

FGDB

FONDUL DE GARANTARE A DEPOZITELOR BANCARE
BANK DEPOSIT GUARANTEE FUND

ALPHA BANK

BANCA CENTRALĂ COOPERATISTĂ
CREDITCOOP

BANCA COMERCIALĂ
FEROVIARĂ

INTESA SANPAOLO BANK

BCR

EximBank
România

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Banca Română de Credite și Investiții

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Membru a Grupului National Bank of Greece

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Banca pentru tine

Credit EuropeBank

GarantiBank

Idea Bank

LIBRA INTERNET BANK

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PORSCHE FINANCE GROUP ROMANIA

ProCredit Bank

Raiffeisen
Banca pentru Locuințe

Raiffeisen
BANK

UniCredit Bank

2016 annual report

ANNUAL REPORT 2016

FGDB

20
YEARS
of insuring bank deposits



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2016 ANNUAL REPORT

20
YEARS

of insuring bank deposits

VALUES

shared and promoted by FGDB

The FGDB is an apolitical institution, which, according to the law, protects money in depositors' accounts at Romanian banks, thus contributing to financial stability and encouraging savings.

We treat all depositors with due respect, honesty and professionalism.

MISSION

The FGDB pays due compensation to guaranteed depositors in the event of their bank's inability to repay their deposits when due.

The FGDB is the administrator of the bank resolution fund and may act as special administrator, temporary administrator, sole liquidator or shareholder of a bridge bank or of an asset management vehicle, in compliance with the law governing the recovery and resolution of credit institutions.

ABBREVIATIONS

EBA	The European Banking Authority
NBR	The National Bank of Romania
CARF	The Resources Management Committee
CNSF	The National Committee for Financial Stability
CNSM	The National Committee for Macroprudential Supervision
EDIS	The European Deposit Insurance Scheme
EFDI	The European Forum of Deposit Insurers
EUC	The EFDI's EU Committee
FGDB	The Bank Deposit Guarantee Fund
IADI	International Association of Deposit Insurers
MREL	Minimum Requirement for own funds and Eligible Liabilities
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
RCI	The Interbank Communication Network
ROA	Return on Assets
ROE	Return on Equity
DGS	Deposit guarantee scheme
SREP	Supervisory Review and Evaluation Process
USA	The United States of America
TLAC	Total Loss-Absorbing Capacity
EU	The European Union

DEFINITIONS

- deposit – any amount of money a person holds in a bank account, which may be a current account, a card account, a time deposit, a savings account or another similar product. According to the law, 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, including time deposits and savings accounts” which is in none of the situations below:
 - a) its existence can only be proved by a financial instrument, as defined in Article 2 paragraph (1) point 11 of *Law no. 297/2004 on the capital market*, with subsequent amendments and completions, unless it is a savings product evidenced by a certificate of nominal deposit as at 2 July 2014;
 - b) its principal is not repayable at par;
 - c) its principal may be repaid at par only under a particular guarantee or agreement provided by the credit institution or by a third party.
- eligible deposit – a deposit that is not excluded from the scope of guarantee, namely a deposit that complies with legal provisions on payouts within the coverage limits.
- covered deposit – the part of an eligible deposit that does not exceed the guarantee ceiling. A guaranteed depositor may hold deposits within the legally stipulated guarantee ceiling, in which case the depositor is fully covered, or deposits that exceed the guarantee ceiling, in which case the compensation is limited to the coverage level.
- unavailable deposit – a deposit that is due and payable but that has not been paid by a credit institution under the legal and contractual conditions applicable thereto, where either:
 - » the National Bank of Romania, as the administrative authority competent to classify deposits as unavailable, has determined that the respective credit institution, for reasons directly linked to its financial situation, is unable to repay the deposit and has no immediate prospects of being able to do so, or
 - » a court decision on the opening of bankruptcy proceedings for the respective credit institution had been issued before the National Bank of Romania could assess the situation described above.
- guaranteed depositor – the holder of an eligible deposit or, in the case of a joint account the holders of an eligible deposit or, as the case may be, the person entitled to amounts from an eligible deposit. A natural or legal person may hold money at several banks. Each bank reports the number of depositors in its records to the FGDB which adds up the data reported by all member institutions. Consequently, when determining the total number of depositors, depositors who are clients of different banks are recorded several times.
- compensation – the amount of money determined according to legal provisions, within the guarantee level, which a deposit guarantee scheme pays to each guaranteed depositor when deposits, no matter their number, become unavailable.
- guarantee ceiling – the maximum coverage level per guaranteed depositor per credit institution.

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SUPERVISORY BOARD



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

AUDIT COMMITTEE



Dumitru Laurențiu Andrei
Deputy General Director
The Ministry of Public Finance



Beatrice Popescu
Senior Expert
The National Bank of Romania



Adrian Gabriel Trandafir
Expert
The National Bank of Romania



Anca Florina Iordache
Deputy General Director
The Ministry of Public Finance



Dan Costin Nițescu
Advisor to the Governor
The National Bank of Romania



Lucia Sanda Stoenescu
Senior Expert
The National Bank of Romania

The members of the Supervisory Board were appointed on 14 June 2016. Prior to that date, an Administration Board fulfilled the duties the Supervisory Board now does. That Board consisted of: Chairperson – Lucian Croitoru (the National Bank of Romania) and six members: Gabriela Buculei, Lucia Sanda Stoenescu (the National Bank of Romania), Florin Dănescu, Constantin Barbu (the Romanian Banking Association), Dumitru Laurențiu Andrei (the Ministry of Public Finance), Liviu Stancu (the Ministry of Justice). Gabriela Buculei was a member of the Supervisory Board until 27 October 2016. Starting 1 May 2017, Dan Costin Nițescu, representing the National Bank of Romania, was appointed to the Supervisory Board.

ORGANISATIONAL CHART

EXECUTIVE BOARD



Adriana Sîvu
Deputy General Director

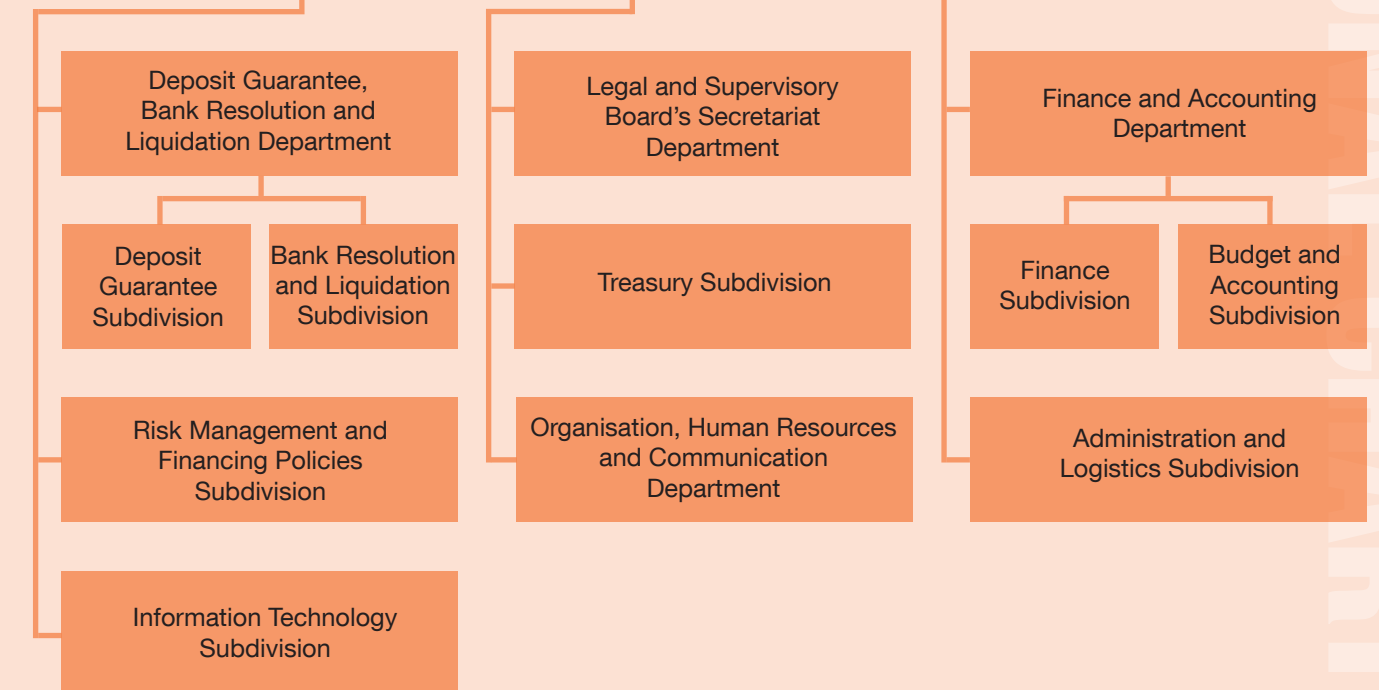


Petre Tulin
General director



Vasile Bleotu
Financial director

Internal Audit Subdivision



This organisational chart has been valid since 10 March 2017.

Executive Board members were appointed on 15 December 2016. Prior to that date, the FGDB's executive management included Eugen Dijmărescu, Director, Petre Tulin, Deputy Director and Vasile Bleotu, Financial Director.



FGDB profile and relevant data for 2016



In 2016, the FGDB celebrated two decades since its creation as a bank deposit guarantee scheme whose initial aim was to compensate depositors, natural persons, in case of bank failures¹.

Throughout these twenty years of activity, the responsibilities assigned to the FGDB under the law have increased in scope and complexity allowing the Fund to become, at end-2015², Romania's statutory bank deposit guarantee scheme, as well as the administrator of the bank resolution fund, empowered also to act to apply early intervention and bank resolution measures.

While in the beginning the FGDB played a limited role within the national system of ensuring financial stability because of the narrow scope of its activity (confined to compensation payments to small depositors), during the two decades of activity it has gradually consolidated thanks to the increased powers it has acquired under successive amendments to legislation.

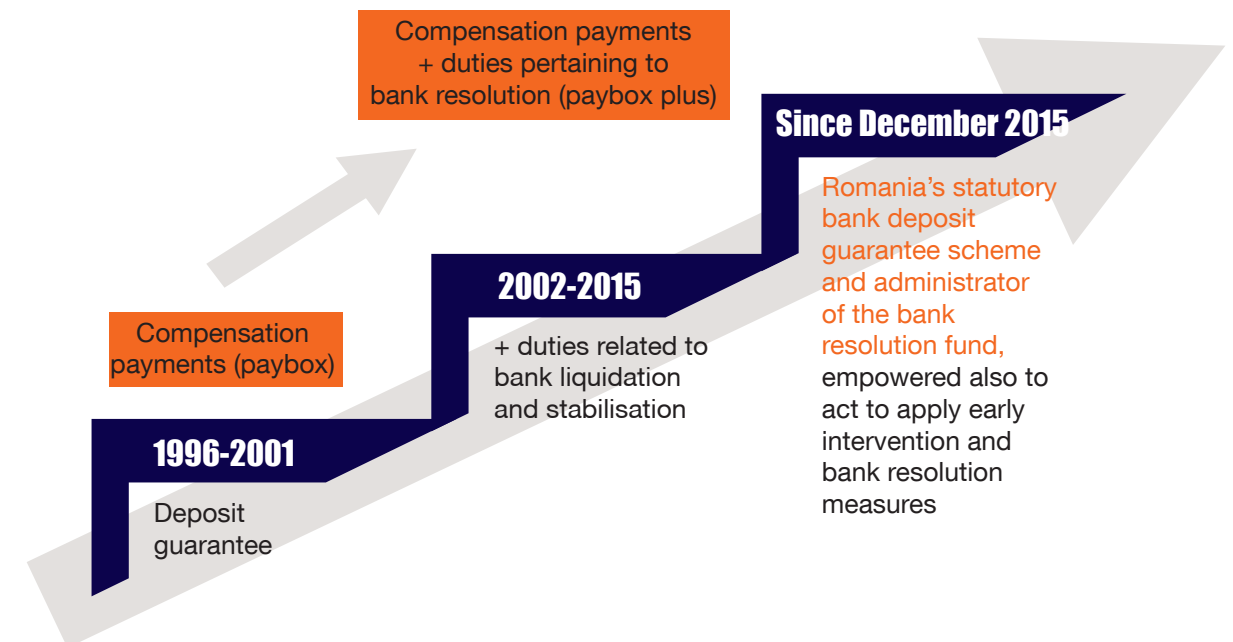
The FGDB is a legal person of public interest, which is organised and operates according to its own statute.

