euro area-centred second wave of the global financial crisis in 2010".

European Central Bank Annual Report 2014

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[16] This Order abrogates Order no. 2531/2009 of the Minister of Public Finance on the Procedure whereby the Bank Deposit Guarantee Fund can apply for and obtain a loan from revenues from selloffs in exceptional circumstances when the Fund's financial resources are insufficient to cover compensation payouts to guaranteed depositors.

Economic recovery stayed fragile in 2014, continuing to be slow and significantly uneven across the European Union[17].

The recovery process in 2014 was also under the impact of the uncertainty generated by geopolitical tension and the developments in Greece.

Against the background of weak economic growth and low rates of inflation, interest rates reached all-time lows, making it difficult for banks to obtain revenues and manage assets and liabilities.

The European Central Bank took steps to mitigate the risk of deflation and of financial fragmentation, working towards a relaxation of the monetary policy.

In 2014, several credit institutions operating in countries in the area went bankrupt and the national deposit guarantee schemes of the respective states had to pay compensations up to the limit of EUR 100,000 which is the guarantee ceiling applicable in all European Union member states. The payoffs to guaranteed depositors were made within 20 working days at the most of the date of the bankruptcy.

So, for instance, deposits at six credit institutions in Hungary were declared unavailable and the Hungarian bank deposit guarantee scheme paid compensations amounting to roughly EUR 410 million[18]. Situations calling for the intervention of national guarantee schemes were also registered in Bulgaria, the Czech Republic and Poland.

Bulgaria represents a particular case because of the extent of the liquidity crisis it experienced over the summer of 2014 when two of the largest banks in the system suffered significant deposit withdrawals. One of these two banks (the third-largest credit institution in the Bulgarian banking system) got Bulgarian state liquidity support, with the approval of the European Commission. The other bank (the fourth-largest bank in the system) went into insolvency triggering an intervention by the Bulgarian bank deposit guarantee scheme. Depositors were reimbursed according to the law, with about EUR 1.9 billion[19] in compensation payouts covered from the Bulgarian guarantee scheme's own funds and a loan from the Bulgarian Government.

The countries that benefitted from European Union financial assistance programmes, which also included financial sector reform and

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[17] The European Commission Communication of 28 November 2014 (COM(2014)902) on Annual Growth Survey 2015 shows that the recovery process lost momentum in the spring of 2014 and its future prospects remain more modest than expected a year before despite the efforts made. It also points out that the impact of the crisis has not only been cyclic but also has had a significant structural component which has impacted the potential growth of European Union economies. The European Commission's Winter Economic Forecast (http://ec.europa.eu/economy_finance/publications/european_economy/2015/pdf/ee1_en.pdf), published on 5 February 2015, also shows that recovery in 2014 was slow and influenced by unfinished macroeconomic adjustment and sluggish implementation of structural reforms.

According to Eurostat data, real GDP growth in the European Union as a whole varied considerably both over time and between member states. While the 2004-2007 period registered growth of more than 2-3 percent, in the following years growth rates slowed down significantly and even turned negative (in 2009 and 2012). All this notwithstanding, the GDP growth was faster in 2014 than the previous year, posting a rate of 1.3 percent in all the 28 European Union member states and of 0.8 percent in the euro zone. In 2014, the Irish economy saw the highest growth rate (4.8 percent), while Cyprus' GDP contracted by 2.3 percent.

[18] http://www.oba.hu/en/press.

[19] "Payout, the Bulgarian experience – Payout of the fourth largest bank", Borislav Stratev, the "Challenges for European Deposit Insurance Systems: Funding, Investment Practices and Reimbursement" seminar, 26 February 2015, Warsaw, organised by the World Bank and Poland's Bank Guarantee Fund.

consolidation measures, saw an improvement in their financial stability in 2014, with Cyprus and Spain as examples in this respect.

As part of a restructuring process, some cross-border banks, especially the ones operating branches or subsidiaries in central and eastern Europe, either withdrew from or limited their activities in those markets.

At the same time, in order to comply with the demands of the new European regulatory and supervisory framework and to be able to develop in the post-crisis environment, banks continued to change and readjust their business models. Some banks gave up non-core activities, outsourced some operations and functions or eliminated higher-risk assets.

2014 was a significant year for the European Union due to the progress made towards a Banking Union in a relatively short period of time. This Union can ensure the solidity of the banking sector and its greater resilience during financial crises, strengthen financial stability, reduce market fragmentation and achieve financial integration, prevent situations where taxpayers' money is used to save failing banks and eliminate the negative interdependency between banks and governments.

The pillars of the Banking Union are the Single Rulebook, the Single Supervisory Mechanism and the Single Resolution Mechanism.

The Single Rulebook includes a set of rules applicable to all financial institutions in the European Union so as to harmonise the legislation in member states, improve and unify depositor protection and ensure fair conditions of competition among banks across the European Union states. These institutions must comply with the same rules and meet the same demands across the European Union. The set of rules mainly refer to capital requirements[20], bank deposit guarantee schemes and the recovery and resolution of credit institutions and investment firms.

According to the rules on capital requirements, banks are required to hold sufficient capital reserves so as to be able to cover unexpected losses and stay solvent during crises. The own funds requirement is expressed as a percentage of risk-weighted assets, in other words, the riskier the assets the larger the capital to be set aside.

At the same time, banks must hold sufficient liquid assets to cover net liquidity outflows over a 30-day period of stress. Furthermore, banks must keep the leverage ratio - which expresses the relationship between its core capital and its total assets - at adequate levels.

Besides the aforesaid requirements, further rules refer to capital buffers, remuneration and bonuses for bank staff, as well as prudential supervision and corporate governance. Capital buffers allow banks to accumulate sufficient own funds to be able top absorb losses in the event of a crisis.

Owing to the new capital requirements, as well as to the other liquidity and leverage standards, banks' resilience has enhanced. However, because of tougher capital requirements, banks have to make efforts to adapt.

[20] Regulation no. 575/2013 of the European Parliament and of the European Union Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012, as well as Directive 2013/36/EU of the European Parliament and of the European Union Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/ EC. This regulation package transposes the new international standards on the capital of credit institutions (The Basel III Accord) which impose firmer prudential requirements with a view to enhancing the solidity of banks and improving their capacity to manage risks and the loss absorption mechanism. The new framework on capital requirements entered into force on 1 January 2014.

The Single Supervisory Mechanism became operational on 4 November 2014, when the European Central Bank assumed responsibility for directly supervising all significant banks[21] in the euro area.

Non-eurozone EU member states may join the Single Supervisory Mechanism through close cooperation arrangements[22].

The European Central Bank directly supervises 123 banking groups in the euro area which cover around 85 percent of total banking assets. At the same time, through national competent authorities, it indirectly supervises some 3,500 credit institutions.

Prior to the operational start of the Single Supervisory Mechanism, the European Central Bank and national competent authorities conducted a comprehensive assessment of 130 singificant euro-area banks. The assessment consisted of an asset quality review, coordinated by the European Central Bank, and a test stress devised in cooperation with the European Banking Authority.

The asset quality review resulted in aggregate adjustments of EUR 47.5 billion to the participating banks' asset carrying values as of 31 December 2013[23].

With the findings of the asset quality review as a basis, banks were required to take remedial action and make accounting or prudential adjustments which will be reflected in the banks' accounts or prudential requirements.

So, for instance, as a result of the harmonised definition of non-performing exposures, related stocks were increased by EUR 135.9 billion (an 18 percent growth in relative terms).

As for the capital of the credit institutions included in the review, the comprehensive assessment identified a total shortfall of EUR 24.6 billion which subsequently decreased to EUR 9.5 billion, distributed across 13 banks, thanks to the steps participating banks took to raise capital in the first nine months of 2014.

The comprehensive assessment that preceded the operational start of the Single Supervisory Mechanism played a decisive part in repairing banks' balance sheets and strengthening capital positions, all while enhancing bank transparency and boosting confidence in the banking system.

The Single Resolution Mechanism complements the Single Supervisory Mechanism providing for a centralised and coherent application of resolution tools to credit institutions participating in the Supervisory Mechanism which could face severe issues that might jeopardise financial stability[24]. The main purpose of the Single Resolution Mechanism is to ensure an orderly resolution of troubled banks with minimal costs to taxpayers and to the real economy.

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[21] Credit institutions are considered significant if they meet certain criteria, such as: the total value of its assets exceeds EUR 30 billion or 20 percent of the national GDP (unless the total value of its assets is below EUR 5 billion); it is one of the first three most significant banks in a member state.

[22] The request for close cooperation made by a member state seeking to join the Single Supervisory Mechanism must include an undertaking on the part of the requesting state to provide the information necessary for the European Central Bank to conduct a comprehensive assessment of its credit institutions and to amend its national legislation so as to comply with European Central Bank's regulations.

[23] ECB Annual Report on supervisory activities 2014.

[24] The Single Resolution Mechanism has two components, namely the Regulation on the Single Resolution Mechanism and the Intergovernmental Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund.

The Single Resolution Mechanism consists of a single resolution board, which is the central decision-making body, and a single resolution fund[25]. The latter will be financed from banks' contributions and will eventually replace the national funds of the states participating in the Banking Union. The single resolution fund will reach a target level of 1 percent of the amount of covered deposits over a period of 8 years.

In May 2014, Romania, along other European Union member states, signed the *Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund*. Consequently, it will be part of the decision-making mechanism of building up the Single Resolution Fund.

Developments in Romania

"Prudential indicators show that the banking sector is stable and sound. The loan-to-deposit ratio, a significant indicator for financial stability, has fallen below 100 percent. The solvency ratio is significantly above international prudential requirements and liquidity is at an adequate level".

Adapted excerpts from the presentation delivered by the Governor of the National Bank of Romania before the Parliament's specialised commission on 10 February 2015

With positive developments in the Romanian economy in the background, further action was taken in 2014 to strengthen the stability of the banking system in Romania and enhance its resilience to shocks. Another defining element was the process of implementing the new regulations applicable to credit institutions in all European Union member states.

The adjustment processes credit institutions in Romania experienced and the problems they faced in 2014 were not really a major issue and, therefore, no bank in Romania needed either public intervention or special stabilisation measures.

In point of mergers and acquisitions, the banking market Romania was active in 2014, when it registered several significant transactions.

OTP Bank România S.A. bought a 100 percent stake in Millennium Bank S.A. from the portuguese bank Millenium bcp in line with an acquisition agreement signed in July 2014. The purchase price in the deal completed early in January 2015 stood at EUR 39 million. The integration process is expected to take about a year.

In December 2014, Banca Transilvania signed a firm commitment for the acquisition of Volksbank Romania with that bank's shareholders and the necessary approvals were obtained in March 2015[26]. This was the largest bank takeover of the post-crisis period in Romania, with the purchasing price amounting to EUR 81 million.

In its turn, Banca Transilvania saw a change in its shareholder structure in April 2014 when Bank of Cyprus sold its stake of around 10 percent. Furthermore, the stake of local shareholders, natural and legal persons, on 31 December 2014 stood at 49 percent, adding some 5 percentage points to the end-2013 level.

[25] While the Single Resolution Board started developing resolution plans on 1 January 2015, the Single Resolution Mechanism will become operational on 1 January 2016.

[26] On 7 April 2015, Banca Transilvania announced the completion of its acquisition of Volksbank Romania as well as the start of the process of integrating that bank into its structure.

In December 2014 as well, UniCredit Țiriac Bank S.A. took over the corporate client portfolio of The Royal Bank of Scotland plc[27], Edinburgh, the Romania branch. The deal involved corporate deposits worth approximatively EUR 315 million and assets totalling about EUR 260 million.

Since the integration processes triggered by the transactions in the banking industry in 2014 will be completed in 2015, the number of credit institutions in operation in Romania at the end of 2014 stayed unchanged from the previous year at 40[28].

On 31 December 2014, credit institutions in Romania held net assets worth 364.1 billion lei[29], up by 1.9 billion lei from end-2013 (an annual variation of +0.5 percent in nominal terms and of -0.3 percent in real terms, respectively).

Assets of privately-owned credit institutions accounted for 91.3 percent of total assets on 31 December 2014 (-0.2 percentage points as to end-2013).

On 31 December 2014, foreign-owned credit institutions, mainly from the euro zone, held an 89.9 percent stake of the total assets of banks in Romania. Compared with 31 December 2013, the stake in total assets of the assets of foreign-owned credit institutions inched down by 0.1 percentage points.

The disintermediation process, characteristic of the entire Central and East European region in previous years, continued in an orderly manner in 2014 and resources attracted from foreign parent banks were replaced by local resources, such as residents' deposits.

In 2014, loans to households and to non-financial corporations stayed in negative territory as demand for new credits remained modest because of adjustments to the balance sheets of households and of non-financial corporations, tougher lending terms and a sluggish rebound in confidence. Credits to households posted an annual variation of -1.1 percent to 102.1 billion lei on 31 December 2014, while loans to non-financial corporations dropped more sharply to 105.5 billion lei at end-2014 (an annual variation of -6.1 percent).

By currency denomination, the evolution of loans to both households and non-financial corporations was divergent. While RON-denominated credits to households and non-financial corporations advanced by 7.9 percent in 2014, loans in foreign currencies diminished by 11.1 percent. The decline of foreign-currency credits was an effect of thinner foreign parent-bank funding, lower interest rates on RON-denominated loans and the restrictions on foreign-currency lending imposed by the central bank.

RON-denominated credits to households moved ahead at a brisk pace (an annual variation of +16 percent), with mortgage loans[30] making the most significant contribution although they represent less than a quarter of the total value of the RON-denominated credits to households. Foreign-currency loans to households registered an annual fall of 9.7 percent.

Loans in the national currency to non-financial corporations increased by 2.2 percent in 2014, whereas foreign-currency credits contracted by 12.6 percent.

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[27] The agreement between the two institutions was signed in August 2014.

[28] 31 credit institutions, Romanian legal persons (28 banks, 2 savings banks for housing and one credit cooperative organisation - central body and affiliated credit cooperatives) and 9 branches of foreign banks.

[29] Data on aggregate indicators referring to credit institutions and on credits were taken from the website of the National Bank of Romania.

[30] In case of the *First Home Programme*, state guarantees are offered only for RON-denominated mortgage loans.

According to FGDB data, at the end of 2014, credit institutions in Romania held deposits of natural and legal persons totalling 317.8 billion lei (47.7 percent of GDP), 0.8 percent up from the end-2013 level. At that date, resident natural and legal persons held 78.4 percent of the total value of deposits.

On 31 December 2014, natural persons' deposits with credit institutions in Romania totalled 138 billion lei (an annual variation of +5.5 percent), while legal persons (non-financial corporations and financial institutions) held deposits amounting to 179.8 billion lei, that is 2.5 percent less than at the end of the previous year.

As for currency denomination, deposits in the national currency accounted for 56.1 percent of total deposits in the whole banking system in Romania.

The FGDB's guarantee scope covered 54 percent of total deposits at credit institutions in Romania. Of the remainder, a percentage of 4.2 percent was insured by bank deposit guarantee schemes in the home countries of the foreign branches operating in Romania, while 41.8 percent were non-guaranteed deposits.

The increase in the amount of deposits and the shrinkage of the loan stock led to a decrease in the loan-to-deposit ratio by 13.3 percentage points as to the end of the previous year to 91.3 percent on 31 December 2014 – the lowest level of the past few years.

The liquidity indicator continued to rise, reaching 1.6 percent at end-2014, well above the minimum requirement of 1.

The quality of credit institutions' assets clearly improved in 2014 following measures taken by the National Bank of Romania to speed up the bank balance sheet clean-up. Consequently, several banks sold some of their bad loans and removed non-performing credits from their balance sheets, with the latter being fully provisioned as decided by the National Bank of Romania. At the same time, in the case of foreign-owned credit institutions, increasing bad loan operations were also a result of the implementation of the regulations parent banks comply with and of the European Central Bank's reviews of the quality of their assets.

Following the bank balance sheet clean-up, the non-performing loans ratio[31] headed down throughout 2014, easing by 6.5 percentage points in the last three quarters of the year to 13.9 percent on 31 December 2014. Furthermore, as an outcome of tougher provisioning rules, the provisioning coverage ratio was high at the end of 2014, standing at 70 percent.

Profitability in the banking industry was under the impact of the actions taken by credit institutions to improve the quality of their loan portfolios, the ROA and the ROE stepping into negative territory towards the end of 2014. On 31 December 2014, the ROA stood at -1.32 percent and the ROE amounted to -12.45 percent.

The banking system as a whole registered a net loss of 4.7 billion lei in 2014.

At the end of 2014, the share/endowment capital of credit institutions in Romania amounted to 27.5 billion lei, going up by 2.2 billion lei year-on-year.

The core capital of all FGDB-member credit institutions strengthened further in 2014 due to capital increases and the gradual implementation of the new capital requirements applicable to credit institutions in the European Union, which put the solvency ratio at 17.6

[31] Starting March 2014, a new methodology was employed when reporting this indicator. The non-performing loans ratio was determined on the basis of reports from all banks – both those using the standardised approach and those resorting to the internal ratings-based approach.

percent at the end of the year, more than double the 8 percent regulatory minimum.

The leverage ratio, computed as the ratio of Tier 1 capital to average total assets, dipped by 0.58 percentage points from the 31 December 2013 to 7.38 percent on 31 December 2014, pointing to high capitalisation relative to bank assets.

The rate of return on core activities went up to 180.2 percent at end-2014 (+3.3 percentage points as compared to 31 December 2013). Contributing to this rise were credit institutions' lower operating expenses, although the incomes of some of them, particularly incomes from interest rates, were influenced by the dynamics of loans, by low interest rates and the narrower net interest margin. To be able to cut expenses, credit institutions took a number of steps, including to resize their branch networks and to reduce staff numbers.

Throughout 2014, the National Bank of Romania gradually trimmed the monetary policy rate, as well as reserve requirement ratios applicable to the RON- and foreign currency-denominated liabilities of credit institutions, the decline of the latter being also an outcome of the process of harmonisation with the standards and practices of the European Central Bank and of the major central banks of European Union member states. One of the key goals of these measures was the sustainable resumption of lending.

In 2014, the monetary policy rate dropped to 2.75 percent starting 5 November from 4 percent at the start of the year, the reserve requirement ratio on the RON-denominated liabilities of credit institutions subsided from 15 percent to 10 percent and the reserve requirement ratio on foreign currency-denominated liabilities decreased from 20 percent to 14 percent[32].

The gradual downslide of the monetary policy rate influenced interest rates on new RON-denominated loans, while the drop in reserve requirement ratios triggered an augmentation of resources that may be used to grant new credits.

Average interest on new loans and new time deposits maintained the downward trend started in the previous period and continued to fall, hitting the lowest levels of the past 25 years.

In December 2014, the average interest rate on new credits to households stood at 7.27 percent for the RON denomination (-1.78 percentage points as to the year-ago period) and at 4.42 percent in the case of EUR-denominated loans (-0.39 percentage points against December 2013).

The average interest on new household time deposits denominated in the national currency shed 1.13 percentage points to 2.79 percent in December 2014, while in the case of deposits denominated in euros it lost 0.56 percentage points to 1.57 percent at end-2014.

In the case of new RON-denominated loans to non-financial corporations, the average interest rate diminished by 0.97 percentage points from December 2013 to 5.87 percent in December 2014. Average interest on new credits denominated in euros moved down to 3.93 percent in December 2014 (-0.96 percentage points as to December 2013).

As to the year-ago period, the decline in average interest rates on new time deposits of non-financial corporations was of 1.08 percentage points to reach 1.11 percent for deposits denominated in lei and of 0.76 percentage points to 0.71 percent for EUR-denominated deposits in December 2014.

[32] In the first half of 2015, the monetary policy rate continued to slide gradually to 1.75 percent starting 7 May 2015. At the same time, in line with decisions the Board of the National Bank of Romania reached in its meeting of 6 May 2015, the reserve requirement ratio on the RON-denominated liabilities of credit institutions receded to 8 percent, while the reserve requirement ratio on the foreign currency-denominated liabilities remained steady at 14 percent starting with the 24 May-23 June 2015 maintenance period.

INTERNATIONAL ACTIVITY

Throughout 2014, the FGDB had an increased participation in the activities of the two professional associations operating in the bank deposit guarantee sector – the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI).

Over 22-24 September 2014, the FGDB, with support from the National Bank of Romania, organised in Bucharest the EFDI Annual General Meeting and the Annual International Conference on "Deposit Guarantee Schemes in the New Regulatory Environment", which were attended by more than 100 participants in the bank deposit guarantee schemes and investor compensation schemes, as well as representatives of the European Commission, the European Banking Authority, the Central European Bank, the World Bank, the European Banking Federation and the academic community.

The Conference sessions covered various themes, such as regulatory initiatives, challenges to bank deposit guarantee schemes, the new banking environment, financing of bank deposit guarantee schemes, good governance and effective organisations.

During the EFDI events in Bucharest, a meeting also took place of the EFDI Board and of the IADI Europe Regional Committee which focused on identifying ways to develop cooperation between the two bodies for the benefit of their members.

The year 2014 was the second consecutive year when the FGDB held the chairmanship of the IADI Europe Regional Committee. During this period, five bank deposit guarantee schemes joined the association and the exchange of information and expertise regionally and internationally was permanently encouraged.

Throughout 2014, the FGDB was an active participant in meetings of EFDI and IADI committees and working groups. FGDB representatives delivered presentations at different international meetings, particularly on financing, investment of resources and communication with the public.

EFDI Annual Meeting and International Conference
"DGSs in a New Regulatory Environment"
Bucharest, 22-24 September 2014

IADI Annual General Meeting
Trinidad and Tobago, 22-23 October 2014

Within the EFDI EU Committee, several sub-groups were created to look into various aspects related to the cooperation between bank deposit guarantee schemes in the process of paying compensations to depositors of cross-border banks, the scheme in the host country acting on behalf of the scheme in the home country. These sub-groups' projects cover financial, risk-related and legal aspects, as well as communication and transmission of depositor information during the reimbursement process.

At the same time, during the EFDI Annual Meeting in Bucharest, the foundation was laid for the creation of a Banking Union working group. This group will analyse Banking Union regulations and will advance operational and organisational proposals for a possible pan-European bank deposit guarantee scheme.

The two directives adopted in 2014 on deposit guarantee schemes and, respectively, the recovery and resolution of credit institutions were discussed during seminars which the European Commission organised to clarify aspects related to the transposition of the two directives into national legislation. Representatives of the FGDB, as well as of the National Bank of Romania, took part in those seminars.

In November 2014, the European Banking Authority launched a public consultation on its draft guidelines on methods of calculating risk-based contributions to deposit guarantee schemes. The EFDI answer to this public consultation relied on a draft advanced by its Working Group – Risk-based Contribution, of which the FGDB is a member.

The FGDB attended the IADI Annual General Meeting which approved the revised *Core Principles for Effective Deposit Insurance Systems*. Regionally, the FGDB contributed to preparations for the resolution college for the OTP Group.

In 2014, the FGDB received the joint visits of representatives of the International Monetary Fund, the World Bank and the European Commission, its relationship with these international bodies relying on their preventive assistance accords with Romania. The talks focused on such topics as legislation covering the FGDB, the dynamics of key FGDB indicators, the size of its resources and the exposure coverage, as well as bank stabilisation measures.

3. BANK DEPOSIT GUARANTEE

EVOLUTION OF DEPOSITS IN 2014

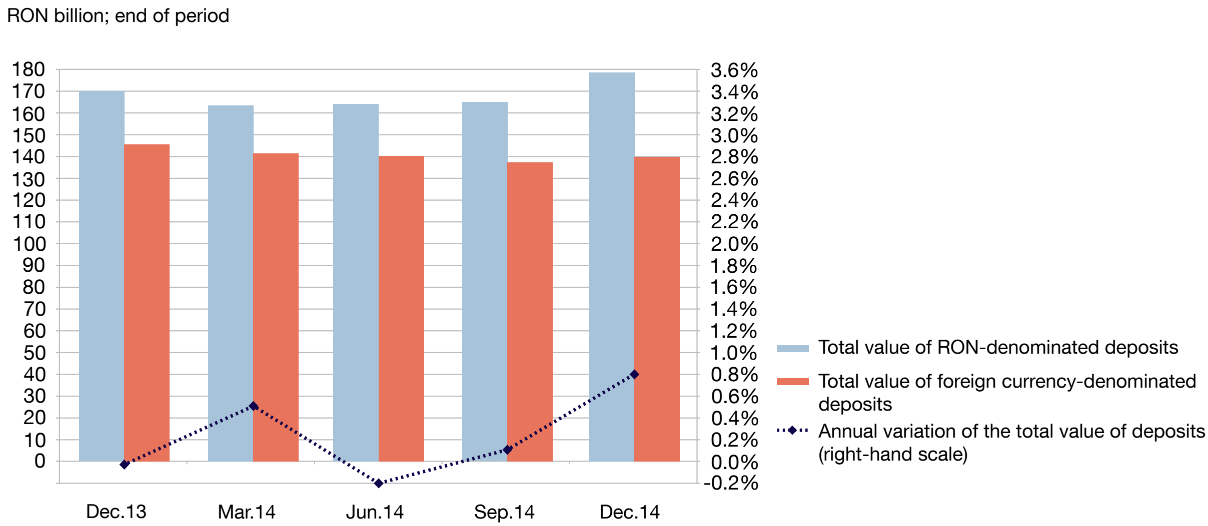
Deposits with credit institutions in Romania amounted to 317.8 billion lei on 31 December 2014, slightly higher than the end-2013 level (a nominal annual variation of +0.8 percent).

National and foreign currency-denominated deposits moved along divergent paths, with RON-denominated deposits jumping by 5.2 percent year-on-year to 178.1 billion lei on 31 December 2014 and deposits in foreign currencies contracting by 4.3 percent, in terms of total value, to the equivalent of 139.7 billion lei at the end of 2014.

Credit institutions in the membership of the FGDB held deposits worth 288.1 billion lei on 31 December 2014, accounting for 90.7 percent of total deposits in the banking system as a whole.

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

Deposits in the whole banking system, by currency denomination



On 31 December 2014, deposits at FGDB-member credit institutions were held by 14,799,227 persons[33], of which 13,860,873 natural persons and 938,354 legal persons.

Resident natural and legal persons held 78.4 percent of the total deposits at credit institutions participating in the FGDB.

Deposits with FGDB-member credit institutions inched up by 0.7 percent as to the end of 2013. The modest nominal rise was an outcome of the negative evolution of the first nine months of the year, which, however, was counterbalanced by an increase in the fourth quarter of 2014.

Deposit withdrawals by parent banks abroad from their subsidiaries in Romania had a major impact, triggering a decline in the total value of deposits at FGDB-member credit institutions.

The drop by the equivalent of 7.4 billion lei in foreign currency-denominated non-guaranteed high-value deposits (of over EUR 100,000) held by non-resident legal persons[34] in 2014 was only partially compensated for by the rises in other components of the legal persons' deposit segment so that, overall, legal persons' deposits fell by 4.5 billion lei.

On 31 December 2014, legal persons' deposits totalled 159.2 billion lei (an annual variation of -2.7 percent in nominal terms).

Unlike legal persons' deposits, natural persons' deposits at FGDB-member credit institutions maintained the upward trend of previous years, advancing by 5.2 percent in 2014 to 128.9 billion lei on 31 December 2014.

Natural persons' deposits at credit institutions in the membership of the FGDB continued to be a significant local source of funding, proving less volatile than corporate deposits.

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

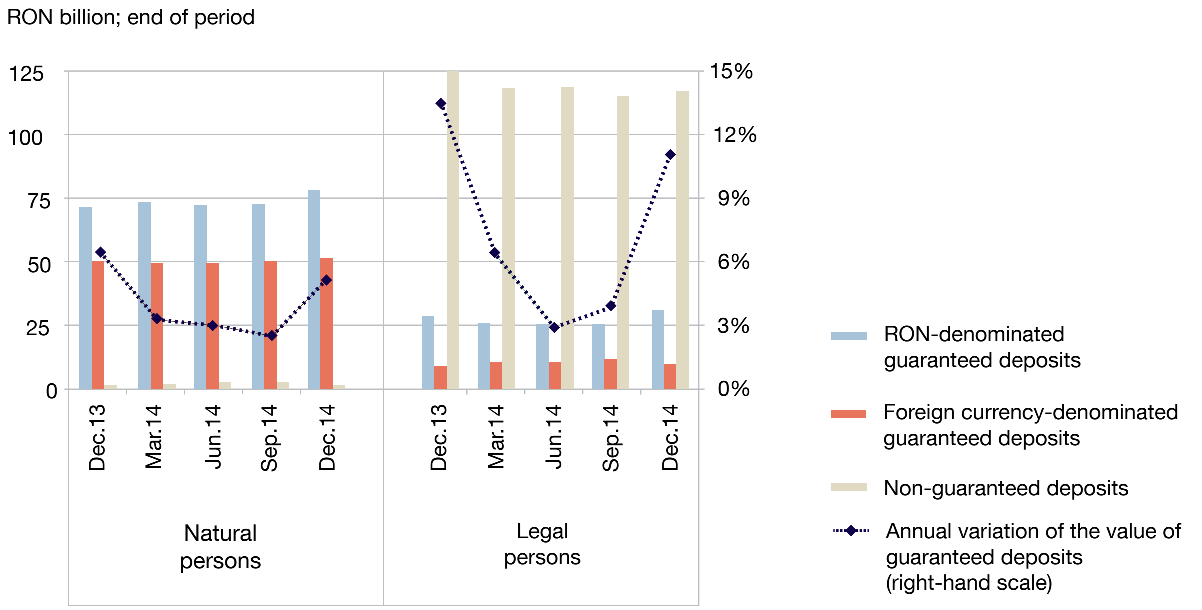
[34] Mainly, deposits of credit institutions, financial institutions, insurance companies, collective investment undertakings, pension funds, central and local public authorities, large corporations etc

The further increase in the value of natural persons' deposits with FGDB-member credit institutions primarily shows that precaution continues to be the main reason for saving in an environment that stays uncertain. As a matter of fact, the results of a FGDB nationwide study[35] showed that people choose to save mainly to build a cash reserve to cushion unexpected events and to take care of their families. At the time of the poll, 42 percent of Romania's banked population said they intended to put money aside in 2014, quoting uncertainty over the future as the reason for their intention.