A classification of deposit guarantee schemes according to their mandates shows the FGDB as falling into the category of schemes with extensive mandates as, besides the

¹ The FGDB was set up when the first signs of a crisis in the Romanian banking system emerged, its creation being part of the measures taken to reform the financial sector in Romania.

² Based on *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund*, transposing *Directive 2014/49/EU on deposit guarantee schemes* into national legislation. Along with this law, another piece of legislation impacting the FGDB took effect, namely *Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector*, which, in its turn, transposes into national law the EU Directive on bank recovery and resolution.

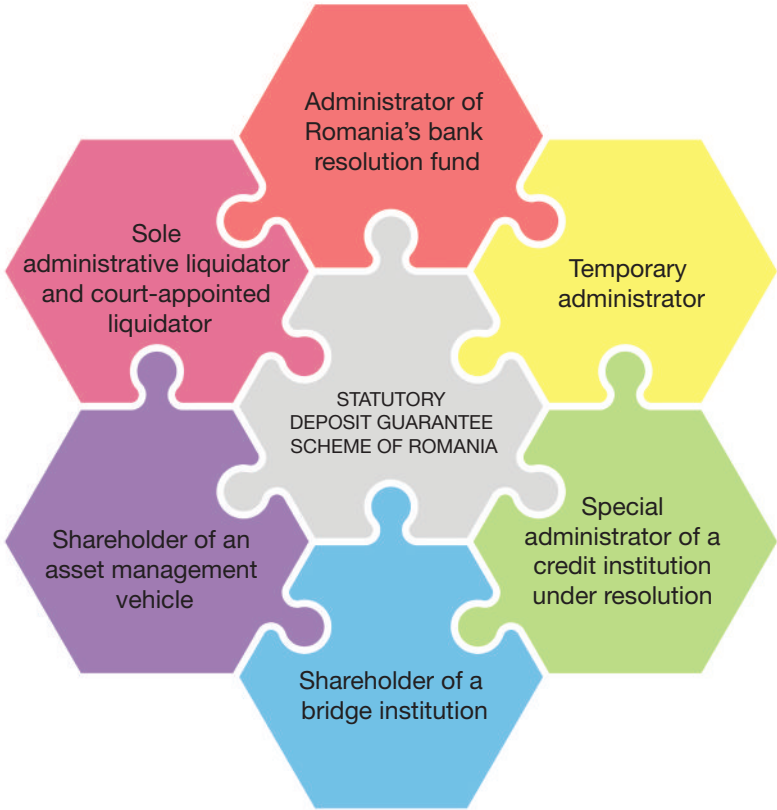
The FGDB's objectives over 1996 – December 2015



primary function of guaranteeing deposits, it has the additional responsibility of acting in bank resolution. Consequently, the FGDB, which is the administrator of the bank resolution fund of Romania, may also operate as:

- temporary administrator;
- special administrator of a credit institution under resolution;
- shareholder of the bridge institution;
- shareholder of an asset management vehicle.

The FGDB’s main objective and its other powers as at 31 December 2016



The range of FGDB duties also includes the role it plays when a credit institution is liquidated. According to a stipulation in the legislation on the banking sector, dating as far back as 2001, if the National Bank of Romania decides on a credit institution's dissolution followed by its liquidation or if shareholders of a credit institution approve to wind it up, the FGDB shall be appointed as sole liquidator.

Furthermore, the FGDB continues its activity as court-appointed liquidator for two bankrupt banks since the respective appointment came before the introduction of new legislation on bank deposit guarantee³.

As the financial and banking system maintained its stability throughout 2016 and,

therefore, competent authorities did not have to take early intervention or resolution measures, which would have involved the FGDB, the latter continued to work along three lines of action:

- a) guaranteeing deposits at credit institutions in its membership;
- b) administering the bank resolution fund;
- c) carrying on with procedures for the court-supervised liquidation of the two failed banks in its capacity as liquidator.

Herein below is a synthesis of the key elements defining the three lines of action the FGDB pursued in 2016, with emphasis on notable developments over the two decades of its existence.

a) Guaranteeing deposits held at FGDB-member credit institutions

Over the past 20 years, as depositor protection has constantly improved, the FGDB has always achieved its primary goal, namely deposit guarantee, and has also permanently fulfilled its obligations to guaranteed depositors.

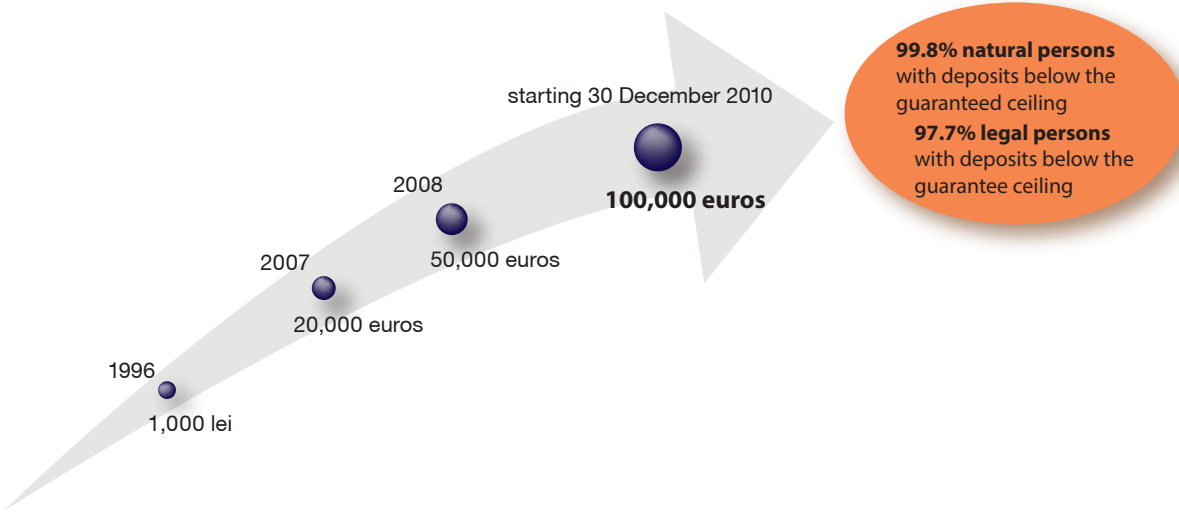
(i) Greater depositor protection

2016 was the year when new legal provisions started being applied, leading to an extended FGDB depositor coverage and to shorter repayment deadlines.

(i.1) Extension of FGDB coverage

In comparison with the coverage level applied the year the FGDB was created, the guarantee ceiling increased continuously, in several phases, climbing from 1,000 lei to the leu equivalent of 100,000 euros at the end of 2010⁴.

Strengthening depositor protection: rise in the guarantee ceiling



⁴ When the FGDB was created, the guarantee ceiling was set at an initial level of 1,000 lei. Later on, it was adjusted every six months based on the consumer price index published by the National Institute of Statistics. Starting 2004, the coverage level was expressed in euros. In 2005 and 2006, with Romania's admission to the European Union in the offing, the guarantee ceiling rose gradually before reaching the minimum coverage level of 20,000 euros provided for in the EU Directive in force at that time.

One of the most significant decisions reached within the European Union in an attempt to boost depositors' confidence in the banking system as an international financial crisis was breaking out was to further raise the level of deposit protection to 50,000 euros and, subsequently, to 100,000 euros. The ensurance of a harmonised coverage level by all deposit guarantee schemes regardless of where the deposits are located in the European Union is in the interest of both depositor protection and the stability of the financial system.

³ Since 2002, the FGDB has been the court-appointed liquidator of Banca Română de Scont and of Banca Turco-Română.

Although the guarantee ceiling has stayed unchanged at 100,000 euros for the last six years, under the new law several categories of natural persons' deposits enjoy a higher coverage level⁵ "for a period of 12 months after the amount has been credited to an account with the respective credit institution or from the date such deposits have become legally transferable to another credit institution".

The improved temporary protection applies to deposits resulting from:

- residential real estate transactions;
- events in a depositor's life, such as retirement, dismissal, invalidity or death;
- receipt of insurance benefits or compensation for criminal injuries or wrongful convictions.

At the end of 2016, 99.8 percent of the total depositors, natural persons, and 97.7 percent of the total guaranteed depositors, legal persons, held deposits below or equal to the leu equivalent of 100,000 euros, which gained them full FGDB coverage.

The scope of deposit guarantee has also expanded gradually⁶ since the creation of the FGDB in a bid to get into line with the European legislation on deposit insurance.

The guarantee scope was last extended at the end of 2015, when deposits of large companies

and of natural persons who are administrators, managers, members of supervisory boards, auditors, significant shareholders of credit institutions, as well as members of their families became eligible for protection.

At present, the deposits of all natural persons and of enterprises, no matter their size, are virtually guaranteed.

By end-2016, the FGDB guaranteed the deposits of 14,214,343 depositors, natural persons, and 911,411 depositors, legal persons⁷. In the 20 years since the FGDB has been in operation, the number of guaranteed depositors, natural persons, has moved up by more than four times⁸, while the total number of guaranteed depositors, legal persons, has risen by 1.5 times⁹ throughout the whole period they benefitted from FGDB coverage.

On 31 December 2016, total eligible (guaranteed) deposits were worth 241.2 billion lei, or 31.7 percent of Romania's 2016 Gross Domestic Product estimate¹⁰.

As compared to the end of 2015, the overall value of eligible deposits increased by 8.9 percent on the back of upturns in all components – depositor categories and denominations.

⁵ The National Bank of Romania sets the higher coverage limit and reconsiders it periodically based on the evolution of relevant statistical indicators. At present, the increased guarantee ceiling is set at the leu equivalent of 100,000 euros.

⁶ In the years right after its creation, the FGDB guaranteed only natural persons' deposits. In 2002, the scope of protection was expanded to include household deposits with cooperative credit organisations and in 2004 deposits of legal persons that qualify as small and medium-sized enterprises or similar entities were also incorporated.

⁷ A natural or legal entity can hold deposits with several banks. Each bank reports the number of depositors in its records to the FGDB, which adds up the consolidated data, reported by all credit institutions. Consequently, depositors who have deposits with several banks are considered several times when calculating the total number of depositors.

⁸ The number of guaranteed natural persons in the records of the FGDB at the end of its first year in operation stood at 3,288,147.

⁹ At the end of 2004 – the year when deposit guarantee scope started including legal persons, the FGDB protected the deposits of 604,777 such entities.

¹⁰ According to the Press Release no. 83 of 7 April 2017 of the National Institute of Statistics, the Gross Domestic Product estimated for 2016 amounted to 761.4 billion lei in current prices (provisional estimates).