At the same time, half the poll respondents said that if they wanted to make a purchase whose cost could not be covered by their current monthly income they would rather save than borrow. In fact, recent developments show that households try to reduce their debt burden continuing to park their savings in bank deposits despite dwindling interest rates.

Other factors behind the growth of the deposit base on the natural persons segment included the improvement of the macro-economic environment and of labour market conditions in Romania as compared with December 2013, the rise in average net nominal wages by 6 percent, the slight drop in the unemployment rate by 0.6 percentage points, the increase of the real disposable income against the background of low inflation and the upsurge in payments to natural persons from European funds[36] .

Deposits with FGDB-member credit institutions



[35] The study was conducted in the first half of 2014 and was based on an opinion poll on the savings behaviour of Romania's population taken by Mercury Research. The study was conducted among 1,242 people aged 18+ living in urban and rural areas and using at least one financial-banking instrument. The margin of error is plus/minus 2.8 percent with a confidence level of 95 percent. The study is available on the FGDB's website.

[36] Data from the National Institute of Statistics and the Ministry of European Funds.

According to Eurostat data, the consumer confidence indicator in Romania headed higher in 2014, with consumers showing greater optimism about their personal financial situation, the overall state of the economy and their savings opportunities. In its turn, the FGDB study showed that, at the date of the poll, a larger number of respondents expected a better financial situation for their households in 2014.

As far as currency denomination is concerned, there was a clear preference for national currency deposits to the detriment of those in the foreign currency.

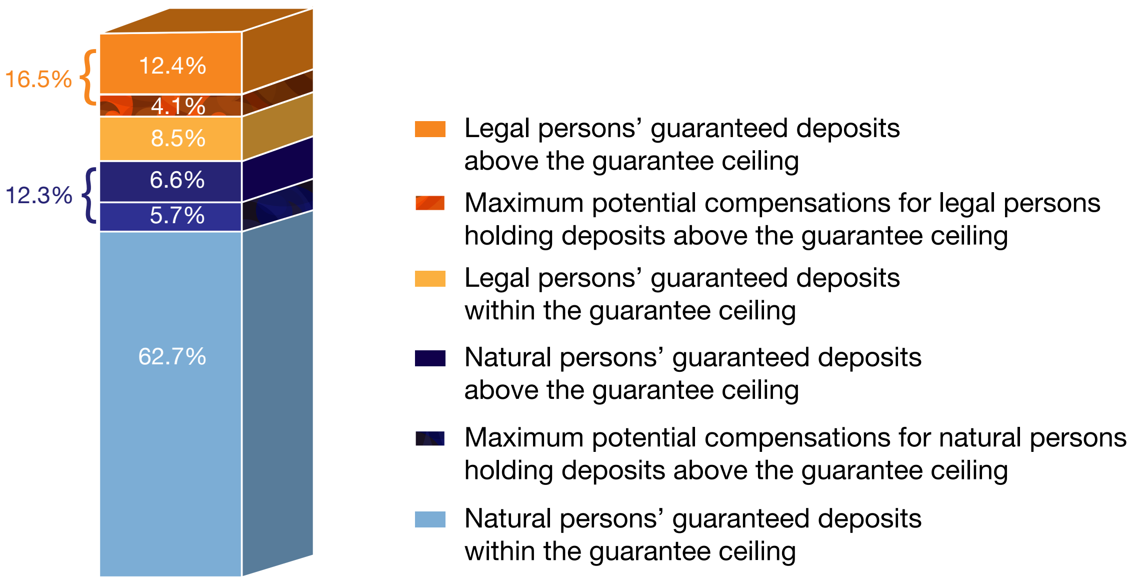
The value of RON-denominated deposits at FGDB-member credit institutions stood at 160.5 billion lei at end-2015, up 4.3 percent from the end of the previous year, while the worth of foreign currency deposits diminished by 3.6 percent to the equivalent of 127.7 billion lei. On 31 December 2014, total deposits denominated in the national currency accounted for 55.7 percent of total deposits at FGDB-member credit institutions.

At the end of 2014, the FGDB's guarantee scope covered deposits worth 171.5 billion lei, or 59.5 percent of the total value of the deposits held at the credit institutions in the membership of the FGDB. This stake was 3.3 percentage points higher than on 31 December 2013.

As the FGDB's deposit coverage is ensured mainly for depositors who have neither the knowledge nor the experience to assess the risk of non-reimbursement of their investments, almost all natural persons are included in its guarantee scope, while on the legal person segment mostly small and medium-sized enterprises' deposits are covered.

The total value of FGDB-guaranteed deposits moved up by 6.5 percent from 31 December 2013, which corresponds to a year-on-year growth of 10.5 billion lei triggered by rises in all components – categories of depositors, currency denomination and value relative to the guarantee ceiling.

Structure of guaranteed deposits on 31 December 2014
in relation to 100,000-euro guarantee ceiling



At the same time, the total value of deposits excluded from FGDB coverage amounted to 116.6 billion lei, decreasing by 8.7 billion lei from the end of the previous year as a result of the decline in non-guaranteed legal persons' deposits[37] .

The deposits guaranteed by the FGDB at the end of 2014 were held by 14,749,200 natural and legal persons, accounting for 99.7 percent of the total number of depositors with FGDB-member credit institutions, a stake that stayed unchanged from 31 December 2013.

Resident natural and legal persons held 97.1 percent of total FGDB-guaranteed deposits.

The value of maximum potential compensations if deposits with FGDB-member credit institutions had become unavailable would have amounted to 138.8 billion lei at end-2014. That was a 5.8 percent increase year-on-year mainly due to a rise in the number of guaranteed deposits of values below the guaranteed ceiling.

Given the EUR 100,000 guarantee ceiling, the FGDB effectively covered 81 percent of the value of guaranteed deposits on 31 December 2014.

A percentage of 99.7 of the total number of FGDB-guaranteed depositors, natural and legal persons, on 31 December 2014 was fully covered as these depositors held deposits that were at most equal to the guarantee ceiling.

On 31 December 2014, below-ceiling deposits totalled 122.1 billion lei (71.2 percent of the total value of guaranteed deposits).

Natural Persons' Guaranteed Deposits

On 31 December 2014, the FGDB's guarantee scope covered natural persons' deposits worth 128.6 billion lei, 5.1 percent above the level of the 31 December 2013.

The number of FGDB-guaranteed depositors, natural persons, at end-2014 stood at 13,843,863, of which 13,711,434 were residents

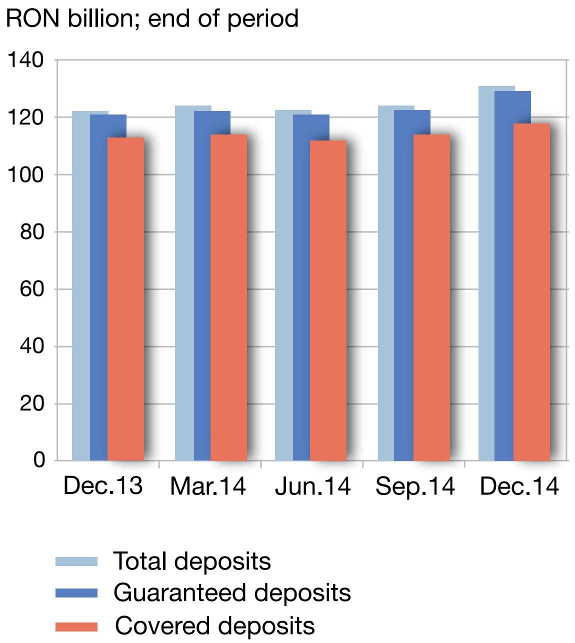
Since almost all depositors, natural persons, are guaranteed[38], the total value of their deposits with member credit institutions is almost integrally covered by the FGDB's guarantee scope (namely 99.8 percent on 31 December 2014).

All the components of the natural persons' guaranteed deposit segment raced ahead, with

[37] The total value of non-guaranteed legal persons' deposits accounted for 99.7 percent of the overall value of non-guaranteed deposits on 31 December 2014.

[38] 99.9 percent of the total number of depositors, natural persons. A credit institution's administrators, managers, members of the supervisory board, auditors, significant shareholders, depositors with a similar status in other companies in the same group as the respective credit institution, as well as family members (spouses, first- degree relatives and in-laws) and third parties acting on behalf of previously mentioned depositors are excluded from FGDB coverage. The new Directive on bank deposit guarantee schemes stipulates that these persons, too, will enter the guarantee scope which will eventually include all depositors, natural persons. FGDB-member credit institutions' records put the number of non-guaranteed depositors, natural persons, at around 17,000 on 31 December 2014.

Natural persons' deposits with FGDB-member credit institutions



leu-denominated deposits below coverage level contributing most to their year-on-year upturn.

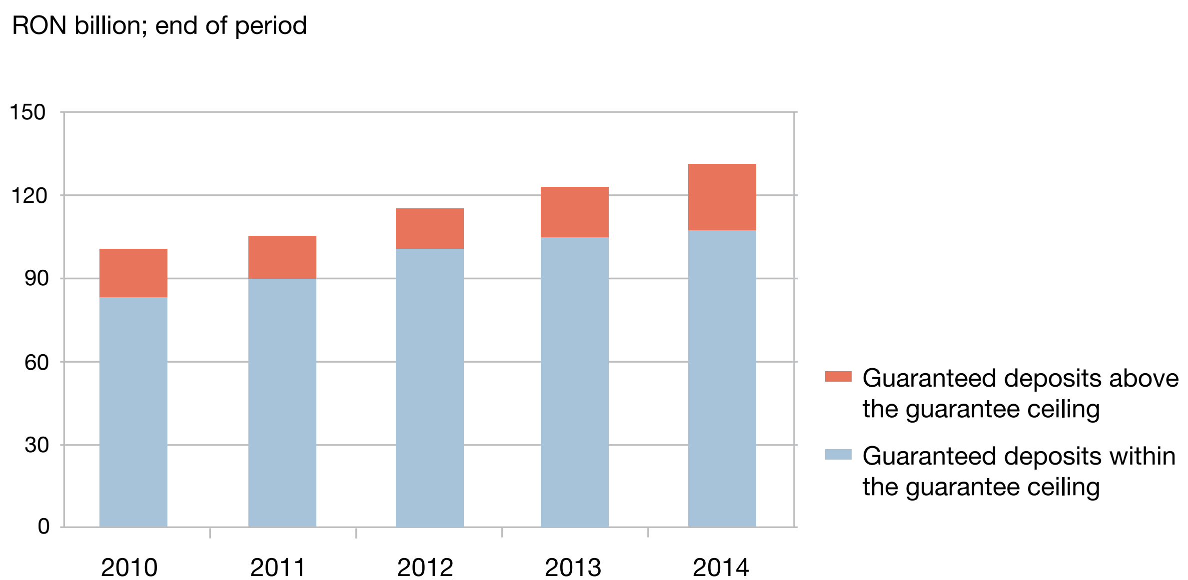
Natural persons' RON-denominated guaranteed deposits at FGDB-member credit institutions totalled 76.8 billion lei on 31 December 2014 (an annual variation of +5.7 percent).

Guaranteed deposits in foreign currencies gained 4.3 percent in 2014 to stand at the equivalent of 51.8 billion lei on 31 December.

In relation to the guarantee ceiling, guaranteed deposits that are less than or equal to EUR 100,000 had an 83.6 percent stake in total guaranteed deposits held by natural persons, which means 107.6 billion lei at the end of 2014.

The average value of a below-ceiling deposit amounted to 7.8 thousand lei, adding 0.4 thousand lei to the end- 2013 level.

The dynamics of natural persons' guaranteed deposits, in relation to the guarantee ceiling



On 31 December 2014, residents' guaranteed deposits accounted for 96.7 percent of natural persons's total guaranteed deposits, up by 6.1 billion lei year on year.

The value of maximum potential compensations for guaranteed depositors, natural persons, on 31 December 2014 stood at 117.3 billion lei (representing 91.2 percent of the total value of natural persons' guaranteed deposits), rising by 4.7 percent from end-2013.

On the same date, 99.8 percent of the total number of guaranteed depositors, natural persons, benefitted from full coverage since their respective deposits did not exceed the guarantee ceiling.

Legal Persons' Guaranteed Deposits

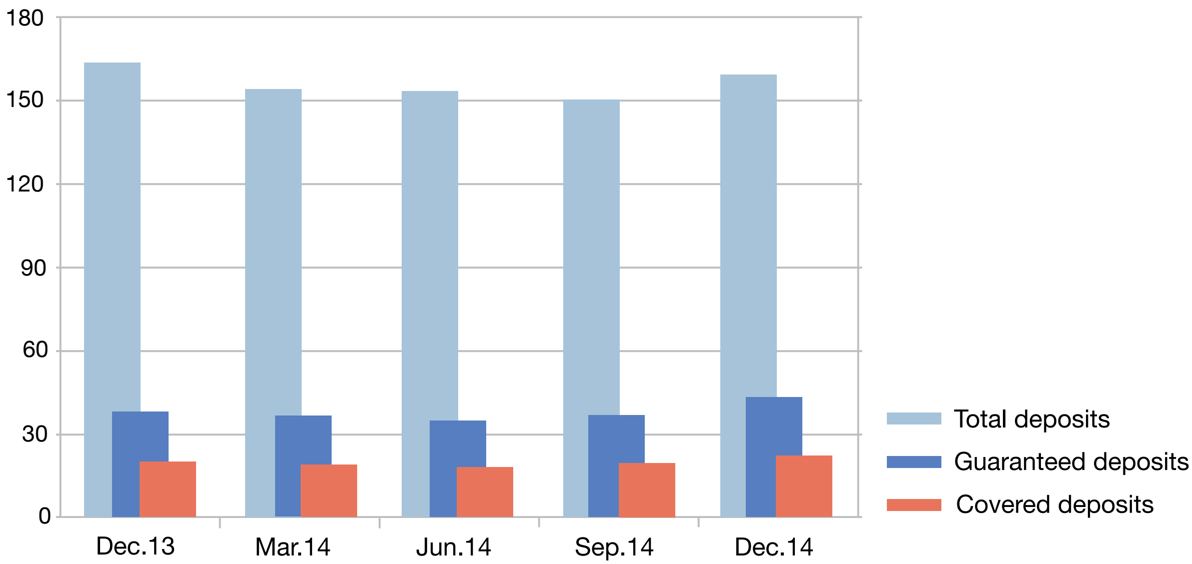
Deposits of guaranteed depositors, legal persons, with FGDB-member credit institutions posted an 11 percent year-on-year increase at the end of 2014 to stand at a total 42.9 billion lei.

After the decline of the first six months of 2014, legal persons' guaranteed deposits moved into positive territory leaping by 6.4 billion lei in the last quarter of the year. The upswing was partly a result of positive developments in the economy and VAT refunds and reimbursements under EU-funded projects[39]. The rise in bank deposits, correlated with the low demand for loans, shows that companies accumulated funds to finance current activities or investments.

The swift advance of RON-denominated deposits (an annual variation of +13.6 percent) was the strongest factor behind the surge in the total value of legal persons' guaranteed deposits. The growth of the foreign currency component was more modest (an annual variation of +3.5 percent).