Strengthening depositor protection: expansion of guarantee scope



Covered deposits¹¹, totalling 158.6 billion lei on 31 December 2016 (+6.5 percent as to end-2015), accounted for 65.8 percent of total eligible deposits.

(i.2) Shorter repayment period

An as short as possible payout deadline is essential to maintaining depositors' trust in the event of deposit unavailability.

Reimbursing depositors over the shortest possible period of time, in compliance with legal

provisions and in line with the practice in other member states, has been a constant focus for Romania.

As a matter of fact, when legislation was last amended in December 2015 Romania gained a place among EU member states reimbursing depositors within seven working days, which is the shortest repayment period¹².

Whereas when the FGDB was set up the repayment period spanned three months, with the possibility of extension for another 9

¹¹ A covered deposit is the part of an eligible deposit that does not exceed the guarantee ceiling laid down in Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund.

¹² According to the EU Directive on bank deposit guarantee schemes, by 2024, member states should have reduced the payout deadline to seven working days.

months at the most¹³, starting 14 December 2015 compensation is paid within seven working days, with no possibility of extension.

The FGDB made most compensation payments in Romania in the first three months after the banks had filed for bankruptcy through credit institutions mandated to act as paying agents and the average reimbursement period was of 1.7 months.

(ii) *Recovery of the FDGB's claims resulting from its payouts*

Over 1999-2006, the FGDB made repayments totalling 512.2 million lei to the guaranteed depositors of seven failed banks. In its capacity as creditor of the respective banks by subrogating to the rights of their guaranteed depositors, by end 2016 the FGDB had recovered 34.2 percent of the amount paid as compensation.

From 2007 onwards there has been no bank failure in Romania to require FGDB compensation payments to depositors.

(iii) *The Deposit guarantee fund*

Ever since the creation of the FGDB, one of its strongest concerns has been to consolidate its financial capability to be able to protect depositors, thus fulfilling its primary goal. Consequently, fund accumulation has increased with every passing year.

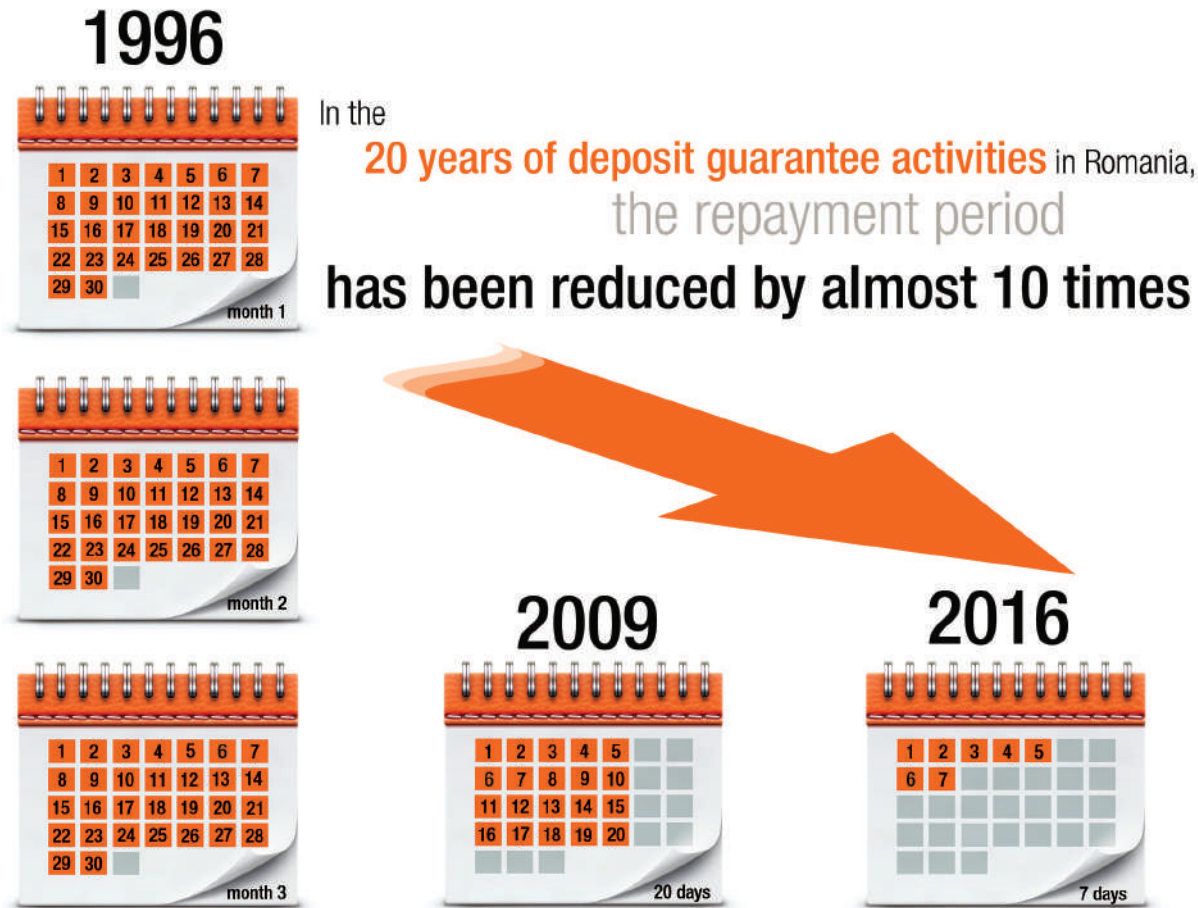
Following the implementation of provisions under the new regulations on deposit guarantee and bank recovery and resolution, deposit guarantee fund resources may be

used not only to pay compensation, but also to finance resolution actions to ensure depositors' continuous access to their own deposits.

At the end of 2016, deposit guarantee fund resources topped the 31 December 2015 level by around 10 percent climbing to 5,321.2 million lei.

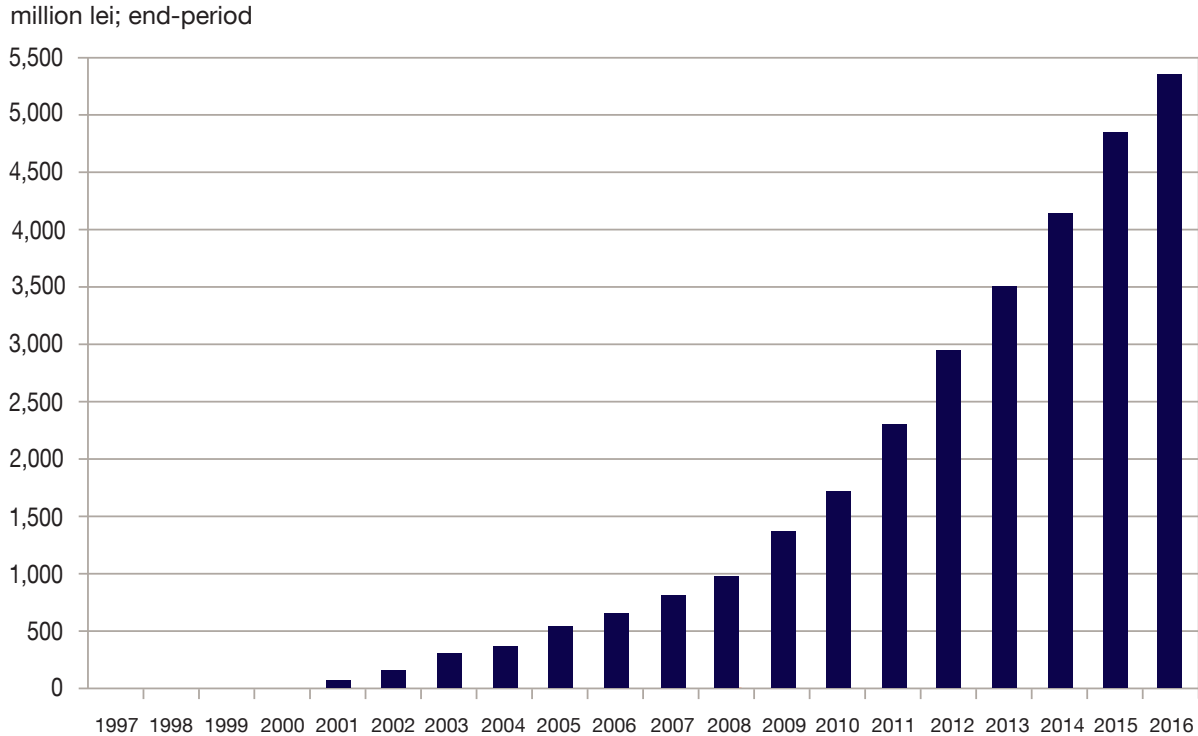
According to the law, available deposit guarantee fund resources are invested in compliance with an annual strategy approved by the Board of Directors of the National Bank of Romania. This strategy focuses on lower risk and adequate liquidity as primary targets and on investment yields as a related goal.

Strengthening depositor protection: **shorter repayment period**



¹³ In compliance with the European legislation in force at that time, namely *Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit guarantee schemes*.

Evolution of the deposit guarantee fund from its creation to 31 December 2016

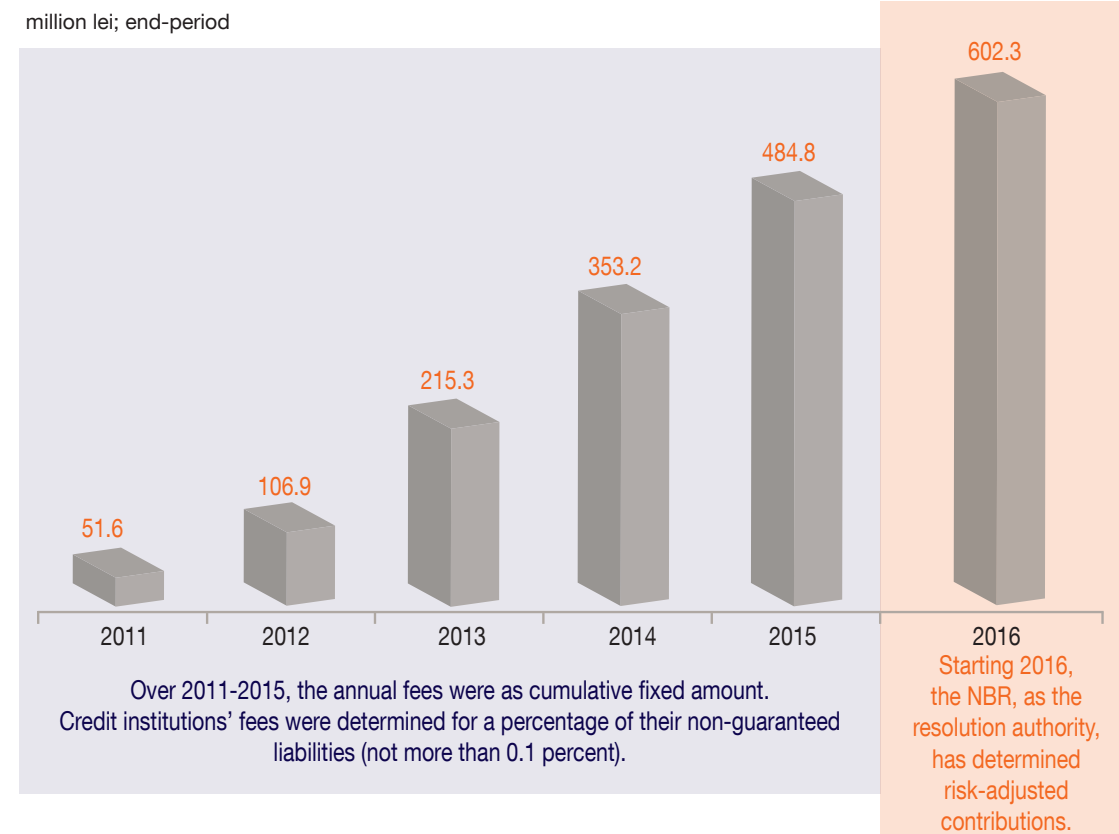


b) Administration of the bank resolution fund

The bank resolution fund was set up based on *Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector* by taking over the financial resources of the bank restructuring fund¹⁴, previously administered also by the FGDB.

As the former bank restructuring fund contained previously accumulated resources, to which, while in operation, it never had to resort to, the bank resolution fund had a positive balance upon creation.

Evolution of the financial resources of the bank resolution fund from its creation to 31 December 2016



¹⁴In its turn, the bank restructuring fund, created in 2012, took over the resources of the Special Compensation Fund, maintaining the latter's initial goal, and at the same time, it was also meant to finance bank stabilisation measures. The Special Compensation Fund was set up in 2010 to compensate persons affected by measures proposed and implemented during special administration procedures for credit institutions. According to the principle underlying this procedure, all creditors of a bank going through restructuring should receive a treatment which is not less favourable than that accorded within bankruptcy proceedings, an instrument being thus offered for the protection of creditors' interest.

At end-2016, bank resolution fund resources stood at 602.3 million lei, up 24.2 percent from 31 December 2015.

As in previous years, bank resolution fund resources were invested in compliance with the strategy approved by the Board of Directors of the National Bank of Romania. As is the case with the deposit guarantee fund, minimised risk

and adequate liquidity are the primary aims of the respective strategy, while the yield on investment is a complementary target.

The National Bank of Romania, as the resolution authority, decides on the use of bank resolution fund resources to cover needs related to the effective application of resolution tools.

c) Court-supervised liquidation proceedings at the two failed banks where the FGDB acts as liquidator

The FGDB has been acting as court-appointed liquidator at *Banca Română de Scont (BRS)* and *Banca Turco-Română (BTR)* since 2002, the year when the respective two banks filed for bankruptcy¹⁵.

In 2016, the receipts from liquidation-related activities amounted to 151 thousand lei for *BRS* and to 85 thousand lei for *BTR*, resulting mostly from recovered claims (including sales of assets taken over for debts).

At the end of 2016, lawsuits against the two banks were still on going in Romania and in the case of *BTR* operations were under way to recover the bank's main claim from Switzerland.

On 20 February and 2 March 2017, *BTR* recovered 2,058,731 CHF¹⁶ of its main outstanding claim in Switzerland.

During liquidation proceedings at the two banks until 31 December 2016, funds were distributed to 47 percent of the body of creditors of *BRS* (the highest percentage of satisfaction for creditors of the respective failed banks), and, respectively, to 36 percent of the body of creditors of *BTR*.

¹⁵The FGDB was appointed to serve in this capacity under *Emergency Ordinance no. 138/2001 to amend and complement Law no. 83/1998 on bankruptcy proceedings for banks*. As *Law no. 178/2004 amending and complementing Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund* took effect, the function of liquidator was explicitly introduced into FGDB-related legislation.

Starting 2003, based on *Law no. 485/2003 amending and complementing Banking Law no. 58/1998*, the FGDB was also assigned the function of sole liquidator in situations other than bankruptcy of a credit institution. Later on, this function was also enshrined in *Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy*, with subsequent amendments and completions. The FGDB acted as administrative liquidator for Nova Bank for a very short time (over September – November 2006) before the start of court-ordered bankruptcy proceedings.

¹⁶The equivalent of 2,033,917.33 USD and, respectively, of 8,723,873.72 lei, accounting for around 4 percent of *BTR*'s claim on bankruptcy date and 1.5 percent of the accrued claim on 2 March 2017.

ADMINISTRATION AND MANAGEMENT OF THE FGDB

The FGDB’s anniversary of 20 years of activity coincided with deep-going changes in good governance, the overall organisational framework and the regulatory framework.

In consideration of the new responsibilities related to the management of the bank resolution fund of Romania, the administration of the FGDB became exclusively public as the FGDB’s Supervisory Board consists of representatives of the National Bank of Romania and of the Ministry of Public Finance.

According to legal provisions and based on the National Bank of Romania Order no. 5/2016, the members of the FGDB’s Supervisory Board were appointed and entrusted a three-year mandate starting 14 June 2016.

The FGDB’s Supervisory Board is comprised of seven members, of which five are representatives of the National Bank of Romania and two represent the Ministry of Public Finance. The Chairperson of the Supervisory Board is a representative of the National Bank of Romania.

In compliance with the law, an Audit Committee, a consultative body consisting of three members, was set up within the Supervisory

Board. The Committee operates according to the FGDB *Regulation on the organisation and operation of the Audit Committee within the Bank Deposit Guarantee Fund*, adopted on 24 November 2016.

The Audit Committee’s main duties include: analysing certain aspects of the internal audit activity within the FGDB, examining the scope of internal and external auditors’ assessments and following up the significant issues that have been identified in their reports, analysing the external auditors’ findings and advancing proposals related to the identified issues, expressing opinions and making recommendations to improve FGDB activities.

The management of the FGDB’s current activities is the responsibility of the FGDB’s Executive Board consisting of three members. The Board members are designated by the FGDB’s Supervisory Board and approved by the Board of Directors of the National Bank of Romania for a four-year mandate¹⁷.

The Supervisory Board oversees the activity of Executive Board members, who are accountable to it for the way in which they carry out the targets and duties set under their mandate contracts.

The administration and management of the FGDB provide the foundation for its solid governance, in line with the best practices in this sector.

This includes the existence of an effective accountability mechanism and of transparency in all of the FGDB’s activities.

Aspects of the FGDB’s activity, including aspects related to its management and administration, which are of interest to the public, are publicised on the FGDB’s website and in its publications, as well as through other media.

Given the new benchmarks of deposit guarantee activities and the FGDB’s responsibilities in applying early intervention and bank resolution measures for struggling credit institutions, as assigned under the law, the FGDB’s organisational structure had to be remodelled as far as its parts – operational, financial and support – are concerned.

The draft for the new FGDB organisational structure was analysed during several meetings of the FGDB’s Supervisory Board in 2016 and a new organisational chart, along with the *Regulation on the organisation and operation of the FGDB*, was approved early in 2017.

As for the regulatory framework, throughout 2016 the FGDB Supervisory Board analysed and endorsed/approved several legal acts for the application of the new legal provisions. Five regulations, as well as a new FGDB Statute were issued and subsequently published in the Official Gazette of Romania¹⁸. The regulations refer to:

- transmission to the Bank Deposit Guarantee Fund of information needed to draw up the payout list and of the necessary documents to calculate credit institutions’ annual contributions¹⁹;
- calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund;
- organisation by the Bank Deposit Guarantee Fund of stress simulation exercises;
- selection of credit institutions to be mandated by the FGDB to make compensation payments to guaranteed depositors.

The year 2016 also saw the continuation of a project launched in 2015 to improve the FGDB’s procedures and operational flows. Besides the internal rules related to the operation of the Supervisory Board, the Audit Committee and the Executive Board, several procedures were adopted referring to the interbank communication channel (RCI), and to the FGDB’s verifications of the accuracy of the data reported by member credit institutions and of the latter’s compliance with legal provisions on the information of depositors.

In consideration of the importance of providing the FGDB with an IT system compliant with cyber security standards and best practices, the Supervisory Board took steps along this line and approved the start of a project for the development of an integrated IT system.

Furthermore, in 2016, the FGDB’s Supervisory Board also endorsed/approved several other important documents referring to: the revenue and expenditure budget, the coordinates of the FGDB’s funding policy, the strategy for investing financial resources, the annual report and the annual financial statements, the EFDI cooperation agreement between deposit guarantee schemes within the European Union, the draft mandate contracts of the members of the Executive Board etc.

¹⁸Chapter 2 – *Activity framework in 2016*, section *The domestic regulatory framework*, offers details on the regulations the FGDB issued in view of the application of the new legal provisions.

¹⁹The same year, a new regulation was issued amending this regulation.

¹⁷The current Executive Board members started their mandate on 15 December 2016.

2 Activity framework in 2016

INTERNATIONAL FRAMEWORK REGULATING THE ACTIVITY OF DEPOSIT GUARANTEE SCHEMES

In 2016, further actions were taken to establish the European Deposit Insurance Scheme (EDIS), the third pillar of the Banking Union, and several international guidelines on deposit guarantee schemes were finalised.

The project to establish EDIS

In November 2015, the European Commission initiated a legislative process to set up the EDIS²⁰, the last pillar of the Banking Union, advancing a Proposal for the *Regulation of the European Parliament and of the Council amending Regulation (EU) no. 806/2014²¹ in order to establish a European Deposit Insurance Scheme*.

Furthermore, the European Commission presented a communication called "*Towards the Completion of the Banking Union*" containing a list of measures to mitigate risks in the banking sector.

Later on, an *Ad Hoc Working Group on the Strengthening of the Banking Union* was created within the European Council and, throughout 2016, it advanced several proposals referring to both the draft regulation to establish the EDIS and measures to reduce risks in the banking sector.

Romania is represented to the working group by experts of the National Bank of Romania and of the Ministry of Public Finance, with the FGDB holding an observer status.

²⁰ The EDIS membership is to include deposit guarantee schemes of the euro area countries, as well as non-eurozone states that join it by establishing a close cooperation agreement.

²¹ Regulation no. 806/2014 of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) no. 1093/2010.

Stages of the establishment of the EDIS

Stage 1 (3 years)

- **Reinsurance scheme**
 - funding for up to 20 percent of the liquidity shortfall of a deposit guarantee scheme in the event of a payout or of the application of resolution measures and, respectively, covering 20 percent of the loss of the participating scheme

Stage 2 (4 years)

- **Co-insurance scheme**
 - compensation payments or resolution measures are financed considering the liquidity need rather than the liquidity shortfall, as in Stage 1. The financing share borne by EDIS is to gradually increase over the four-year period from 20 percent to 80 percent of the liquidity need/loss of the participating deposit guarantee scheme

Stage 3 (starting the year 2024)

- **Full insurance scheme**
 - full funding of the liquidity need and coverage of all losses arising from a payout event or from financing resolution measures

In October 2016, the European Commission released the results of a study assessing the impact of the proposed options for the set up of the EDIS. The analysis highlighted the interaction between the EDIS and national options in terms of contributions by participating credit institutions and their payment commitments, deposits benefitting from temporary additional coverage, the EDIS scope and financing of alternative and preventive measures.

The European Commission's proposals and the results of the impact study are discussed in the European Parliament and in the European Union Council, which will express their position on the draft regulation to establish the EDIS.

In consideration of the need for additional measures to reduce risks in the financial sector while establishing the EDIS, in November 2016, the European Commission presented a package of proposals²² to amend the framework referring to capital requirements²³, the *Bank Recovery and Resolution Directive*²⁴ and the *Single Resolution Mechanism Regulation*²⁵.

European Banking Authority Guidelines

In 2016, the European Banking Authority (EBA) issued the last two guidelines for the application of *Directive 2014/49/EU on deposit guarantee schemes*:

- *Guidelines on cooperation agreements between deposit guarantee schemes pursuant to Directive 2014/49/EU*;

The guidelines, which took effect on 8 June 2016, aim to ensure a common and consistent approach to such agreements, contributing to strengthening the European system of national guarantee schemes.