Legal persons' deposits with FGDB-member credit institutions

RON billion; end of period



[39] Data from the National Agency for Fiscal Administration and the Ministry of European Funds.

On 31 December 2014, deposits denominated in the national currency worth 32.6 billion lei accounted for more than three quarters of the total value of legal persons' guaranteed deposits. Legal persons' foreign currency guaranteed deposits amounted to the equivalent of 10.3 billion lei on the same date.

The number of guaranteed depositors, legal persons, mainly small and medium-sized enterprises and other similar entities, stood at 905,337 (96.5 percent of the total number of depositors, legal persons, with FGDB-member credit institutions).

The overall value of legal persons' guaranteed deposits at FGDB-member credit institutions on 31 December 2014 accounted for 27 percent of the total value of legal persons' deposits (+3.4 percentage points as compared with end-2013).

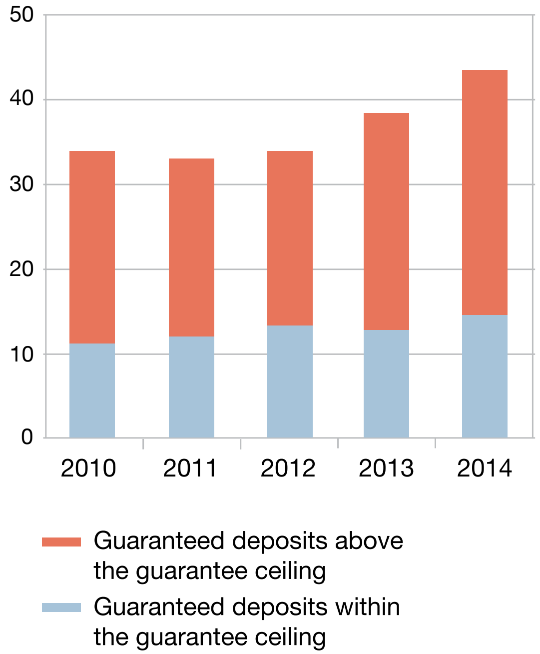
At the end of 2014, resident legal persons held 98.4 percent of legal persons' total guaranteed deposits, or 42.2 billion lei (an annual variation of +12.3 percent).

Legal persons' below-ceiling guaranteed deposits amounted to 14.5 billion lei on 31 December 2014, jumping by 11.2 percent from the end of the previous year. This segment held 33.8 percent of the total value of legal persons' guaranteed deposits although their holders accounted for 98.3 percent of the total number of guaranteed depositors, legal persons.

At end-2014, the average value of a below-ceiling guaranteed deposit was 16.3 thousand lei (an annual variation of +14.8 percent).

The dynamics of legal persons' guaranteed deposits, in relation to the guarantee ceiling

RON billion; end of period



The value of maximum potential compensations for guaranteed depositors, legal persons, on 31 December 2014, accounted for 50.3 percent of the overall value of legal persons' guaranteed deposits, that is 21.6 billion lei (an annual variation of +12.2 percent).

COMPENSATION PAYOUTS

If deposits with a member credit institution are unavailable because of bank failure or some other event, the FGDB has the legal obligation to pay guaranteed depositors their due compensations within a maximum period of 20 working days of the date deposits became unavailable.

As the previous chapters showed, once the new EU Directive on deposit guarantee schemes is transposed into national legislation, the compensation payment process will be significantly faster as the reimbursement deadline will be cut to 7 working days, one third of the current payout delay.

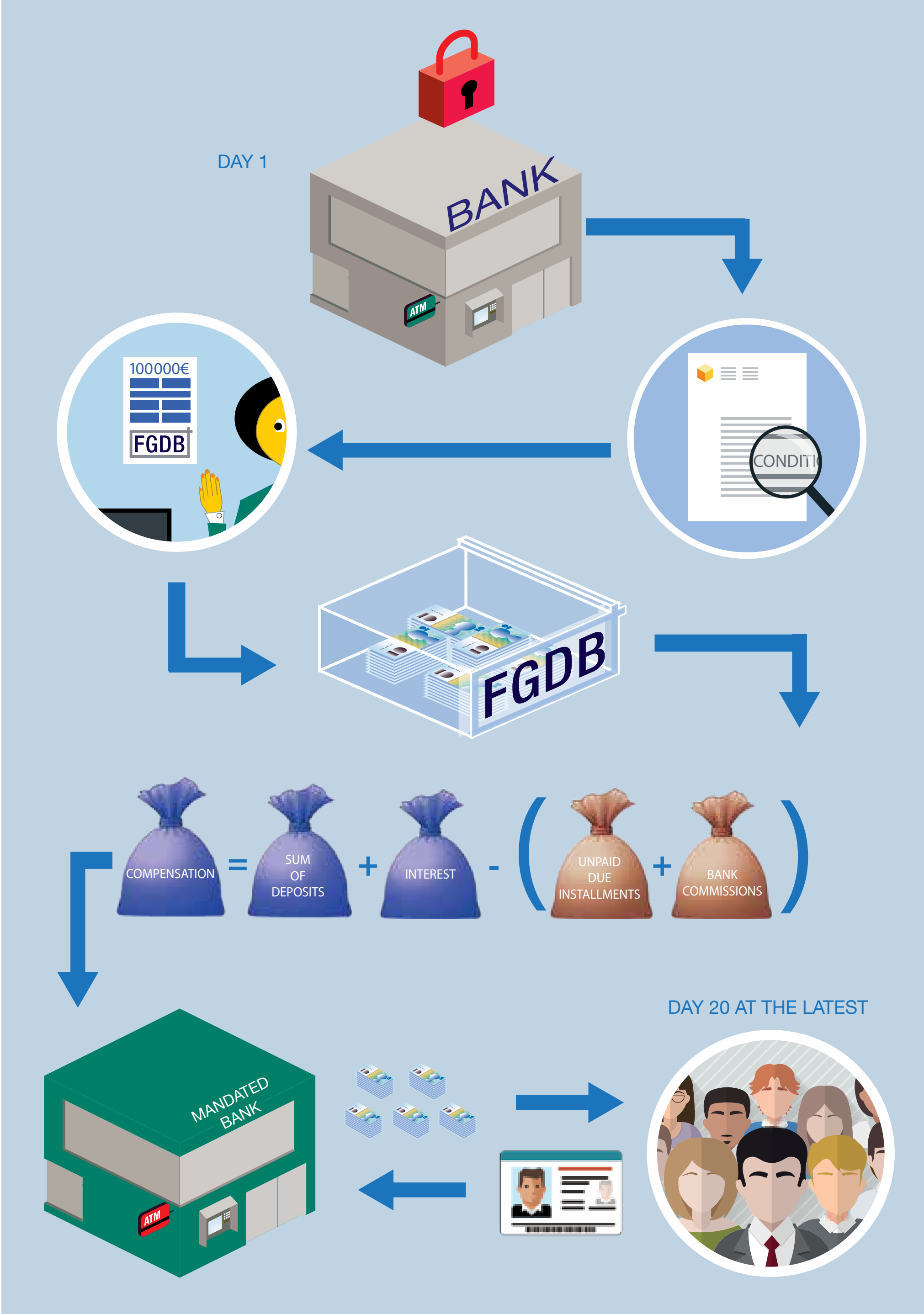
In order to be at all times ready to promptly pay compesations, the FGDB has constantly focused on improving its operational and financial capacity and on testing the capability of credit institutions to generate correct lists of due compensations.

Compensation payments are made through FGDB-mandated credit institutions. At the start of each year, the FGDB authorises one or several credit institutions with vast unit networks in the territory to pay compensations, thus ensuring the necessary payment channels if a situation arises when deposits become unavaialble.

In order to get their due compensations, payable in cash or into a bank account, depositors should show some form of identification at the counter of the mandated bank.

The year 2014 was the eighth consecutive year to register no local bank failure or some other event to trigger the unavailability of deposits and, implicitly, the need for compensation payouts to guaranteed depositors. The FGDB's obligation to pay compensations for the last bank failure recorded in Romania expired in January 2010.

Compensation payouts process



FGDB MEMBERSHIP OF CREDIT INSTITUTIONS

Each institution that takes deposits from the public in European Union member states is under an obligation to participate in a bank deposit guarantee scheme.

In Romania, the FGDB guarantees deposits with all credit institutions licensed by the National Bank of Romania, including deposits taken by their branches abroad. At the same time, the branches operating in Romania of banks headquartered in other EU member states participate in the deposit guarantee schemes in their home countries.

Throughout 2014, the number of FGDB-member credit institutions remained unchanged at 31[40] , of which 2 savings banks for housing and one credit cooperative organisation (central body and affiliated credit cooperatives).

The credit institutions in the membership of the FGDB make annual contributions to increase its deposit guarantee resources which fund either compensation payments to guaranteed depositors if deposits at a credit institution become unavailable or guaranteed deposit transfer operations, including by issuing guarantees.

Moreover, FGDB-member credit institutions pay annual fees to the bank resolution fund, which finances the stabilisation measures decided by the National Bank of Romania[41] , and provides compensations for persons prejudiced by measures taken and implemented during special administration proceedings at a credit institution.

The member credit institutions supply the FGDB with information on the number of depositors and the volume of deposits in their records at the end of each quarter, the calculation base for the annual contribution to the deposit guarantee fund, the calculation base for the annual fee to the bank resolution fund, as well as other information on specific issues.

Likewise, the FGDB maintains links with the branches in Romania of credit institutions headquartered in other European Union member states wherefrom it gets quarterly reports on deposit taking.

According to exisiting legislation, in 2014 the FGDB continued its controls over compliance with legal provisions on the calculation and payment of contributions and fees, including a verification of the correct classification of deposits in terms of FGDB coverage, as well as of the information supplied to depositors.

Following the verification of the calculation base for the contributions/fees credit institutions owed to the FGDB in 2014, the FGDB collected differences in the level of both annual contributions, amounting to 2.5 million lei, and annual fees, standing at 0.1 million lei. At the same time, it paid back 0.8 mililion lei in overpayments of annual fees.

[40] *Annex 1 – List of FGDB-Memeber Credit Institutions as of 31 December 2014.* The only change in 2014 as to the *List of FGDB-Memeber Credit Institutions as of 31 December 2013* was the name of ATE Bank România S.A. which became Banca Română de Credite și Investiții S.A. following a modified shareholding pattern. The public was informed of that change by the *FGDB Communique no. 1/2014 on the List of Credit Institutions Participating in the Bank Deposit Guarantee Fund,* published in Romania's Official Gazette, Part I, no. 286 of 17 April 2014 and posted on the FGDB website.

[41] Under special circumstances stipulated under the law, the implementation of stabilisation measures can be financed from deposit guarantee resources.

In comparison with the results of previous years' verifications, greater compliance with legal provisions could be noted as concerns both the classification of deposits in terms of coverage and the information supplied to depositors.

The major cause behind the differences in the level of annual contributions/fees was the erroneous assignment by credit institutions of the deposits of some legal persons (particularly small and medium-sized enterprises, non-profit associations and private universities) to one of the categories of guaranteed/non-guaranteed deposits. The biggest differences were recorded in the case of several large banks operating wide unit networks.

The verification of the calculation base for annual contributions/fees was concurrent with a random control over the statements on the classification of the deposits of small and medium-sized enterprises and of other depositors expressly stipulated by the law.

To this end, record keeping and the completion of statements were checked, with focus on the accuracy of the deposit classifications made by credit institutions. The results of the verifications showed that the documents had been correctly prepared.

At the same time, the fulfilment of the credit institutions' obligation to expressly inform depositors holding non-guaranteed deposits was also verified. These controls showed that the type of deficiencies noted was comparable with that of the previous year.

The FGDB verifications also concentrated on credit institutions' compliance with legal provisions on the need to inform depositors about the guarantee arrangements covering their deposits.

This control showed that all the verified units fulfilled their obligations concerning the information of depositors, in line with the FGDB's Regulation no. 1/2011 on deposit guarantee information to be supplied to depositors by credit institutions. The information should be displayed in visible spots and accessible locations within all units. To this end, credit institutions put on display the FGDB poster on deposit guarantee arrangements.

With a view to avoiding the emergence of future deficiencies such as those identified during the control over deposit classification and information of depositors, the FGDB sent a circular letter to the management boards of the credit institutions where deficiencies were found requesting them to take measures to correct those deficiencies, to regularise the situation of deposits and to ensure that the personnel involved is well acquainted with FGDB legislation. At the same time, the management of the Romanian Banking Association was correspondingly informed of the issues identified during the verifications.

The close cooperation between the FGDB and its member credit institutions aims at steadily improving deposit classification and the information on deposit guarantee arrangements supplied to depositors.

4. FINANCING POLICY AND RISK MANAGEMENT

Unremitting caution in building up resources for the bank deposit guarantee fund and the bank resolution fund was the distinctive feature of the year 2014 amid persistent uncertainty over financial stability in the region which could impact the domestic banking system.

Both legislation in force, through the provisions of Article 9 Paragraph (2) of Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions, and the EU Directive on bank deposit guarantee schemes adopted in 2014 stipulate that bank deposit guarantee schemes can use their resources to finance bank resolution measures observing the terms provided by the law.

Consequently, the FGDB worked to consolidate its capacity to intervene by accumulating adequate resources. As for credit institutions' contributions to the bank deposit guarantee fund, the annual rate remained steady at 0.3 percent of the amount of guaranteed deposits at the end of the year preceding the payment.

Credit institutions' cumulative fee to the bank resolution fund was set at the maximum level permitted by law, namely 0.1 percent of non-guaranteed liabilities, since the volume of accumulated resources was rather low.

One of the arguments why the annual rate of contributions to bank deposit guarantee schemes stayed unchanged on previous years' level was the possibility that these resources, if need be, should compensate the resources of the bank resolution fund now in its fourth year of operation.

The guaranteed (eligible) deposit coverage ratio was 2.4 percent on 31 December 2014 allowing the FGDB to maintain resources within the prudential parameters which are also shared by the bank deposit guarantee schemes in the membership of the EFDI and IADI.

Presentation of the FGDB experience within IADI technical seminar on investment policies and strategies of deposit guarantee schemes

Bogota, Colombia, November 2014

To manage the resources in the bank deposit guarantee fund and the bank resolution fund, the FGDB followed the guidelines under its annual exposure strategy for 2014 the main targets of which were the minimisation of risk and the liquidity of investments, as well as yields on investment as an additional goal.

In the rather adverse conditions on international markets which forced several European banks with subsidiaries in Romania to recapitalise to be able to pass the stress tests of the European Banking Authority, the FGDB showed unabated concern for keeping the liquidity of its investments at adequate levels. Just like throughout the previous year, the monthly liquidity reserve hovered between 10 percent and 20 percent of the FGDB’s available financial resources.

The Resources Management Committee (CARF) took tactical action to adjust the structure of investments and exposure limits by credit institution and type of investment depending on specific market conditions.

The cooperation with the National Bank of Romania in data exchanges, started in 2013, facilitated updates of the indicators used in risk analysis so that the methodology employed should be appropriate and in agreement with the adjustments made by the supervisory authority.

This internal analysis tool allowed the FGDB to reach decisions on investment structure adjustments according to the performance of partner banks.

The FGDB took a more cautious approach to its investment strategy, in line with good practices worldwide.