The cooperation agreements cover the following key areas:

- a) repayment of depositors at branches of credit institutions authorised in other member states by the deposit guarantee scheme in a host member state on behalf of the deposit guarantee scheme in the home member country;
- b) transfer of contributions from one deposit guarantee scheme to another when a credit institution ceases to be a member of a deposit guarantee scheme and joins another scheme;
- c) mutual lending between deposit guarantee schemes.

²² A brief presentation of these proposals will be given in the section *Developments in the banking sector in the European Union and in Romania* of the present chapter.

²³ The capital requirements framework took effect on 1 January 2014 transposing the new global capital standards for credit institutions (the Basel III Accord) imposing tougher prudential requirements to improve banks' solidity, their capacity to manage risks, as well as the loss-absorption mechanism. The framework consists of *Regulation no. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012* and of *Directive 2013/36/EU of the European Parliament and of the 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*.

²⁴ *Directive 2014/59/EU of the European Parliament and of the Council 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, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 of the European Parliament and of the Council*.

²⁵ *Regulation no. 806/2014 of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) no. 1093/2010*.

In September 2016, the European Forum of Deposit Insurers (EFDI) published a model cooperation agreement and a common set of standards, tools and templates covering the operational aspects of cooperation between deposit guarantee schemes. The EBA confirmed the model agreement saying it met its relevant *Guidelines*.

The FGDB signed the EFDI multilateral cooperation agreement between deposit guarantee schemes within the European Union on 17 November 2016.

- *Guidelines on stress tests of deposit guarantee schemes pursuant to Directive 2014/49/EU*.

The provisions under the *Guidelines* have been applicable starting 19 October 2016 and mainly refer to the methodology of running stress tests, simulated scenarios and the areas and indicators to be measured in the process of testing the systems of deposit guarantee schemes.

These simulations aim to improve the resilience of the European system of deposit guarantee schemes if situations arise that might call for intervention by the schemes. The results of the stress simulation exercises are reported to the EBA, which uses them for the peer reviews it must perform at least every five years.

The tests outline all types of intervention by deposit guarantee schemes, as set out in the directives on deposit guarantee schemes and recovery and resolution of credit institutions, of which the most usual are payouts and financing of bank resolution measures allowing depositors' access to the funds they hold in a credit institution.

Until 3 July 2019, deposit guarantee schemes should run tests of the files containing consolidated information on depositors, should test operational capability by applying a payout scenario, should perform an operational cross-border cooperation test and should check funding capability in either a payout or a resolution scenario.

The FGDB issued the regulatory framework for the organisation of stress tests²⁶, with the first exercise due by 3 July 2017.

Core Principles for Effective Deposit Insurance Systems

The set of revisions of the *Core Principles for Effective Deposit Insurance Systems* of previous years was followed in 2016 by the publication of the updated version of the *Handbook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems*.

Since the *Core Principles* are used in the context of financial sector assessment programmes carried out by the International Monetary Fund and the World Bank and were included in the *Compendium of Key International Standards of Financial Stability* by the Financial Stability Board, the *Handbook* was updated by a IADI working group in cooperation with representatives of the aforesaid three international institutions.

Regulations on Bank Resolution

In August 2016, The Financial Stability Board published two guidance papers to supplement the *Key Attributes of Effective Resolution Regimes for Financial Institutions*²⁷.

²⁶ *Regulation no. 4/2016 on the organisation of stress test exercises by the Bank Deposit Guarantee Fund*, which is outlined in the next section of the present chapter – *The domestic regulatory framework*.

²⁷ *Key Attributes of Effective Resolution Regimes for Financial Institution* and *Core Principles for Effective Deposit Insurance Systems* are used by the International Monetary Fund and the World Bank in the context of financial sector assessment programmes.

The first paper refers to the temporary funding needed to support the orderly resolution, without bail-out by the public sector, of global systemically important banks, while the second concerns arrangements to support the operational continuity in resolution, including legal, contractual and governance frameworks, management information systems and financial resources.

DOMESTIC REGULATORY FRAMEWORK

Regulations on Deposit Guarantee

In 2016, following the adoption of the new regulatory framework for deposit guarantee schemes, several new secondary regulations were issued and the existing ones were updated in compliance with applicable legal provisions.

(i) Record of deposits within the FGDB guarantee scope

Knowing at all times the total amount of deposits that benefit from coverage as well as the size of payouts in the event of deposits at a credit institution become unavailable is an essential aspect of depositor protection. To this end, the FGDB issued at the beginning of the year *Regulation no. 1/2016 on the transmission to the Bank Deposit Guarantee Scheme of the information needed to prepare payout lists and to calculate credit institutions' annual contributions*²⁸.

The regulation refers to the periodical reports on covered deposits, eligible deposits and payout lists from member credit institutions. The FGDB checks the information received from credit institutions, particularly in point of the amount of guaranteed deposits and the accurate

Moreover, October 2016 saw the publication of the *Assessment Methodology for the Key Attributes of Effective Resolution Regimes for Financial Institutions*, which was developed with the involvement of International Monetary Fund and World Bank experts.

determination of compensation payments to depositors in the event of deposit unavailability.

The accuracy of information on guaranteed deposits is important since it represents the basis of calculation for credit institutions' annual contributions to the deposit guarantee fund, as well as an indicator when determining the target level of the deposit guarantee fund and of the bank resolution fund.

(ii) Credit institutions' contributions to the deposit guarantee fund

The year 2016 brought the implementation of a system of risk-adjusted contributions, a major shift from the previous system based on the application of a uniform contribution rate for all credit institutions, which was in use until 2015.

Along this line, the FGDB issued *Regulation no. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund*²⁹, the methodology employed being based on the *European Banking Authority's Guidelines on methods for calculating contributions to deposit guarantee schemes*.

Of the two methods which the European Banking Authority's Guidelines recommend to calculate risk score and, subsequently, risk weight, the choice in 2016 was that of a classification into risk categories.

At the same time, the possibility was looked into of implementing the other method, the sliding scale method. Following the results of analyses conducted, early in March 2017, *Regulation no. 2/2016* was amended and complemented³⁰, the linear sliding scale method being adopted.

(iii) Running stress tests

As the new legislation stipulates the obligation of deposit guarantee schemes to periodically test their own systems, at end-2016 the FGDB issued *Regulation no. 4/2016 on the organisation of stress test exercises by the Bank Deposit Guarantee Fund*³¹, drawn up according to the *European Banking Authority's Guidelines on stress tests of deposit guarantee schemes pursuant to Directive 2014/49/EU*.

The stress simulation exercises will test:

- capability to prepare and transmit payout lists³²;
- operational capability in a payout scenario;
- funding capability.

²⁹ FGDB *Regulation no. 2/2016* was published in the Official Gazette of Romania, Part I no. 120 of 16 February 2016.

³⁰ FGDB *Regulation no. 1/2017 to amend and complement Regulation no. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund*. Regulation no. 1/2017 was published in the Official Gazette of Romania, Part I no. 155 of 2 March 2017.

³¹ FGDB *Regulation no. 4/2016* was published in the Official Gazette of Romania, Part I no. 1050 of 27 December 2016.

³² The test of the capability of all member credit institutions to prepare and transmit payout lists will be completed by 3 July 2017.

³³ FGDB *Regulation no. 5/2016* was published in the Official Gazette of Romania, Part I no. 1048 of 27 December 2016.

³⁴ *The FGDB Statute* was published in the Official Gazette of Romania, Part I no. 1011 of 16 December 2016.

(iv) Ensurance of payout channels

At the end of December 2016, the FGDB issued *Regulation no. 5/2016 on the selection of credit institutions the FGDB mandates to repay guaranteed depositors*³³, which repealed a former internal regulation on criteria to select credit institutions acting as paying agents.

In line with provisions under the new deposit guarantee legislation, the regulation sets the procedural framework for the annual selection of credit institutions, licensed by the National Bank of Romania, to be mandated the make compensation payments to guaranteed depositors whose deposits have become unavailable.

(v) The FGDB Statute

According to the new law, the FGDB became the only statutory deposit guarantee scheme in Romania and has been entrusted increased responsibilities in maintaining financial stability. Consequently, a new FGDB *Statute*³⁴ was necessary.

Besides correlating with the new legal provisions, the *Statute* details several aspects concerning FGDB governance and includes new chapters, with emphasis on the need to enhance the transparency of FGDB activities and to inform the public.

²⁸ *Regulation no. 1/2016* was published in the Official Gazette of Romania, Part I no. 47 of 21 January 2016 and took effect on 26 January 2016. This Regulation was subsequently completed by *Regulation no. 3/2016*, published in the Official Gazette of Romania, Part I no. 300 of 20 April 2016.

(vi) Higher Coverage Limit for Several Categories of Deposits

On 10 January 2017, the National Bank of Romania published *Circular no. 24/2016*³⁵ establishing at 100,000 euros the higher coverage level temporarily benefitting natural persons holding deposits that fall in the categories of bank deposits laid down in *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund*:

- a) deposits resulting from residential real estate transactions;
- b) deposits resulting from events in a depositor's life such as retirement, dismissal, invalidity or death;
- c) deposits resulting from receipt of insurance benefits or compensation for criminal injuries or wrongful convictions.

Therefore, besides the 100,000-euro guarantee ceiling applicable to all guaranteed depositors since end-2010, natural persons holding deposits that fall in the categories mentioned above benefit from coverage going beyond the standard level by up to 100,000 euros. This guarantee ceiling applies to the aggregate amount of deposits in the three categories.

According to *Law no. 311/2015*, the higher coverage limit is temporary and applies "for a period of 12 months after the amount has been credited to an account with the respective credit institution or from the date such deposits have become legally transferrable to another credit institution". The National Bank of Romania sets this coverage level, reviews it periodically based on relevant statistical indicators and publishes it on its official website.

³⁵ *Circular no. 24/2016 on the coverage limit laid down in Article 62 paragraph (1) of Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund* was published in the Official Gazette of Romania, Part I no. 26 of 10 January 2017.

³⁶ *Law no. 12/2017 on macroprudential supervision of the national financial system* was published in the Official Gazette of Romania, Part I no. 192 of 17 March 2017.

Other regulations

Law on macroprudential supervision of the national financial system, a draft since July 2015, was adopted by Romania's Parliament in March 2017³⁶.

This law was the basis for the creation of the National Committee for Macroprudential Supervision (CNSM), whose mission is to coordinate macroprudential supervision of the national financial system by working out a macroprudential policy and developing adequate tools for its implementation.

The CNSM consists of representatives of the National Bank of Romania, the Financial Supervisory Authority and the Government. The FGDB CEO attends the meetings of the CNSM General Board as observer.

The CNSM's primary goal is to contribute to safeguarding financial stability by strengthening the resilience to shocks of the financial system and by reducing the build-up of systemic risks, thus seeing to it that the financial system makes a sustainable contribution to economic growth.

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

Developments in the European Union

"The overall level of systemic stress in the euro area remained contained during 2016 despite short bouts of turbulence in global financial markets. These included the deterioration in market sentiment around the beginning of the year, triggered by volatility in Chinese stock prices and concerns about emerging markets and, later in the year, the political uncertainty that followed the outcomes of the UK referendum on EU membership and the US presidential election. Euro area banks' stock prices experienced periods of high volatility in 2016, which, overall, contributed to an increase in the estimated cost of equity. One of the main reasons for this continued to be market concerns about euro area banks' profitability prospects in an environment of low growth and low interest rates. At the same time, continued accommodative monetary policy and abating market concerns about China dampened the spikes in euro area systemic stress, with standard indicators of bank, sovereign and financial stress remaining at low levels at the end of 2016".

Annual Report 2016 of the European Central Bank

EU member states' economies recorded growth in 2016, with the Gross Domestic Product going up by 1.9 percent in the European Union as a whole and by 1.8 percent in the euro area³⁷. However, economic recovery was uneven as significant differences between member states persisted.

In 2016, just like throughout the previous year, private consumption was the main driver of economic recovery as real disposable incomes increased, conditions in the labour market improved³⁸, interest rates stayed low for a long time and the economic sentiment grew stronger³⁹.

The application of the new regulations imposing tougher quantitative and qualitative capital requirements increased the capitalisation of the European banking sector, enhancing its resilience to shocks.

The results of the European Banking Authority's 2016 stress test demonstrated the resilience of European Union banks⁴⁰ in an adverse economic scenario. These results will be used to improve the supervisory review and evaluation process carried out by the European Central Bank.

³⁷ Estimates by Eurostat and the European Commission's *Spring Economic Forecast* published on 11 May 2017 (https://ec.europa.eu/info/sites/info/files/ip053_en.pdf). According to estimations, Romania registered one of the highest growth rates in the European Union – of 4.8 percent – placing third after Ireland (5.2 percent) and Malta (5 percent). Conversely, Greece's economy stagnated in 2016.

³⁸ In line with the *European Commission's Spring Economic Forecast*, unemployment dropped from 9.4 percent in 2015 to 8.5 percent in 2016.

³⁹ https://ec.europa.eu/info/sites/info/files/economic_sentiment_indicator_2016_12_en.pdf

⁴⁰ The test involved 51 banks in 15 European Union and European Economic Area countries. Of the 51 banks, 37 are covered by the Single Supervisory Mechanism (SSM). The test did not contain a pass/fail threshold.

In 2016, non-performing loans continued to plague European banks, although their ratio was lower than in previous years (5.1 percent at the end of 2016)⁴¹. According to the European Banking Authority, more than one third of European Union member states registered a non-performing loans ratio higher than 10 percent at the end of 2016⁴².

Non-performing loans and interest rates staying low throughout 2016 had a combined negative impact on banks' profitability and business models.

In comparison with the previous year, 2016 saw fewer newly-emerged difficult situations calling for the application of bank recovery and resolution measures. In most cases, the bank resolution actions that started in previous years were continued (for instance, in the case of Croatia, Denmark, Italy) or finalised (as in the case of Greece, Portugal and Hungary).

Although the Single Resolution Mechanism (SRM) became fully operational starting 1 January 2016, it did not have to intervene for any of the banks within its remit. Contributions to the Single Resolution Fund amounted to 10.8 billion euros by July 2016.

Throughout 2016, the Single Resolution Board and resolution colleges drafted around 70 resolution plans and 30 transitional resolution plans⁴³.

In the last quarter of 2016, the Single Resolution Board organised in Brussels meetings of the resolution colleges for systemically

important banking groups in the eurozone. Besides the internal resolution teams within the Single Resolution Board, these meetings were mainly attended by representatives of national resolution authorities, finance ministries, national deposit guarantee schemes that play a part in resolution processes, as well as representatives of the European Banking Authority and of the European Central Bank. Romania was represented to eleven meetings of the resolution colleges for the banking groups operating within its territory⁴⁴. The Romanian delegation included experts of the National Bank of Romania, as the national resolution authority, of the Ministry of Public Finance and of the FGDB.

With the consent of the European Commission, several member states (like Cyprus, Greece, Poland or Portugal for instance) prolonged a number of schemes established during the financial crisis to grant state aid to credit institutions in distress. These schemes mainly refer to guarantees on liabilities and liquidity support for banks having difficulties in funding their operations.

There are also voluntary schemes ready to step in to safeguard troubled banks, with Italy's voluntary scheme, administered by the country's bank deposit guarantee fund as an example in this respect. Part of the financial resources of the voluntary scheme was used in 2016 to recapitalise a member bank.

In 2016, several less significant credit institutions in Europe went into insolvency, but financial stability was in no way affected as the specific procedures applied in such cases ran

smoothly, without disruptions. Such situations were encountered in the Czech Republic (a small bank with Russian majority owners), Cyprus (the branch of a bank headquartered in a third state), Germany (a bank serving mostly institutional clients, whose deposits are uncovered), Italy (a small regional bank), the United Kingdom (three credit unions) and Poland (three credit cooperatives)⁴⁵.

Following the unavailability of deposits at the respective banks, depositors were reimbursed by the national deposit guarantee schemes within the payout period stipulated under regulations in force (maximum 20 working days, or seven working days, as the case may be⁴⁶).

All compensation repayments proceeded smoothly and deposit guarantee schemes duly fulfilled their obligations to depositors. In most cases, the number of repaid depositors ran into the thousands.

On 23 November 2016, the European Commission presented a package of proposals

to amend and supplement the frameworks for capital requirements and, respectively, bank recovery and resolution⁴⁷. Those proposals mainly referred to compliance of some provisions under EU legislation with the international standards issued by the Basel Committee on Banking Supervision and the Financial Stability Council and to a number of technical adjustments considering the salient features of the markets in which European banking groups are present.

The package of measures intended to boost the resilience of banks and consolidate financial stability includes:

- institution of a binding leverage ratio to prevent an excessive increase of leverage;
- introduction of a binding net stable funding ratio to assess the amount of stable, long-term sources of funding that a bank needs to weather periods of stress;
- definition of more risk-sensitive capital requirements;
- application of the standard on the total loss-absorbing capacity (TLAC)⁴⁸ and revision of the minimum requirement for own funds

⁴⁵ In the first quarter of 2017 deposits were declared unavailable at another credit cooperative in Poland and at two credit cooperatives in Lithuania.

⁴⁶ According to the *Directive on deposit guarantee schemes*, European Union member states may gradually shorten the payout period from 20 working days to 7 working days by the year 2024. Several states, Romania included, opted directly for the 7-working-day reimbursement deadline.

⁴⁷ The package of proposals includes:

- *Regulation amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and amending Regulation (EU) No 648/2012;*
- *Regulation amending Regulation (EU) No. 806/2014 as regards loss-absorbing and recapitalisation capacity for credit institutions and investment firms;*
- *Directive amending Directive 2014/59/EU on loss-absorbing and recapitalisation capacity of credit institutions and investment firms and amending Directive 98/26/EC, Directive 2002/47/EC, Directive 2012/30/EU, Directive 2011/35/EU, Directive 2005/56/EC, Directive 2004/25/EC and Directive 2007/36/EC;*
- *Directive amending Directive 2014/59/EU of the European Parliament and the Council as regards the ranking of unsecured debt instruments in insolvency hierarchy;*
- *Directive amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.*

⁴⁸ TLAC was instituted by the Financial Stability Board in November 2015 as a standard for global systemically important banks so that they would have sufficient loss-absorbing and recapitalisation capacity available in the resolution process.

⁴¹ *EBA Risk Dashboard – Q4 2016*, published on the European Banking Authority website on 3 April 2017.

⁴² European Central Bank data show that in the third quarter of 2016 the stock of non-performing loans at significant banks in the euro area aggregated 921 billion euros. In consideration of the complex aspects related to the resolution of the non-performing loans issue, in September 2016 the European banking supervisor launched a draft guidance on bad loans, which was adopted in March 2017.

⁴³ Data quoted from the Single Resolution Board's website (<http://srb.europa.eu>).

⁴⁴ Banco Bilbao Vizcaya Argentaria - 15 November; Intesa - 21 November; Erste - 22 November; Crédit Agricole - 29 November; Société Générale - 2 December; Alpha Bank and National Bank of Greece - 5 December; Piraeus Bank, Eurobank and UniCredit - 6 December; RZB - 12 December.

- and eligible liabilities (MREL)⁴⁹ to strengthen the ability to resolve the situation of global systemically important banks experiencing difficulties;
- harmonisation of the creditors' hierarchy in member states to significantly mitigate the discrepancies that may occur when, during the application of resolution measures, member

states resort to their national norms and instruments referring to banks' loss-absorbing capacity and recapitalisation.

Furthermore, the proposals envisage measures to improve banks' lending capacity and to strengthen their role in the creation of a capital markets union.

Developments in Romania

"Bank solvency indicators post adequate levels, similar to the EU average. Moreover, the Romanian banking system received no financial assistance from the government budget in 2007-2015. Capital in excess of prudential requirements provides a buffer for absorbing unexpected losses and resources for lending to the real sector."

"Banking sector profitability improved, amid lower impairment charges and low funding costs which mirrored in the higher operating profit."

The National Bank of Romania's Financial Stability Report May 2017

Romania's banking sector remained stable also in 2016 making it unnecessary for the National Bank of Romania, as the supervisory authority and as the resolution authority, to apply recovery or resolution measures. Furthermore, there was no need for payouts by the FGDB as none of the banks was confronted with an unavailability of deposits.

Unlike the previous year, 2016 recorded no mergers in the banking sector in Romania, so that the number of credit institutions participating in the FGDB stayed unchanged at 29. Nevertheless, in the first quarter of 2016, Patria Bank S.A.

(former Nextebank) bought a significant stake in Banca Comerciala Carpatica S.A. becoming its majority owner with a 64.2-percent share of its capital⁵⁰.

On the other hand, one of the banks registered in another member state and member of the deposit guarantee scheme in the home country, opened a branch in Romania raising the number of foreign bank branches to eight from seven.

⁴⁹ The minimum requirement is calculated as the amount of own funds and eligible liabilities expressed as percentage of the total liabilities and own funds of a credit institution. In Romania, the National Bank of Romania, as the resolution authority, sets the minimum requirement for own funds and eligible liabilities for each institution, ensuring the effectiveness of the bail-in tool.

⁵⁰ In early May 2017, the two banks effectively merged and the new entity is called Patria Bank S.A.

Aggregate indicators concerning credit institutions in Romania⁵¹

The total net assets of the 37 credit institutions operating in Romania at the end of 2016 amounted to 393.6 billion lei, an increase by 16.5 billion lei from the previous year (an annual variation of +4.4 percent in nominal terms).

The assets of foreign-owned institutions held a stake of total assets that was 0.9 percentage points up at 91.3 percent on 31 December 2016.

Privately owned institutions had 91.8 percent of total assets (+0.1 percentage points from the end of 2015).

Bank lending improved further in 2016 as financing costs were driven to record lows, household disposable income headed higher and confidence in the economy strengthened.

On 31 December 2016, loans to households and non-financial corporations totalled 214.7 billion lei, adding 0.9 percent to the previous year's level. The two components moved divergently, with the household segment recording an annual variation of +4.7 percent to 113 billion lei on 31 December 2016 and the non-financial corporate component sliding into negative territory by 3.1 percent to 101.6 billion lei at the end of 2016.

However, in point of currency denomination, both segments saw credits in the national currency racing ahead fast and loans in foreign currencies declining.

Overall, leu-denominated loans posted an annual increase by 14.6 percent to 122.6 billion lei on 31 December 2016. The leu component accounted for 57.1 percent of the total value of

credits to households and non-financial corporations (+6.8 percentage points in comparison with the previous year).

Loans in foreign currencies to households and non-financial corporations contracted by 13 percent to the leu equivalent of 92.1 billion.

Credits in the national currency to households showed an accelerated annual variation of +25.6 percent to stand at 66.1 billion lei on 31 December 2016. Which acted as a counterbalance to the fall recorded within the foreign-currency segment to the leu equivalent of 47 billion at end-2016 (an annual variation of -15.1 percent).