Consequently, the FGDB chose to gradually reduce its exposure to member banks and increase its government securities portfolio within the limits set under its annual exposure strategy.

The FGDB contributed, within the EFDI, to defining the general framework for cross-border compensation payouts which tackles aspects related to financing and risk management. This framework might serve as a basis of a bilateral accord that could be a standard to be used by European deposit guarantee schemes involved in cross-border compensation payments within the European Union.

5. PUBLIC INFORMATION

In 2014, the FGDB took further action to raise public awareness of deposit guarantee arrangements, in line with its consistent observance of the fundamental, internationally acknowledged principle concerning the need to inform depositors shared by deposit guarantee schemes[42]. The aim of its action was to consolidate depositors' confidence in the safety of the money they hold in bank deposits.

To this end, the FGDB resorted to a variety of means of communication, from classic forms to new ways, such as social networks, all while focusing on enhancing the quality of the information supplied to depositors.

COMMUNICATION WITH THE PUBLIC

In its direct relationship with the public, the FGDB's aim was to give prompt answers to its questions and requests. The information supplied to depositors covered a wide range of topics related to deposit protection, the value of the guarantee ceiling, categories of guaranteed deposits, types of depositors benefitting from guarantee arrangements, the way of calculating compensations, FGDB-member banks etc. Questions on new topics and the FGDB's answers were included in the Frequently Asked Questions section of the FGDB's website for all interested parties.

At the same time, as part of its cooperation with member banks, the FGDB saw to it that its poster on deposit guarantee was on display in all these credit institutions' units in the territory in a visible location to be easy to identify and to read by bank clients. Upon credit institutions' request, additional posters were distributed.

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[42] *Core Principle 10 – Public Awareness: In order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.*

On the other hand, in 2014, FGDB representatives had several meetings with credit institutions' communication specialists with a view to strengthening cooperation with the banking industry to promote deposit guarantee-related information as an essential element of stronger public confidence in the banking system.

According to the results of the study, about two thirds of the banked population are aware of the fact that the money in their bank deposits is guaranteed. That proportion among people with savings accounts is 86 percent.

However, only 53 percent of respondents know that in case of a bank failure they can get their money back (in full or partially). Of that percentage, only 10 percent are familiar with money-recovery procedures, which is twice as many as in 2010, when the previous poll was taken[43].

The Award Ceremony for the "Magazin Istoric" Cultural Foundation and "Cristian Popişteanu" Annual Symposium of Banking History and Civilization, Edition XXII,

National Bank of Romania, May 2014

On its website, the FGDB continued to offer all interested parties quarterly data on natural and legal persons' deposits with credit institutions in Romania, with detailed analyses of the evolution of these deposits included in its on-line INFO bulletins.

Moreover, new regulations that impact deposit guarantee schemes were also uploaded to the FGDB website.

In line with international good practices, the extent to which the public in Romania is informed about deposit guarantee arrangements was assessed in 2014 as part of a FGDB nationwide study on the savings behaviour of Romania's population. The study is mentioned in Chapter 3 on Deposit Guarantee.

Although, as compared with the previous research, the results of the study showed an increase in the extent to which the public is informed about deposit guarantee arrangements, the FGDB will continue to work most attentively for the public to understand the bank deposit protection mechanism.

[43] As the 2010 study covered only urban areas, the comparisons between the results of the two polls refer to the urban-population sample alone.

RELATIONSHIP WITH MASS-MEDIA

In 2014, the FGDB channelled its actions towards establishing permanent links with the media to best disseminate information on Romania's bank deposit guarantee scheme. The news releases posted on the FGDB website were routed to journalists the day they were issued.

Furthermore, the FGDB promptly answered all requests from media representatives.

EDUCATIONAL ACTIVITIES

The year 2014 meant activities in the area of financial education, including participation in the panels of various conferences on financial and banking topics.

In its third edition , Costin Murgescu Contest for Economic Research[44] was conducted in 2014 into socio-economic and political phenomena arising from the turmoil of the first crisis of globalization.

Costin Murgescu Contest for Economic Research Awarding Ceremony,

Bucharest, June 2014

[44] Launched in 2012, the "Costin Murgescu" Contest for economic research aims to offer Romanian young people analysing contemporary socio-economic and political developments, no matter the school of thought they belong to, an opportunity to assert themselves and become valuable specialists.

The 2014 winner was the essay "Modelling the Dynamics of Sovereign Risk Premium in Romania", written by Adina Elena Fudulache. The essays were assessed by a jury consisting of members of the academic community and researchers from home and abroad and were graded in terms of originality, logic of arguments, conclusions and style.

Likewise, in 2014, the FGDB continued its participation in the Academica educational project promoted by the National Bank of Romania, which addresses the academic community and aims to form a new generation of experts in the economy.

The first edition of the Annual Scientific Conference of Romanian Academic Economists from Abroad – ERMAS

Babeș-Bolyai University, Cluj-Napoca, August 2014

The support granted to the first edition of the Scientific Conference of Romanian Academic Economists from Abroad – ERMAS[45] – which was attended by Romanian economists affiliated to prestigious universities or research institutes abroad, as well as representatives of economic and academic institutions in Romania, was another FGDB contribution in 2014 to the promotion of the bank deposit guarantee scheme in Romania within the university and research community.

The Chairman of the FGDB's Board was a member of the ERMAS 2014 organising committee, alongside representatives of the National Bank of Romania and of universities abroad, and was also a speaker during debates on economic issues of relevance to Romania.

[45] The conference was organised by the Faculty of Economics and Business Administration under the Babeș-Bolyai University, Cluj-Napoca, over 18-22 August 2014.

In 2014, the FGDB was also one of the supporters of the "Cristian Popișteanu" Annual Symposium of Banking History and Civilisation organised under the aegis of the National Bank of Romania and the "Magazin Istoric" Cultural Foundation.

FGDB representatives also took part in various events, such as the Romanian Banking Forum and the Finmedia conference on "The European Banking Union – A Key Element for Financial Stability". Their presentations at those events centred on the role of the FGDB and of bank deposit guarantee schemes given the new regulatory framework, as well as the FGDB's experience and practice in various areas related to its activity.

6. LIQUIDATION OF BANKRUPT CREDIT INSTITUTIONS

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

Over the past 15 years, the FGDB, as both creditor and liquidator, was involved in bankruptcy/liquidation procedures at the following banks[46]:

- Banca Comercială "Albina" SA – went bankrupt on 25 May 1999; the bankruptcy procedures ended on 14 December 2012[47];
- Bankcoop SA – was declared bankrupt on 8 February 2000;
- Banca Internațională a Religiilor SA (BIR) – filed for bankruptcy on 10 July 2000;
- Banca Română de Scont SA (*BRS*) – failed on 16 April 2002;
- Banca Turco-Română SA (*BTR*) – became bankrupt on 3 July 2002;
- Banca "Columna" – was declared bankrupt on 18 March 2003;
- Nova Bank – filed for bankruptcy on 9 November 2006, after going through dissolution followed by liquidation proceedings which the FGDB opened on 22 August 2006.

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[46] To conduct liquidation proceedings for these banks, the courts appointed judicial liquidators – namely the FGBD for *BRS* and *BTR* and professional liquidators for the other failed banks.

[47] During the hearing on Banca Albina's bankruptcy file on 14 December 2012, the syndic judge approved the final activity report drawn by the liquidator and ruled that bankruptcy procedures should be concluded and the bank should be deregistered from the Trade Registry.

Cumulative Data as of 31 December 2014

Total claims 1,002.44 million lei	The FGDB's claims = 513.30 million lei
	Other creditors' claims = 489.14 million lei
Total recovered claims 320.24 million lei	Claims recovered by the FGDB = 175.70 million lei (claim recovery ratio – 34.23 percent of total claims)
	Claims recovered by other creditors = 144,54 million lei (claim recovery ratio – 29.55 percent of total claims)

In 2014, too, the liquidators' activities at the aforesaid banks[48] complied with legal provisions and the failed banks' internal regulations, and centred on further bankruptcy-specific actions, such as:

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

• recovering claims in order to provide the funds needed to continue bankruptcy proceedings;

• reducing the debtor portfolio through further measures aimed at pursuing and recovering outstanding debts, as well as writing those debts off from the books when all legal debt-recovery means have been exhausted;

• identifying solutions to cut the cost of bankruptcy procedures, including by decreasing staff numbers (from 27 to 23);

• preparing monthly reports[49] on the course of bankruptcy proceedings and, respectively, on the fulfilment of liqwuidator duties to be submitted for analysis to the FGDB's Board and for approval to the syndic judge, according to the law;

• fulfilling the decisions reached by the syndic judge and by the committees/assemblies of the failed banks' creditors.

Receipts by banks throughout 2014:
BIR – 1.09 million lei, BTR – 0.74 million lei, BRS – 0.46 million lei and Bankcoop – 0.03 million lei.

The four banks' total receipts on 31 December 2014 amounted to 427.68 million lei, up by some 0.5 percent from the same date the previous year.

Around 62 percent of the four banks' 2014 total receipts, which stood at 2.32 million lei, were recoveries from claims and sales of immovables, while 35 percent or so came from interest on investments (particularly in the case of *BTR*).

Receipts from recovered claims and sales of assets in the patrimony of the four banks sagged by 1.28 million lei in 2014 from the previous year as the failed banks' assets were fewer and harder to sell.

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[48] With the exception of Banca Comerciala "Albina" and Nova Bank. In the case of the latter, the FGDB recovered its claims in full.
[49] With the exception of Banca "Columna" and Bankcoop, whose liquidators prepare activity reports that cover longer periods of time.

Total receipts, expenses and funds for distribution to creditors, as of 31 December 2014

No.	Bankrupt bank[1]	Total claims to recover on the date of the failure (mn. lei)	Total liquidation-related receipts[2] (mn. lei)		of which:							Total liquidation-related expenses (mn. lei)		Total funds earmarked for distribution (mn. lei)
					recoveries from claims			sales of immovables		other receipts				
			on 31 December 2014	of which, in 2014	value (mln. lei)	% of total claims to recover	% of total recepits	value (mln. lei)	% of total recepits	value (mln. lei)	% of total recepits	on 31 December 2014	of which, in 2014	
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Bankcoop	250.05	158.83	0.03	91.97	36.78	57.90	48.60	30.60	18.26	11.50	62.54	0.04	98.05
2	BIR	213.98	173.88	1.09	136.82	63.94	78.69	19.77	11.37	17.29	9.94	80.05	0.56	95.31
3	*BRS*	37.75	38.29	0.46	17.67	46.81	46.15	8.46	22.09	12.16	31.76	15.97	0.61	18.13
4	*BTR*	227.48	56.68	0.74	5.01	2.20	8.84	30.31	53.48	21.36	37.69	13.39	0.69	39.62
	TOTAL[3]	**729.26**	**427.68**	**2.32**	**251.47**	**34.48**	**58.80**	**107.14**	**25.05**	**69.07**	**16.15**	**171.95**	**1.90**	**251.11**

[1] In case of Banca "Columna" and Nova Bank, where the FGDB paid compensations, there are no available aggregate data.

[2] Net value (free of VAT or other deductions, as the case might be).

[3] Including Banca "Albina", where bankruptcy procedures were closed on 14 December 2012, liquidation-related receipts total 454,32 million lei (recoveries from claims – 268.32 million lei, sales of immovables – 114.64 million lei and other receipts – 71.36 million lei), liquidation-related expenses amount to 179.55 million lei and total funds earmarked for distribution stand at 270.35 million lei.

As the above table on aggregate results on 31 December 2014 shows, the bulk of total receipts came from recoveries of claims (including sales of assets taken over for debts) and from sales of immovables.

Besides the two main categories, the bankrupt banks' receipts came from other sources as well, though to a lesser extent, such as sales of movables and of other assets (stocks and other securities), dividends and rents. The exception was *BTR*, where the main source of "other receipts" was the interest on funds in bank accounts.

In 2014, the only funds that were distributed amounted to 0.30 million lei and went to BIR's unsecured creditors.

The cumulative funds allotted for distribution to the four failed banks' creditors by 31 December 2014 amounted to 251.11 million lei, accounting for a recovery ratio of 35.06 percent of the total claims to be recovered worth 716.16 million lei.

In the case of *BRS*, where the FGDB acts as liquidator, receipts from the start of bankruptcy procedures (16 April 2002) to 31 December 2014 totalled 38.29 million lei, of which 2.78 million lei came from interest from investments. The main sources of its receipts were recoveries from claims and sales of immovables in the bank's patrimony.

From the start of bankruptcy proceedings to 31 December 2014, total receipts from recovered claims stood at 17.67 million lei, accounting for a recovery ratio of 46.81 percent of total claims on the date bankruptcy proceedings started.

If debt repayments from collateral deposits/guarantees and the takeover of assets from the bank's debtors to recover debts are considered, the recovery ratio was of approximately 63 percent of total claims (both those recorded on the date the bank filed for bankruptcy and those added to its patrimony after the start of the bankruptcy procedures

By 31 December 2014, the FGDB distributed 18.13 million lei to *BRS* creditors, covering 47.16 percent of the body of creditors, which is the highest distribution ratio recorded at the four banks under analysis.

In 2014, liquidation-related receipts totalled 0.46 million lei, mainly from recoveries of claims amounting to 0.34 million lei.

In connection with the criminal case file on the embezzlement of *BRS* and the claims filed against the recipients of the amounts embezzled from the bank, which make the object of 60 case files whose settlement was adjourned, by 31 December 2014 *BRS* had filed, in order to avoid that the claims become time-barred, 58 claims for reopening of the trial, of which the courts established hearings in 52 claims. Before 31 December 2014, the courts had ordered further adjournment in 20 case files until the settlement of the criminal case file, had acknowledged waiver of trial by *BRS* and had rejected the claim, due to removal from the Trade Registry, in 9 case files involving legal entities, and had scheduled hearings for early 2015 in 23 case files.

The courts held that, for the criminal acts of embezzlement, the *BRS* liquidator had filed 82 criminal complaints that were conjoined with the criminal case file on the bank embezzlement, BRS stating that it shall claim civil damages for the harm suffered as stipulated therein.

From the date bankruptcy proceedings opened (3 July 2002) to 31 December 2014, *BTR*, where the FGDB acts as liquidator, had receipts amounting to 56.68 million lei, of which 18.68 million lei from interest from investments. Sales of immovable property in the bank's patrimony, interest from investments and, respectively, recoveries from claims were the main sources of its total receipts.

In 2014, total liquidation-related receipts stood at 0.74 million lei, mostly from interest from investments.

The claim recovery ratio, determined by taking into account the claims over the debtors registered in the bank's accounting records on the bankruptcy filing date, other than the main debtor, amounted to 27.83 percent on 31 December 2014. After five former *BTR* administrators had attracted civil and criminal liability for the bank's failure on 25 May 2012, they were registered in the accounting records as collective debtor, replacing by substitution the Turkish company above mentioned and thus becoming *BTR*'s main debtor.

Receipts from recoveries of claims over debtors in the bank's portfolio from the bankruptcy filing date to 31 December 2014 totalled 5.01 million lei, accounting for 2.20 percent of the total debts recorded on the date bankruptcy procedures started. The remaining approximately 98 percent of the total unrecovered claims are, almost entirely, claims over the main debtor of the bank.