To the largest extent, the evolution of the leu-denominated loans to households was an outcome of the advance in housing loans⁵² by 53.8 percent to 28.7 billion lei at the end of 2016. At the same time, there was a +12.7 percent annual variation of consumer loans, which amounted to 35.3 billion lei on 31 December 2016.

The total value of loans in the national currency going to non-financial corporations mounted by 4 percent to 56.5 billion lei at end-2016. Loans in foreign currencies to non-financial corporations dived sharply to the leu equivalent of 45.1 billion on 31 December 2016 (an annual variation of -10.6 percent)

The two components of the loans to households and to non-financial corporations – namely the leu and the foreign currency segments – followed divergent paths while the monetary policy rate stayed unchanged (at 1.75 percent)⁵³ throughout 2016, as did the minimum

⁵¹ Data on aggregate indicators concerning credit institutions, along with data on credits and deposits were taken from the website of the National Bank of Romania on the date the present report was prepared.

⁵² In 2016 demand stayed high within the *First Home Programme* where state guarantees are granted only for leu-denominated housing loans.

⁵³ The 1.75-percent monetary policy rate has applied since 7 May 2015.

reserve requirement ratio on leu-denominated liabilities (at 8 percent)⁵⁴. Conversely, the reserve requirement ratio on foreign currency liabilities was successively cut twice in 2016 to 10 percent starting with the 24 October – 23 November 2016 observance period⁵⁵.

The average interest rate on new loans in the national currency and, respectively, on euro-denominated credits took opposite directions, with average interest on new loans in euro rising by 0.10 percentage points to 4.11 percent in the case of households and receding by 0.15 percentage points to 3.05 percent in the case of non-financial corporations by 31 December 2016.

The overall amount of deposits held by households and non-financial corporations at credit institutions in Romania increased further in 2016. Deposits of households and non-financial corporations hit a new record high at the end of the year standing at 258.6 billion lei⁵⁶, adding 8.6 percent to the end-2015 level. The upsurge occurred against the background of a persistent downward trend in interest rates on households' and non-financial corporations' new time deposits, which reflects a recurrence of the cautious behaviour of the previous periods.

The upturn in households' and non-financial corporations' deposits is mostly accounted for by the increase in overnight deposits in the national currency.

At the end of 2016, the average interest rate on new household leu-denominated time deposits stood at 0.90 percent (-0.58 percentage points as to the same period of the previous year), while the average interest on deposits in euro was of 0.34 percent (-0.27 percentage points as

compared to the end of 2015).

As far as non-financial corporations were concerned, the average interest on new time deposits at the end of 2016 amounted to 0.44 percent for the leu-denominated component, 0.18 percentage points off the December 2015 level. The average interest rate on new time deposits held in euros inched down by 0.03 percentage points from the previous year to 0.24 percent at end-2016.

At the end of 2016, FGDB-member credit institutions held eligible (guaranteed) deposits of natural and legal persons totalling 241.2 billion lei⁵⁷, and accounting for 93.3 percent of households' and non-financial corporations' deposits at credit institutions in Romania.

The loan-to-deposit ratio continued to dwindle as the volume of loans given by credit institutions in Romania expanded slower than the volume of deposits taken. On 31 December 2016, that ratio stood at 79.05 percent, losing 6.34 percentage points from the level recorded at the end of the previous year.

Local bank deposits in 2016 remained the most significant source of funding for credit institutions as the disintermediation process continued.

The banking market was comfortably liquid, with the relevant indicator mounting to 1.99, twice the minimum requirement.

In 2016, credit institutions in the membership of the FGDB pressed ahead with the process of cleaning up their balance sheets by selling non-performing assets and removing impaired receivables. This further balance-sheet

clean-up led to a further drop in the non-performing loans ratio which stood at 9.62 percent at the end of the year, that is 3.89 percentage points down on the same period the previous year.

The profitability of credit institutions stayed in positive territory throughout 2016, with insignificant falls as to the end of 2015. At end-2016, ROA⁵⁸ stood at 1.08 percent (-0.16 percentage points as to the end of December 2015), and ROE⁵⁹ amounted to 10.42 percent (-1.35 percentage points as compared to the end-2015 level).

The rate of return on core activities gained 17.26 percentage points from the end of

2015 to reach 188.57 percent on 31 December 2016.

As all credit institutions contributing to the FGDB maintained sound capitalisation, the solvency ratio, which amounted to 19.68 percent on 31 December 2016, remained at more than double the regulatory minimum (of 8 percent).

In its turn, the leverage ratio⁶⁰ kept close to the level registered at the end of the previous year, inching up by 0.74 percentage points to 8.92 percent at the end of December 2016.

COOPERATIVE RELATIONS AT NATIONAL LEVEL

Throughout 2016, the FGDB was represented to the meetings of the National Committee for Financial Stability (CNSF)⁶¹ which mainly focused on capital buffers for credit institutions⁶², also in light of the reciprocation

of the macroprudential measures taken by other member states and the identification of third countries to which the banking sector is significantly exposed.

⁵⁸ ROA is calculated by dividing annualised earnings by average total assets.

⁵⁹ ROE is calculated as a ratio of annualised net income to average own capital.

⁶⁰ The leverage ratio is the ratio of Tier 1 capital to average total assets.

⁶¹ The FGDB was co-opted into the CNSF in 2011; the Committee also includes the Ministry of Public Finance, the National Bank of Romania and the Financial Supervisory Authority. The CNSF's main duties refer to:

- ensurance of the stability of the financial system;
- cooperation and the promotion of a permanent and effective information exchange;
- assessment, prevention and, where applicable, management of financial crises within individual financial institutions, financial groups or the financial market as a whole.

⁶² Capital buffers are part of the set of macroprudential instruments that competent authorities may use, within the regulatory framework for capital requirements, to prevent the emergence of cyclical systemic risks or to mitigate structural systemic risks. This set of instruments also includes: the capital conservation buffer, the countercyclical capital buffer, the capital buffer relating to other systemically important institutions, the systemic risk buffer.

⁵⁴ The 8 percent reserve requirement ratio for leu-denominated liabilities has been valid since 24 May 2015.

⁵⁵ According to a decision the Board of Directors of the National Bank of Romania reached on 5 May 2017, the reserve requirement ratio on foreign currency liabilities of credit institution is of 8 percent starting with the 24 May – 23 June 2017 observance period.

⁵⁶ Data also include deposits of the branches of foreign credit institutions in the membership of deposit guarantee schemes in the home countries.

⁵⁷ FGDB data on deposits at credit institutions, Romanian legal entities.

The CNSF approached some of the topics based on the duties assigned to it on a transitorily period basis until an inter-institutional structure to coordinate the macroprudential supervision of the national financial system becomes operational⁶³.

One of the recommendations adopted in 2016 refers to the need for the National Bank of Romania to impose a buffer of 1 percent of the total risk exposure amount for all credit institutions identified as being systemically important⁶⁴.

INTERNATIONAL ACTIVITY

A year after the provisions of the two EU directives on deposit guarantee schemes and the recovery and resolution of credit institutions had been transposed into the national legislation of each member state, deposit guarantee scheme within the European Union focused mainly on developing secondary regulations and taking actions to institute the European Deposit Insurance System (EDIS).

These interests made the main topics for discussion during the 2016 meetings of deposit guarantee schemes operating in the European Union within the two relevant international associations – the European Forum of Deposit

As part of the cooperative ties with the National Bank of Romania, a revision was initiated of the cooperation agreement between the FGDB and the National Bank of Romania according to the new provisions under regulations on deposit guarantee and bank recovery and resolution.

Insurers (EFDI) and the International Association of Deposit Insurers (IADI)⁶⁵.

The FGDB is a member of both associations, as well as an active participant in their working groups. In 2016, the FGDB took part in the projects of EFDI and IADI working groups debating:

- cooperation between deposit guarantee schemes in the payout process involving depositors of cross-border banks⁶⁶;
- comparative analysis of the *Core Principles for Effective Deposit Insurance Systems* and

of the *EU Directive on deposit guarantee schemes*;

- state aid and deposit guarantee schemes' interventions for struggling banks;
- the Banking Union and the creation of the EDIS;
- communication and public relations.

Furthermore, in 2016, the FGDB, in its capacity as an observer⁶⁷, continued to attend the meetings of the *Ad Hoc Working Group on the Strengthening of the Banking Union of the Council of the European Union* where proposals were advanced related to the EDIS and to measures to mitigate risks in the banking sector.

The extensive EFDI project for a model cooperation agreement and a common set of standards, tools and templates covering the operational aspects of cooperation between deposit guarantee schemes was completed in the summer of 2016 and confirmed by the European Banking Authority (EBA).

On 15 September 2016, the EFDI issued the model agreement and the set of standards, which comply with requirements concerning cooperation between deposit guarantee schemes under the *EBA Guidelines*.

Two months later, on 17 November 2016, the FGDB became a party to the *Multilateral Cooperation Agreement between deposit guarantee schemes in the European Union*, thus meeting the deadline for reporting compliance with the *EBA Guidelines*⁶⁸.

At present, the FGDB explores the possibility of participating in a centralised data exchange system, which European deposit guarantee schemes can use in the process of repaying depositors of cross-border banks.

On signing the Letter of Adherence to the *Multilateral Cooperation Agreement*, the FGDB opened talks on the possibility of organising a meeting of the EFDI's EU Committee (EUC)⁶⁹ in Bucharest. Following its endeavours, it was agreed that the meeting would be held at the headquarters of the National Bank of Romania on 22 June 2017.

As for the FGDB's participation in resolution colleges, in 2016 FGDB representatives attended 11 meetings organised by the Single Resolution Board for banking groups in the euro area⁷⁰ and took part in the resolution college for the OTP Group, also signing "*Written Arrangements and Procedures for the Operation of the Resolution College for the OTP Group*".

At the beginning of 2016, the FGDB received a visiting International Monetary Fund delegation. The meeting approached topics related to the impact of the new legal framework for deposit guarantee, the bank resolution fund, governance, as well as operational issues and the relationship with the National Bank of Romania.

⁶³ The meeting to render the National Committee for Macroprudential Supervision (CNSM) operational took place on 11 April 2017. The meeting was also attended by the FGDB's General Director as observer.

⁶⁴ In line with the methodology recommended by the European Banking Authority, the National Bank of Romania, based on data reported on 30 June 2016, identified 11 systemically important credit institutions. All the 11 credit institutions are members of the FGDB and the eligible deposits in their records as at 31 December 2016, totalled 90.2 percent of the overall value of eligible deposits at the credit institutions participating in the FGDB.

⁶⁵ A EU Committee operates within the EFDI, grouping the deposit guarantee schemes within the European Union, and IADI includes several regional committees, of which the Europe Regional Committee consists of most of the schemes operating in the European Union member states.

⁶⁶ According to the new legal provisions, when depositors of cross-border banks in the European Union are reimbursed, the deposit guarantee scheme in the host country acts on behalf of the scheme in the home member state. The FGDB participated in the working group having representatives to the meetings of working subgroups on legal, financial and risk-related aspects, communication, and the relay of the necessary information on depositors during payout processes.

⁶⁷ Representatives of the National Bank of Romania and of Romania's Ministry of Public Finance are members of the *Working Group*.

⁶⁸ By mid-March 2017, 27 deposit guarantee schemes had signed the Agreement.

⁶⁹ On 19 May 2017, when the new EFDI Statutes were adopted in Brussels, the FGDB's General Director was elected a member of the EUC's management structure.

⁷⁰ Details are to be found in this Chapter, in the previous section called *Developments in the banking sector in the European Union and in Romania*.