Following an approval by the *BTR*'s Creditors' Committee on 12 April 2013, an accord was signed on 22 May 2013 between *BTR* and a specialised international organisation on the worldwide tracking and identification of the Turkish debtors' hidden assets in order to enable the liquidator to recover the civil damages to which *BTR* is entitled.

Within the aforesaid accord, in October 2013 the liquidator received information on the existence of a Swiss bank account opened by one of the Turkish debtors, namely a current account used for regular payments and personal expenses which is periodically fed from bigger accounts.

Based on the approval of the Creditors' Committee of 18 November 2013, the liquidator took the necessary steps to recover *BTR*'s claims from Switzerland and recovery operations were still under way by end-2014.

The claim to attract patrimonial liability of the members of *BTR*'s last Board – two Romanian citizens and three Turkish citizens – was settled by the Bucharest Tribunal under Civil Decision no. 7593 of 26 September 2013, which was final and enforceable from the date of rendering and by which all Board members were ordered jointly and severally to pay part of the bank's liabilities in the amount of 1.99 million lei.

The order of the first court became irrevocable under Decision no. 1666/R rendered of 24 September 2014 by the Bucharest Court of Appeal dismissing the second appeals filed by four of the bank's former administrators and on 4 November 2014 the decision was applied following the start of the enforcement procedure conducted by the liquidator of *BTR*. The appeals for the annulment of Decision No.1666/R of 24 September 2014 were dismissed by the Bucharest Court of Appeal.

Expenses by banks throughout 2014: BTR – 0.69 million lei, BRS – 0.61 million lei, BIR – 0.56 million lei and Bankcoop – 0.04 million lei.

The four banks' expenditures in 2014 totalled 1.90 million lei, of which some 56 percent were expenses on salaries, including contributions, about 31 percent were third party services expenses and 13 percent or so were other liquidation-related spending (including the liquidator's fee).

Total liquidation-related expenses, linked to bankruptcy proceedings at the four banks, amounted to 171.95 million lei, gaining 1.90 million lei (around 1.1 percent) from 31 December 2013.

In order to reduce the failed banks' debtor portfolio, further action was taken to recover debts from the main debtors and to remove from accounting records the debtors whose debts could no longer be recouped (conclusion of bankruptcy procedures, lack of realisable guarantees, insolvent debtors etc).

In 2014, the number of bankrupt banks' debtors diminished by 59 (from 284 to 225 debtors).

The evolution of the number of bankrupt banks' debtors by 31 December 2014:

No.	Bankrupt bank	Total debtors on bankruptcy filing date	Total debtors removed from accounting records	Total debtors on 31 December 2014
0	1	2	3	4=2-3
1	Bankcoop	14,709	14,693	16
2	Banca Internațională a Religiilor	22,416	22,318	98
3	*Banca Română de Scont*	232	190	42
4	*Banca Turco - Română*	1,286	1,217	69
	TOTAL	**38,643**	**38,418**	**225**

The activity of the failed banks' liquidators to follow up on the cases pending before courts of law was difficult due to both the criminal operations conducted at these banks prior to filing for bankruptcy and the fact that the courts usually set hearing dates 3 to 4 months apart on an average and issued their reasons for judgement with delay, their solutions proving unfavourable to the bankrupt banks and their creditors. An example in this respect is the criminal file referring to the penal and civil liability of *BTR*'s former administrators, which took 10 years to settle.

As sources of recouping claims or saleable assets in the failed banks' patrimony were exhausted, recovery chances grew dimmer. Nevertheless, there might be recoveries in the future, particularly from *BRS*, *BTR* and Banca Internațională a Religiilor, following the ongoing lawsuits.

RECOVERY OF FGDB CLAIMS

The FGDB is a major creditor of Bankcoop (83.17 percent of the body of creditors) and BIR (78.90 percent of the body of creditors), while its stake of the body of creditors of Banca "Columna" is insignificant (0.04 percent).

The FGDB ceased to be a creditor of four bankrupt banks as a result of either the recovery of its claims in full (in 2004 for *BRS*, in 2007 for Nova Bank and in 2011 for *BTR*) or the conclusion of bankruptcy proceedings (in 2012 for Banca "Albina").

In 2014, the FGDB recouped 0.23 million lei in claims from Banca Internațională a Religiilor[50], the only source of receipts from recovered claims after two years during which the FGDB recovered none of its outstanding claims.

[50] Distribution Plan no. 12.

By 31 December 2014, the FGDB had recovered 175.70 million lei of its claims over failed banks totalling 513.30 million lei, which stands for a recovery ratio of 34.23 percent.

Of the total amount the FGDB recouped, 174.72 million is part of the compensations it paid out to the guaranteed depositors of the bankrupt banks and 0.98 million lei represents the recovery in full of the contributions owed to the FGDB by Bankcoop, *BTR* and Nova Bank and unpaid before the date of bankruptcy filing.

The FGDB recovered 100 percent of its claims over BRS, BTR and Nova Bank, 40.2 percent of its claims over BIR, 34.9 percent of its claims over Banca "Albina" and 25.9 percent of the claims over Bankcoop.




7. FGDB FINANCIAL RESOURCES AND FINANCIAL STATEMENTS

FGDB'S FINANCIAL RESOURCES

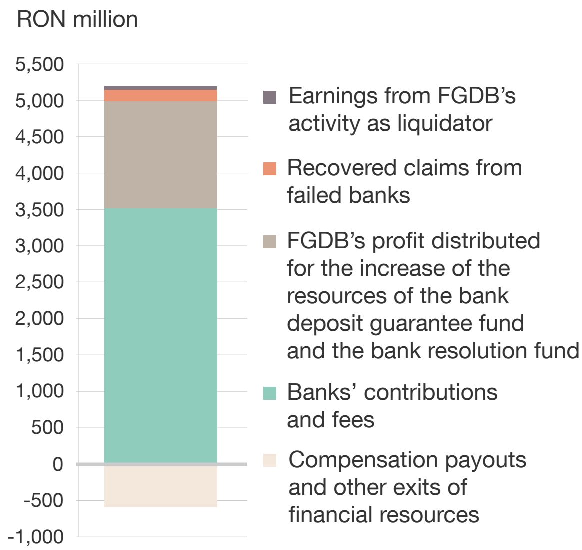
On 31 December 2014, the FGDB's financial resources added 807.8 million lei to the end-2013 level to stand at 4,529.8 million lei.

In 2014, in its capacity as administrator of the bank deposit guarantee fund and of the bank resolution fund, the FGDB continued to give priority to the consolidation of its capacity to finance the interventions stipulated by the law, namely compensation payments to guaranteed depositors and funds for stabilisation measures or the transfer of guaranteed deposits.

The FGDB's financial resources mainly consist of:

- contributions and fees paid by member credit institutions;
- reinvested profit from its investments;
- recovered claims from failed banks for compensation payouts to guaranteed depositors;
- earnings from its activity as liquidator of failed banks.

FGDB's total resources and liabilities since its establishment up to 31 December 2014



Funds administered by the FGDB

The bank deposit guarantee fund

- contributions from credit institutions
- income from investment of the available financial resources
- recovered claims
- earnings from the activities as liquidator/administrator, the attribute of shareholder of a credit institution or from selling of bridge-banks

Governmental loans

In exceptional cases where the FGDB's financial resources are insufficient to cover payouts, the Government, through the Ministry of Public Finances, offers FGDB, as a loan, the necessary amounts, within 5 working days at the most from their request.

- loans from credit institutions, financial companies and other institutions, except for the NBR
- debenture loans through FGDB securities issue

Uses:

- compensation payouts to guaranteed depositors, up to the guarantee ceiling
- financing operations that involve the transfer of guaranteed deposits with a member credit institution, including through issue of warranties
- financing resolution measures decided by the NBR

  It may not surpass a level that would lead to a decrease in the FGDB's exposure coverage ratio below 0.5% from the total value of guaranteed deposits.

The bank resolution fund

- fees from credit institutions
- income from investment of the accumulated amounts
- recovered claims

Additional sources:

- loans from credit institutions, financial companies and other institutions, except for the NBR
- debenture loans through FGDB securities issue

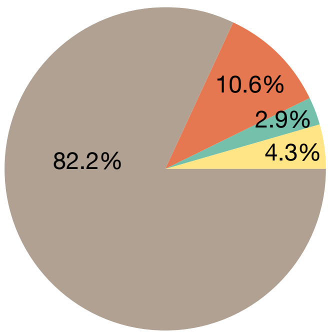
Uses:

- reimbursing persons affected by the measures ordered and implemented during special administration or, if the case may be, the resolution measures decided by the NBR
- financing resolution measures decided by the NBR

In 2014, FGDB-member credit institutions contributed 482.95 million lei to the bank deposit guarantee fund (an annual variation of +8 percent as to 2013) and 131.18 million lei to the bank resolution fund (an annual variation of +30.4 percent against the previous year).

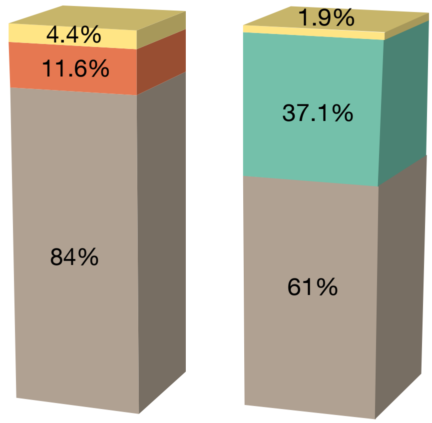
Throughout 2014, the relative variation of FGDB resources in nominal terms was larger than that of the maximum total value of potential compensations (+21.7 percent vs +5.8 percent). The evolution of the two indicators led to an improved coverage of potential compensations the FGDB would have to pay in case deposits with member credit institutions became unavailable.

Origin of FGDB resources in 2014



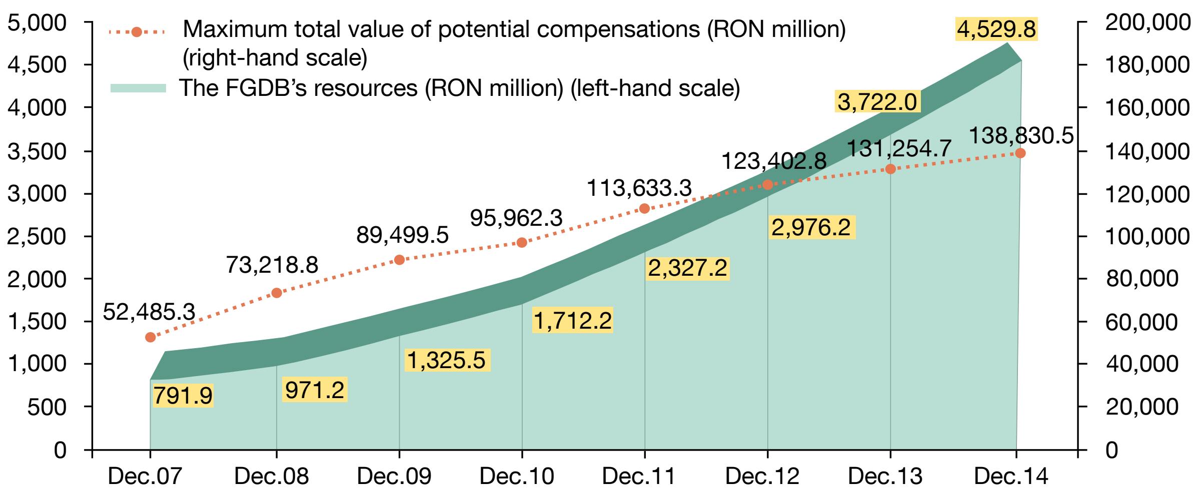
Origin of resources of

the bank deposit guarantee fund | the bank resolution fund



Annual contributions in 2014
Annual fees in 2014
Profit for distribution
Available funds on 31 December 2014

The FGDB's resources and the value of potential compensations



Investment of Resources

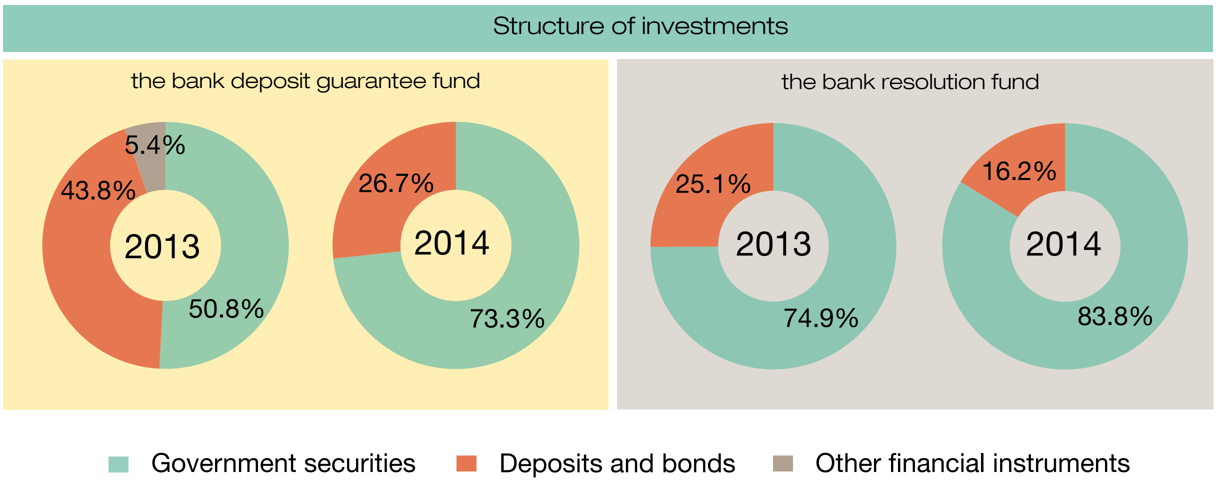
The resources of the bank deposit guarantee fund and of the bank resolution fund were invested according to the FGDB's annual exposure strategy, which was approved by the Board of the National Bank of Romania.

The FGDB invested its financial resources considering the need to minimise risk and maintain the liquidity of investments, their yield being only a secondary target. The FGDB's investment policy was implemented by the Resources Management Committee (CARF) through an adequate system of authorisation, endorsement, control and follow-up of the FGDB's financial transactions by the Treasury Department.

The average invested capital stood at 4,178.2 million lei in 2014, climbing by 23.4 percent from 2013.

The FGDB channelled its investment policy mainly towards government securities, whose stake of total invested resources soared from 52.2 percent at the start of 2014 to 74.1 percent on 31 December 2014. Investments in government securities increased by 1,438.7 million lei throughout 2014.

The FGDB's portfolio is diversified as it includes investments carrying short, medium and long-term maturities.



FGDB'S FINANCIAL STATEMENTS

The FGDB's receipts and payments in 2014 were as follows:

a) Total receipts: 824,960,433 lei, of which:

- 482,949,863 lei, from the annual contributions to the bank deposit guarantee fund, set according to statements sent by the credit institutions, including differences recorded during controls at their headquarters;
- 131,178,657 lei, from annual fees to the bank resolution fund;
- 201,741,775 lei, revenues from investments of the financial resources of the bank deposit guarantee fund that are used to increase that fund's resources;

• 8,679,819 lei, revenues from investments of the financial resources of the bank resolution fund that are used to increase that fund's resources;
• 175,396 lei interest on funds in the FGDB's current accounts;
• 234,923 lei, recovered claims from Banca Internațională a Religiilor – a bank that went into bankruptcy.

b) Total payments: 15,387,339 lei, of which:
• 15.387.339 lei representing the FGDB's current operating expenses.

The FGDB's financial result, according to the law on its operation, is given by the difference between its revenues from investments of its financial resources and its current expenses.

The FGDB's Balance Sheet

- lei -

Assets			Liabilities		
	31.12.2013	31.12.2014		31.12.2013	31.12.2014
1. Total fixed assets, of which:	**2,439,424,093**	**3,547,078,282**	**1. Total own funds, of which:**	**3,724,726,214**	**4,532,377,633**
- intangible assets	51,794	66,407	- reserves	3,524,730,058	4,337,167,978
- tangible assets	227,093	287,218	- profit for the fiscal year	199,996,156	195,209,655
- financial assets	2,439,145,206	3,546,724,657			
2. Total current assets, of which:	**1,285,700,857**	**985,759,862**	**2. Total debts, of which:**	**431,134**	**460,511**
- short-term financial investments	1,284,302,861	983,911,149	- debts payable within one year	431,134	460,511
- cash at bank and in hand	1,219,411	1,628,779			
- other claims (bank settlements)	178,585	188,920			
3. Prepaid expenses	**32,398**	**31,014**			
TOTAL ASSETS	**3,725,157,348**	**4,532,838,144**	**TOTAL LIABILITIES**	**3,725,157,348**	**4,532,838,144**

Profit and loss account

- lei -

		31.12.2013	31.12.2014	Difference
1	Total revenues	214,373,213	210,596,994	-3,776,219
2	Total expenses	14,377,057	15,387,339	+1,010,282
3	**Result for fiscal year**	**199,996,156**	**195,209,655**	**-4,786,501**

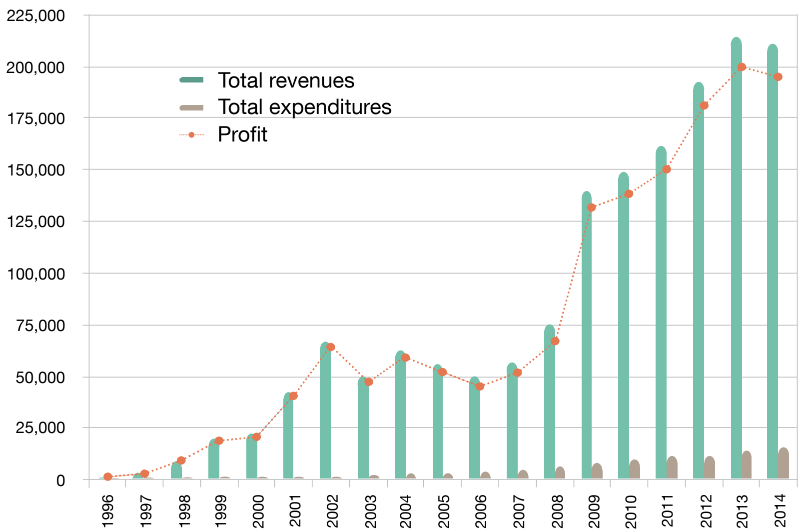
The FGDB's 2014 total revenues worth 210,596,994 lei came from:
- 210,421,598 lei, interest on time deposits and fixed coupons on government securities following investments of FGDB financial resources in 2014;
- 148,586 lei, interest on the FGDB's funds in bank current accounts;
- 26,810 lei, other operating revenues.

The FGDB's expenditures in 2014, totalling 15.387.339 lei and accounting for 7.31 percent of total revenues, mainly included:
- 9,995,624 lei, spending on salaries, which accounted for 64.96 percent of total expenditures. Salary-related spending represented 4.75 percent of the FGDB's revenues from invested available resources;
- 2,239,136 lei, expenditures on special budgets;
- 2,790,431 lei, expenses to pay services provided by third parties (18.13 percent of total expenditures)
- 207,733 lei, spending on office supplies and inventory items;
- 154.415 lei, expenses related to the depreciation of tangible and intangible assets.

The FGDB ended fiscal year 2014 with a pre-tax profit of 195,209,655 lei, 2.39 percent lower than the previous year, due to developments in the market for government securities and the evolution of interest rates. According to legal provisions (Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions), the FGDB's profit before taxation is tax free and is distributed to the destinations stipulated by the law.

The evolution of the FGDB's revenues, expenditures and profit

RON thousand; end of period



In line with provisions under Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, republished, with subsequent amendments and completions, 99 percent of the FGDB's profit is allocated to replenish the FGDB's financial resources and to make the tangible and intangible investments approved by the Board of Directors of the National Bank of Romania. The remaining 1 percent goes to the creation of an annual profit-sharing fund following the approval of the FGDB's Board.

The FGDB's financial statements as of 31 December 2014 were audited by financial audit firm KPMG Audit SRL whose report showed that "the financial statements for fiscal year ended 31 December 2014, faithfully present, in all significant aspects, the Fund's financial position on 31 December 2014, as well as the result of its operations for the fiscal year ended on that date, according to Order no. 27/2011 of the Chairman of the Board of Directors of the National Bank of Romania, with subsequent amendments and completions."

8. INTERNAL AUDIT

Throughout 2014 risk evaluation and internal control continued within the FGDB and several audit missions were undertaken to assess the activities of its departments.

To this end, special attention was given to the assessment of the calculation of specific risk for the activities of the FGDB's organisational structures, as well as the effective application of internal control procedures by the FGDB's departments.

The FGDB's auditable activities are structured according to five categories of functions, as follows:

(i) Core activity function (22 percent);
(ii) Analysis function (16 percent);
(iii) Organisation and management function (39 percent);
(iv) Human resources management function (9 percent);
(v) Financial and accounting function (14 percent).

Risks related to auditable activities are assessed according to the following criteria:

- assessment of internal control (35 percent);
- quantitative assessment (of the financial impact in case of losses) (20 percent);
- qualitative assessment (existence/adequacy of norms and procedures, human resources, time elapsed since the previous audit, complexity of operations, the quality of the IT system) (45 percent).

According to the Internal Audit Plan for 2014, the audit missions covered the application of the FGDB's annual exposure strategy, legal activities, acquisition operations, various administrative activities, as well as human resources-related activities. At the same time, the Internal Audit Department produced a monthly report on the compliance with the limits of the FGDB's exposure strategy.

The audit missions ended with reports, which were submitted to the executive management, while a synthesis of those reports was sent to the FGDB's Board every six months. The audit reports were accompanied by conclusions, recommendations and deadlines for the implementation of recommendations.

[51] The specific risk associated with each auditable activity is calculated annually and within the audit missions. It refers to the exposures that might affect the successful, effective and efficient fulfilment of the duties of the FGDB's organisational structures and of targets they pursue through auditable activities.

9. INDEPENDENT AUDITOR’S REPORT, BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND NOTES OF THE FGDB FINANCIAL STATEMENTS

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Independent Auditor's Report

To: The Bank Deposit Guarantee Fund's Board

Report on Financial Statements

1. We have audited the accompanying financial statements of the Bank Deposit Guarantee Fund ("the Fund"), which include the balance sheet as of 31 December 2013, the profit and loss account for the fiscal year then ended, as well as a summary of significant accounting policies and other explanatory notes numbered from page 1 to page 28. The financial statements refer to:

• Total assets:	4,532,838,144 lei
• Net result of the fiscal year – profit:	195,209,655 lei

Fund Management's Responsibility for the Financial Statements

2. The Fund's management is responsible for the reliable preparation and presentation of these financial statements, in accordance with Order no. 27/2011 of the Chairman of the Board of Directors of the National Bank of Romania, with subsequent amendments and completions, and for the internal control the management considers necessary for the preparation of financial statements which should not contain significant alterations caused by fraud or error.

Auditor's Responsibility

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

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

KPMG

Opinion

6. In our opinion, the financial statements for the fiscal year ended 31 December 2014 faithfully present, in all significant aspects, the Fund's financial position on 31 December 2014, as well as the result of its operations for the fiscal year ended on that date, according to Order no. 27/2011 of the Chairman of the Board of Directors of the National Bank of Romania, with subsequent amendments and completions".

Other Aspects

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

8. The present independent auditor's report is exclusively addressed to the members of the Fund's Board, as a body. Our audit has been undertaken so that we may report to the Fund's Board the aspects that we are required to state to them in a financial audit report and for no other purpose. To the extent permitted by law, we do not accept and we do not assume responsibility to other than the Fund and the members of its Board, as a body, for our audit, for the report on the financial statements, for the conformity report and for the opinion we have formed.

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

In line with Order no. 27/2011, article 210, item (1) e of the Chairman of the Board of Directors of the National Bank of Romania on Accounting Regulations complying with European directives, we have read the management's report attached to the financial statements and numbered from page 1 to page 9. The management's report is not an integral part of the financial statements. In the management's report we have not identified financial information significantly non-compliant with the information presented in the accompanying financial statements.

For and on behalf of KPMG Audit SRL:

Grecu Tudor Alexandru

Camera Auditorilor Financiari din România
Grecu
Tudor
Alexandru
Nr.2368

KPMG Audit SRL

Registered with the Chamber of Financial Auditors of Romania at no. 2368/22.01.2008

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

Bucharest, 27 March 2015

BALANCE SHEET

as of 31 December 2014

-RON-

Indicator	Position code	Note	31 December 2013	31 December 2014
A	B		1	2
Cash	010	2	13,956	14,786
Claims over credit institutions	020	3	1,442,923,877	977,191,174
• sight claims	023		1,205,455	1,613,993
• other claims	026		1,441,718,422	975,577,181
Public instruments, bonds and other fixed-income securities	040		2,242,513,881	3,546,724,657
• issued by public bodies	043	4	2,242,513,881	3,546,724,657
Intangible assets	050	5	51,794	66,407
Tangible assets	060	5	227,093	287,218
Other assets	070	6	178,585	188,920
Prepaid expenses and committed income	080	7	39,248,162	8,364,982
Total assets	**090**		**3,725,157,348**	**4,532,838,144**
Other liabilities	330	8	431,134	460,511
The bank deposit guarantee fund and the bank resolution fund	360		3,524,025,058	4,336,462,978
• The bank deposit guarantee fund	361		3,316,551,377	3,989,986,507
› The deposit guarantee fund consisting of credit institutions' contributions	362	9	2,177,443,844	2,660,393,707
› The deposit guarantee fund consisting of revenues from claim recovery	363	11	65,714,286	65,949,209
› The deposit guarantee fund consisting of revenues from investments of available financial resources	365	12	1,070,802,404	1,261,052,749
› The deposit guarantee fund consisting of other revenues as set within the law	366	13	2,590,843	2,590,843
• The bank resolution fund	367	10	207,473,681	346,476,471
Reserves	370	14	705,000	705,000
Result of the fiscal year – Profit	**403**		**199,996,156**	**195,209,655**
Total liabilities	**420**		**3,725,157,348**	**4,532,838,144**

THE PROFIT AND LOSS ACCOUNT

for the fiscal year ended 31 December 2014

-RON-

Indicator	Position code	Note	31 December 2013	31 December 2014
A	B		1	2
Interest receivables and similar income, of which:	010	16a	214,371,919	210,568,203
• on public instruments, bonds and other fixed-income securities	015		119,058,019	155,244,336
Commissions	040	16b	61,942	34,463
Net profit or loss from financial operations	050	16c	(1,698)	376
Other operating income	060	16c	-	26,810
General administrative expenses	070		13,649,649	14,645,263
• Employee-related expenses, of which:	073	16d	11,012,129	12,234,760
• Salaries	074		8,852,354	9,995,624
• Social security costs, of which:	075		2,159,775	2,239,136
• Pension-related expenses	076		1,340,686	1,391,216
• Other administrative expenses	077	16e	2,637,520	2,410,503
Adjustments to the book value of tangible and intangible assets	080	5	176,174	154,415
Other operating expenses	090		486,300	551,593
Result of current activity - Profit	**143**		**199,996,156**	**195,209,655**
Total income	180		214,370,221	210,595,389
Total expenses	190		14,374,065	15,385,734
Pre-tax result – Profit	203		199,996,156	195,209,655
Net result for the fiscal year - Profit	**223**		**199,996,156**	**195,209,655**

NOTES TO THE FGDB'S FINANCIAL STATEMENTS - EXCERPTS

1. Significant Accounting Methods and Policies

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

a) Preparation and Presentation of Financial Statements

These financial statements were prepared in compliance with:

i. Order no. 27/2011 of the Chairman of the Board of Directors of the National Bank of Romania (BNR) on the approval of the accounting regulations complying with European Union directives applicable to non-banking financial institutions, payment institutions providing credits related to payment services, electronic money institutions and the Bank Deposit Guarantee Fund, with subsequent amendments and completions ("BNR Order no. 27/2011");

ii. The Accounting Law no. 82/1991, republished, with subsequent amendments and completions.

The present financial situations include the FGDB's own individual financial statements.

The present financial statements were prepared under the historical cost convention, with the exceptions further outlined in accounting policies.

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

The FGDB prepared the present financial statements according to the principle of continuity of business.

The present financial statements were approved by the Board of Directors of the National Bank of Romania on 7 April 2015.

i) Financial assets

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

Securities can be classified as investment securities depending on:
• conditions and characteristics of the financial asset and
• the FGDB's ability and actual intent to hold these instruments to maturity.

The decision on classifying securities as investment securities will ignore both future opportunities to make profit from the respective portfolio and bid prices from other investors before maturity, since the intent is to hold the respective investment to maturity rather than to sell it, no matter the fluctuations in value in the market for such instruments.

A precondition for the classification as investment securities is the assessment of the FGDB's intent and ability to hold those instruments to maturity; this assessment should be made not only at the time of the initial acquisition but also at the end of each fiscal year.

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

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

This interdiction doesn't apply if the respective sale or reclassification:

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

p) The Bank Deposit Guarantee Fund's Specific Resources

The FGDB's resources consist of: initial contributions from credit institutions, annual contributions from credit institutions, special contributions and other reserves built from previous years' profits. For lack of resources, the FGDB can take loans from the Ministry of Public Finance, under lending contracts, in order to replenish its funds.

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

(i) Initial contribution

It is the contribution that each credit institution joining the FGDB's guarantee scheme owes to it. It is recorded the moment the respective credit institution receives its licence.

(ii) Annual contribution

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

(iii) Special contributions

They represent other contributions that credit institutions pay to the FGDB, according to the law, when its financial resources are insufficient to cover compensation payoffs.

(iv) Claim Recoveries

They represent revenues from the recovery of the FGDB's claims over failed commercial banks for the compensations paid when these banks went into bankruptcy.

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

(v) Funds consisting of other revenues

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

(vi) Fund Consisting of Revenues from Investments of Available Financial Resources

These resources are the FGDB's net profit. Under Government Ordinance no. 39/1996, the FGDB's profit, which is the difference between its revenues and its expenditures, is tax free.

Based on an approval from the FGDB's Board, up to 1 percent of the profit goes to an annual profit-sharing fund, with the remainder being used to replenish FGDB resources intended to cover guarantee deposits and finance its tangible and intangible investments, according to the revenues and expenditures budget approved by the National Bank of Romania.

The resource account decreases by:

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

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

q) Profit tax

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

t) Revenues from Interest

Revenues from interest are recognised in the profit and loss account, according to the principle of accrual-based accounting, for all interest-bearing financial instruments, when they are earned. Interest incomes also include revenues generated by the amortisation of the discount on the acquisition of assets at a lower value and the amount payable at maturity, as well as the premiums generated by debts made at a value higher than that payable at maturity.

u) Revenue Recognition

The FDGB does not perform commercial activities. Its revenues derive from interest on financial assets. In the present financial statements, revenues and expenditures are presented at their gross value. Debts and claims from the same partners are presented in the balance sheet at their net value when a compensation right arises.

2. Cash

On 31 December 2014, the FGDB's cash in hand amounted to 14,786 lei (versus 13,956 lei on 31 December 2013).

3. Claims over Credit Institutions

	31 December 2013 (RON)	31 December 2014 (RON)
Current accounts	1,205,455	1,613,993
Term investments at banks	1,441,718,422	975,577,181
Total	**1,442,923,877**	**977,191,174**

4. Public Instruments, Bonds and Other Fixed-Income Securities

	31 December 2013 (RON)	31 December 2014 (RON)
Investment securities, of which:	2,137,456,891	3,217,199,507
• Investment securities	1,809,205,192	3,012,682,900
• Bonds	328,251,699	204,516,607
Trading securities	105,056,990	329,525,150
Total	**2,242,513,881**	**3,546,724,657**

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

	31 December 2013 (RON)	31 December 2014 (RON)
Initial contribution – 1%	6,472,230	6,472,230
Annual contribution (including increased contribution)	2,636,263,042	3,119,212,905
Special contribution	61,777,997	61,777,997
Credit line commission	(14,825,698)	(14,825,698)
Deposit compensations	(512,243,727)	(512,243,727)
Total	**2,177,443,844**	**2,660,393,707**

The initial contribution is paid within 30 calendar days of the date a licence was issued by the National Bank of Romania or, in the case of branches of credit institutions headquartered in other EU member states, of the date they became members of the FGDB. In 2014, there were no initial contribution payments.

Each credit institution's annual contribution is calculated on the basis of the statements it sends to the FGDB. In 2014, the FGDB collected 482.949.863 lei in annual contributions, which were calculated as 0.3 percent of the value of guaranteed deposits (2013: 0.3 percent, namely 447.233.922 lei). The annual contribution percentage is proposed by the FGDB and approved by the National Bank of Romania Board.

If, upon a FGDB request, the Board of the National Bank of Romania considers that FGDB resources are insufficient to settle payment obligations, it can decide that each credit institution should pay a special contribution equal to up to the level of the annual contribution of the respective fiscal year. In 2013, just like in 2012, credit institutions paid no special contributions.

The compensation is the amount the FGDB pays to each guaranteed depositor for deposits, which become unavailable, no matter the number of deposits and within the guarantee ceiling. In 2014, just like in 2013, there were no compensation payouts.

10. The Bank Resolution Fund

(RON)

Annual fee	200,762,644
2012 capitalised profit	6,711,036
31 December 2013 balance	**207,473,680**
2014 annual fee	131,178,657
2013 capitalised profit	7,824,134
31 December 2014 balance	**346,476,471**

The bank resolution fund is set up to secure the financial resources needed to compensate entities prejudiced by measures endorsed and implemented during special administration procedures and to finance the stabilization measures decided by the National Bank of Romania.

The bank resolution fund is administered by the Bank Deposit Guarantee Fund. The annual fee is calculated by applying a percentage to the value of the non-guaranteed liabilities of each credit institution, Romanian legal person. In setting the percentage to be used when calculating the annual fee, the optimum amount of financial resources in the bank resolution fund is considered and so is the targeted appropriate level for each year. That percentage cannot exceed 0.1.

In 2014, the FGDB collected a total 131,178,657 lei in annual fees calculated for a percentage of 0.1 of non-guaranteed liabilities. In 2013, the annual fees going to the FGDB stood at 100,596,040 lei for a percentage of 0.0678 of non-guaranteed liabilities.

The 2013 profit worth 7,824,134 lei, which was a result of investments of bank resolution fund resources, was capitalised following a decision of the FGDB's Board after the financial statements as of 31 December 2013 had been authorised.

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

	31 December 2013 (RON)	31 December 2014 (RON)
Claim recovery	174,489,241	174,724,164
Interest on bank loans – the National Bank of Romania	(108,774,955)	(108,774,955)
Total	**65,714,286**	**65,949,209**

The recovered claims are the amounts the FGDB collected from credit institutions as outstanding annual contributions on bankruptcy filing date and as compensation payouts to depositors.

In 2014, claims worth 234.923 lei were recovered from Banca Internațională a Religiilor, a credit institution that went bankrupt.

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

	31 December 2013 (RON)	31 December 2014 (RON)
Fund consisting of revenues from investments of available financial resources – share of the profit	1,070,802,404	1,261,052,749

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

13. Fund Consisting of Other Revenues, within the Law

	31 December 2013 (RON)	31 December 2014 (RON)
The FGDB's earnings from its activities as liquidator	2,590,843	2,590,843

15. Distribution of Profit

	31 December 2013 (RON)	31 December 2014 (RON)
Result of current activity – profit, of which:	199,996,156	195,209,655
Profit from the guarantee fund resources	192,172,022	188,529,461
Profit from the bank resolution fund resources	7,824,134	6,680,194
Undistributed profit	**199,996,156**	**195,209,655**

The FGDB's Board will decide on the distribution of profit for the fiscal year ended 31 December 2014 after its financial statements have been authorised.

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

a) Interest receivables and assimilated revenues

(RON)	2013	2014
Current accounts	133,296	146,605
Investments at banks	95,180,604	55,177,262
Fixed-income securities and other bonds	119,058,019	155,244,336
Total	**214,371,919**	**210,568,203**

d) Staff-Related Expenses

(RON)	2013	2014
Spending on salaries	8,852,354	9,995,624
Spending on social security and welfare, of which:	2,159,775	2,239,136
• spending on pensions	1,340,686	1,391,216
Total	**11,012,129**	**12,234,760**

e) Other administrative expenses

(RON)	2013	2014
Telecommunications and data processing	131,717	132,368
Advertising	157,427	54,174
Business trips	322,633	189,245
Inventory materials and items	152,977	207,733
Maintenance and utilities	240,300	146,210
Audit, consultancy and other services	614,707	806,200
Freelance workersi	868,000	751,833
Other administrative spending	149,759	122,740
Total	**2,637,520**	**2,410,503**

Spending on audit fees in 2014 stood at 38,268 RON.

19. Risk Management

The major risks the FGDB faces in its activities are of a financial and operational nature.

The FGDB is exposed to the following risks:

- Interest-related risk
- Market risk
- Liquidity risk
- Foreign exchange risk

a) Intrest-related risk

The FGDB is exposed to fluctuations in market interest rates in point of financial position and treasury flows. Interest can rise due to such swings, but it may also diminish and trigger losses when unexpected shifts occur. The FGDB management periodically monitors the Fund's exposure to interest rate moves.

In 2014, the FGDB got the following rates on its investment assets:

	2013		2014	
	min	max	min	max
Claims over credit institutions	5%	8.08%	3%	4.30%
Public instruments, bonds and other fixed income securities	3.13%	7.75%	1.72%	5.47%

b) Market Risk

As Romania's economy is still a developing economy, there is a significant amount of uncertainty over the possible course of domestic economic policies. The FGDB management cannot anticipate either the changes to occur in Romania or their possible impact on the FGDB's financial position and on the results of its transactions.

c) Liquidity Risk

The main source of liquidity risk is the lack of correlation between the maturity date of the FGDB's assets and that of its obligations.

The FGDB's strategy focuses on maintaining sufficiently liquid resources to be able to meet obligations as they come due without incurring losses.

(RON)

As of 31 December 2014	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Total
Cash	14,786	-	-	14,786
Current bank accounts	1,613,993	-	-	1,613,993
Claims over credit institutions	657,754,577	317,822,604	-	975,577,181
Public instruments, bonds and other fixed-income securities	101,149,884	951,236,787	2,494,337,986	3,546,724,657
Other financial instruments	-	-	-	-
Other assets	188,920	-	-	188,920
Prepaid expenses and committed revenues	1,057,182	7,307,800	-	8,364,982
Total assets	**761,779,342**	**1,276,367,191**	**2,494,337,986**	**4,532,484,519**
Other liabilities	460,511	-	-	460,511
The bank deposit guarantee fund	3,989,986,507	-	-	3,989,986,507
The bank resolution fund	346,476,471	-	-	346,476,471
Total liabilities	**4,336,923,489**	**-**	**-**	**4,336,923,489**
Liquidity surplus/ (needs)	**(3,680,320,199)**	**658,681,722**	**3,217,199,507**	**195,561,030**

(RON)

As of 31 December 2013	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Total
Cash	13,956	-	-	13,956
Current bank accounts	1,205,455	-	-	1,205,455
Claims over credit institutions	503,765,033	-	937,953,389	1,441,718,422
Public instruments, bonds and other fixed-income securities	-	105,056,990	2,137,456,891	2,242,513,881
Other financial instruments	-	-	186,557,000	186,557,000
Other assets	178,585	-	-	178,585
Prepaid expenses and committed revenues	32,398	29,141,439	10,074,325	39,248,162
Total assets	**505,195,427**	**134,198,429**	**3,272,041,605**	**3,911,435,461**
Other liabilities	431,134	-	-	431,134
The bank deposit guarantee fund	3,316,551,377	-	-	3,316,551,377
The bank resolution fund	207,473,681	-	-	207,473,681
Total liabilities	**3,524,456,192**	**-**	**-**	**3,524,456,192**
Liquidity surplus/ (needs)	**(3,019,260,765)**	**134,198,429**	**3,272,041,605**	**386,979,269**

d) Foreign Exchange Risk

The FGDB operates in a developing economy where the exchange rates of the major currencies (the euro, the U.S. dollar, the Swiss franc) are unstable as shown by the fluctuations over the last few years of such currencies as the euro and the Swiss franc. Therefore, it runs the risk of seeing the value of its RON-denominated net monetary assets slide.

On 31 December 2014, the FGDB's cash in hand and bank current accounts in euro amounted to the equivalent of 18,765 lei (31 December 2013: the equivalent of 1,626 lei), in U.S. dollars the equivalent of 1,297 lei (31 December 2013: 3,113 lei) and in other foreign currencies the equivalent of 240 lei (31 December 2013: the equivalent of 36,697 lei). The remaining monetary assets and liabilities are denominated in the national currency.

e) Credit Risk

Starting 2012, the FGDB's main target has been to strengthen its operational and financial capacity to be able both to secure the necessary resources to cover possible compensation payouts and to fulfil its new financial stabilisation duties introduced under Government Ordinance no. 1/2012 to amend and complement normative acts in the credit institution sector.

In 2014, the FGDB continued to focus on the efficient investment of its available financial resources, in conditions of higher liquidity and lower risk, in line with its 2014 exposure strategy approved by the Board of the National Bank of Romania.

(i) **Investment securities**

Investment securities, of which:	31 December 2014 (RON)
Investment securities	3,012,682,900
Bonds	204,516,607
Trading securities	329,525,150
Total	**3,546,724,657**

Investment securities, of which:	31 December 2013 (RON)
Investment securities	1,809,205,192
Bonds	328,251,699
Trading securities	105,056,990
Total	**2,242,513,881**

(ii) **Bank deposits**	31 December 2014 (RON)
Total bank deposits	975,577,181
Current accounts	1,613,993
Total bank deposits and current accounts	**977,191,174**

	31 December 2013 (RON)
Total bank deposits	1,441,718,422
Current accounts	1,205,455
Total bank deposits and current accounts	**1,442,923,877**

ANNEXES

LIST OF THE FGDB-MEMBER CREDIT INSTITUTIONS AS OF 31 DECEMBER 2014

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

[1] Until 13 March 2014 the bank had operated under the name ATE Bank România S.A.
[2] Starting 25 April 2015 the bank is operating under the name Idea Bank S.A.

DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS OF 31 DECEMBER 2014

No.	Indicator	31 Dec. 2013*	31 Dec. 2014	Difference	
0	1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1.	Number of deposit holders - total, of which:	15,046,164	14,799,227	-246,937	-1.6
	• natural persons	14,079,987	13,860,873	-219,114	-1.6
	• legal persons	966,177	938,354	-27,823	-2.9
2.	Number of guaranteed deposit holders - total, of which:	14,997,158	14,749,200	-247,958	-1.7
	• natural persons	14,065,202	13,843,863	-221,339	-1.6
	• legal persons	931,956	905,337	-26,619	-2.9
3.	Total deposits (million lei), of which:	286,261.4	288,133.8	1,872.4	0.7
	• in lei	153,833.8	160,480.7	6,646.9	4.3
	• in foreign currency (RON equivalent)	132,427.6	127,653.2	-4,774.4	-3.6
4.	Total guaranteed deposits(million lei), of which:	160,983.3	171,507.2	10,523.9	6.5
	% of total deposits	*56.2*	*59.5*	*3.3 p.p.*	
	• in lei	101,396.3	109,422.1	8,025.8	7.9
	• in foreign currency (RON equivalent)	59,586.9	62,085.1	2,498.2	4.2
5.	Value of natural persons' guaranteed deposits (million lei), of which:	122,317.2	128,589.2	6,272.0	5.1
	% of total guaranteed deposits	*76.0*	*75.0*	*-1.0 p.p.*	
	• in lei	72,696.2	76,819.7	4,123.5	5.7
	• in foreign currency (RON equivalent)	49,621.0	51,769.5	2,148.5	4.3
6.	Value of legal persons' guaranteed deposits (million lei), of which:	38,666.1	42,918.0	4,251.9	11.0
	% of total guaranteed deposits	*24.0*	*25.0*	*1.0 p.p.*	
	• in lei	28,700.1	32,602.4	3,902.3	13.6
	• in foreign currency (RON equivalent)	9,966.0	10,315.6	349.6	3.5
7.	Total non-guaranteed deposits (million lei), of which:	125,278.1	116,626.6	-8,651.5	-6.9
	% of total deposits	*43.8*	*40.5*	*-3.3 p.p.*	
	• in lei	52,437.5	51,058.6	-1,378.9	-2.6
	• in foreign currency (RON equivalent)	72,840.7	65,568.1	-7,272.6	-10.0

Note: Due to rounding, there may be slight differences between total/subtotal and the sum of the components.

* Final data updated after a verification of the calculation basis for contributions owed by credit institutions in 2014.

Banca Națională a României

NATIONAL COMMITTEE FOR FINANCIAL STABILITY

România
Autoritatea de Supraveghere Financiară

România
Ministerul Finanțelor Publice

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

SIGURANȚĂ - PROFESIONALISM - INCREDERE - INTEGRITATE

DEPOSIT GUARANTEE FUND
BANK IN THE
ENVIRONMENT INTERNATIONAL

IADI International Association of Deposit Insurers

EFDI. EUROPEAN FORUM OF DEPOSIT INSURERS

FGDB

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

- ÎNCREDERE - INTEGRITATE - SIGUR
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