3 Bank deposit guarantee

EVOLUTION OF DEPOSITS IN 2016

The guarantee scope of the FGDB includes all depositors, natural persons, and almost all depositors, legal persons (97.3 percent of the total number of depositors on 31 December 2016). All natural persons virtually benefit from deposit protection⁷¹, while in the legal-person section coverage is secured mostly for small and medium-sized enterprises, large companies and other similar entities⁷².

At the end of 2016, natural and legal persons' eligible deposits at FGDB-member credit institutions - which include current

accounts, card accounts, time deposits, savings accounts and other similar products – accounted for 79.3 percent of the total value of deposits.

On 31 December 2016, leu-denominated eligible deposits amounted to 159.8 billion lei, going up by 9.9 percent as to the same date the previous year.

⁷¹ A deposit is any amount of money a person holds in a bank in a current account, a card account, a time deposit, a savings account or any other similar product. According to the law, 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, including time deposits and savings accounts" which is in none of the situations below:

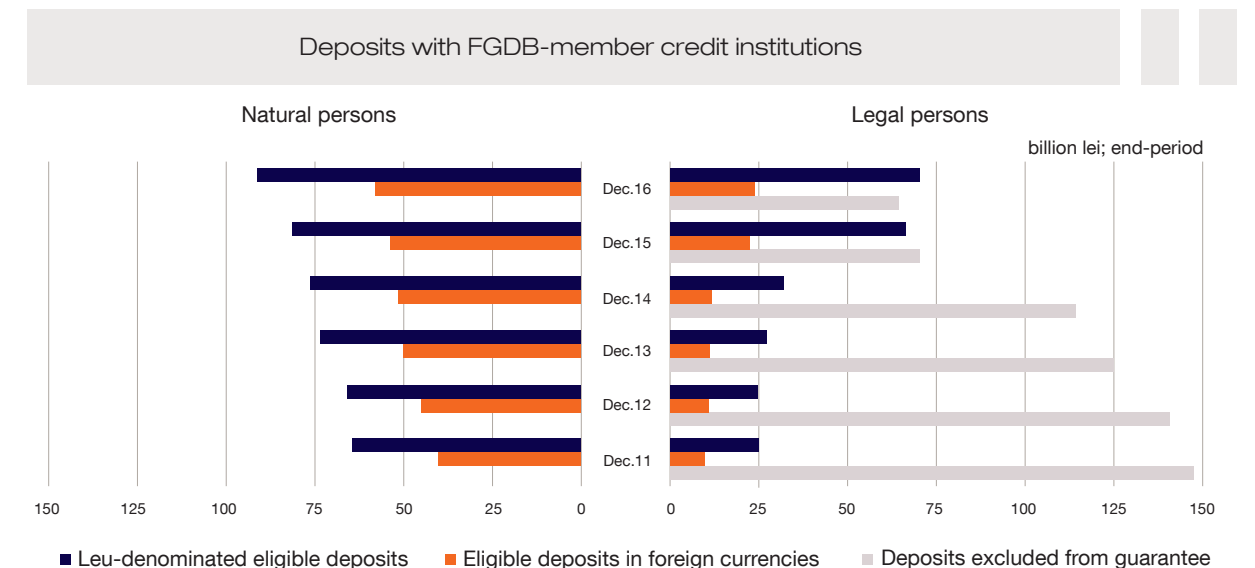
- a) its existence can only be proved by a financial instrument, as defined in Article 2 paragraph (1) point 11 of *Law no. 297/2004 on capital markets*, with subsequent amendments and completions, unless it is a savings product evidenced by a certificate of deposit made out to a named person which exists on 2 July 2014;
- b) its principal is not repayable at par;
- c) its principal may be repaid at par only under a particular guarantee or agreement provided by the credit institution or by a third party.

⁷² As, starting 14 December 2015, the FGDB's coverage was extended to include the deposits of large companies, the exclusions list was limited to credit institutions, financial institutions, investment firms, insurance and/or reinsurance companies, collective investment undertakings, pension funds, central, local and regional public authorities etc.

Following the significant impact of the extension of the deposit guarantee scope at the end of the previous year, eligible (guaranteed) deposits stayed on the upward path in 2016 registering an annual nominal variation of +8.9 percent to reach 241.2 billion lei on 31 December 2016.

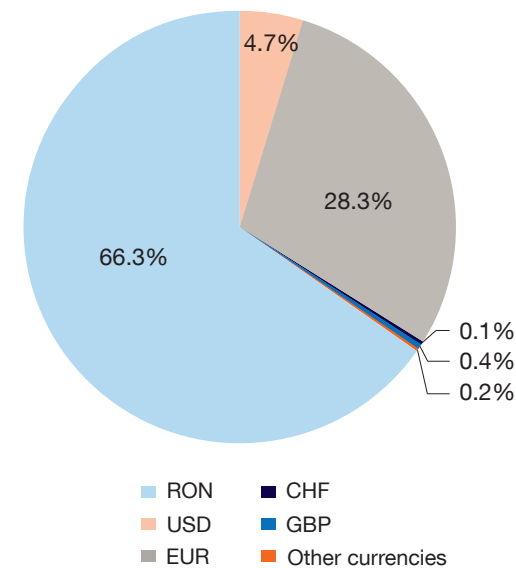
The main support of this rise was the increase in the leu deposits, which was the currency of choice for the two categories of depositors – natural persons and legal entities. On 31 December 2016, leu-denominated eligible deposits took two thirds of the total amount of eligible deposits.

The foreign-currency denominated deposits followed an upward path in 2016, but at a slower pace than the leu-denominated deposits, namely +7 percent, reaching leu equivalent of 81.3 billion at the end of the year.



Leu-denominated deposits hold a 66.3 percent stake of the total value of eligible deposits at credit institutions in the membership of the FGDB, being followed by deposits in euros (28.3 percent) and deposits in U.S. dollars (4.7 percent).

Structure of eligible deposits by currency on 31 December 2016



By deposit categories, natural persons' deposits, which surged by 12.7 billion lei in 2016, were the major driving force behind the annual increase of around 20 billion lei in the total amount of eligible deposits.

As a matter of fact, natural persons' deposits account for the bulk of total eligible deposits at FGDB-member credit institutions, holding a 61.3 percent stake on 31 December 2016.

The number of guaranteed natural and legal persons⁷³, which stood at 15,125,754 on

31 December 2016, represents 99.7 percent of the total number of depositors of member credit institutions, a percentage unchanged from the end of the previous year.

At the end of 2016, resident natural and legal persons (99.1 percent of the total number of guaranteed depositors) held deposits worth 234.3 billion lei (or 97.2 percent of the total value of eligible deposits at end-2016) at the credit institutions contributing to the FGDB.

Guaranteed depositors may hold deposits within the guarantee ceiling stipulated under the law, in which case they are fully covered, or deposits above the guarantee ceiling, in which case reimbursements are limited to the coverage level. The part of an eligible deposit that does not exceed the guarantee ceiling represents a covered deposit.

On 31 December 2016, covered deposits amounted to 158.6 billion lei, that is some 10 billion lei more than on the same date the previous year (an annual nominal variation of +6.5 percent).

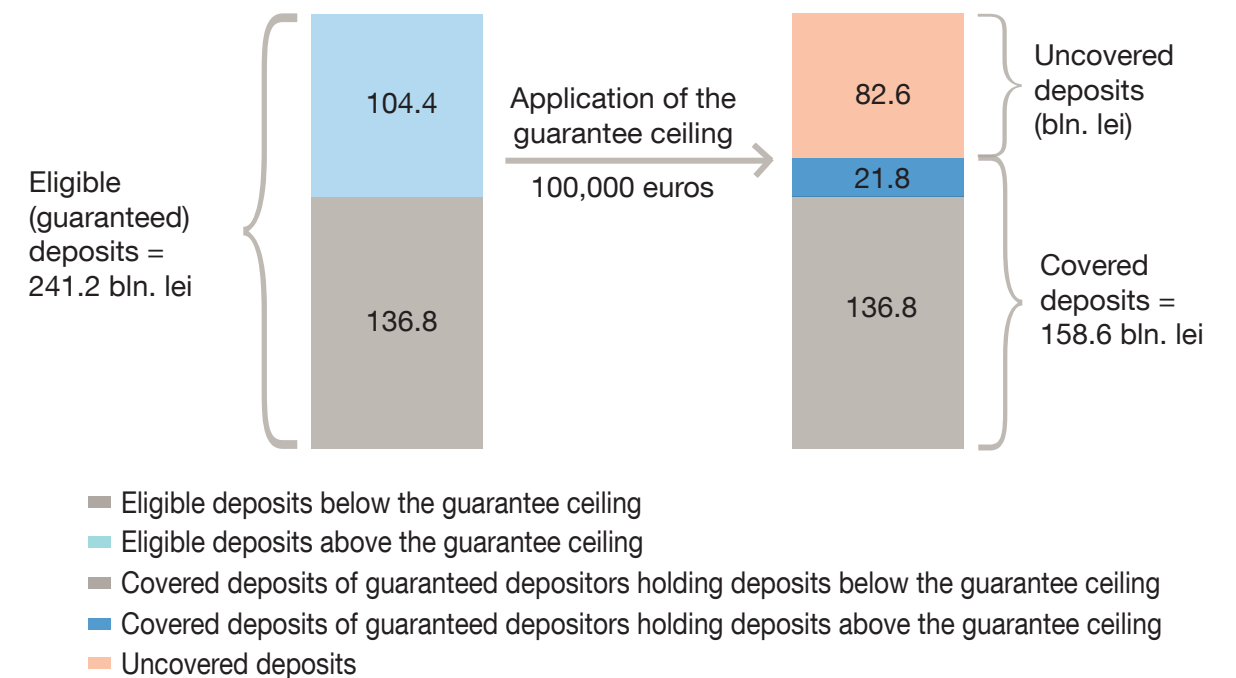
Deposits below or equal to the leu equivalent of the guarantee ceiling⁷⁴ were worth 136.8 billion lei on 31 December 2016 (an annual nominal variation of +5.8 percent), while eligible deposits above the coverage level totalled 104.4 billion lei (an annual nominal variation of +13.3 percent).

At the end of 2016, deposits within the guarantee ceiling accounted for 56.7 percent of the total amount of eligible deposits, going up by 1.7 percentage points from the level on 31 December 2015.

⁷³ Any natural or legal person may hold deposits with several banks. Each bank reports the number of depositors in its records to the FGDB, which adds up the data, reported by all member institutions. Consequently, when determining the total number of depositors, a person who holds deposits at different banks is recorded several times.

⁷⁴ On 31 December 2016, the leu equivalent of the 100,000-euro coverage limit was of 454,110 lei.

The positioning of the eligible deposits on 31 December 2016 as compared to the guarantee ceiling of EUR 100,000



The number of fully covered depositors stood at 15,077,605 natural and legal persons at end-2016, when they accounted for 99.7 percent of the total number of depositors protected by the FGDB.

NATURAL PERSONS' ELIGIBLE DEPOSITS

The year 2016 was marked by a further growth of natural persons' eligible deposits at FGDB-member credit institutions, their amount hitting a record for the past few years at 147.8 billion lei (an annual nominal variation of +9.4 percent).

The deposits as at 31 December 2016 were held by more than 14.2 million depositors, natural persons, roughly the same number recorded at the end of the previous year.

The rise in natural persons' deposits was an outcome of the upturn in the population's incomes mainly on the back of higher wages, more relaxed fiscal rules and better conditions in the labour market.

In December 2016, the average net nominal wage amounted to 2,354 lei, posting an 11.4 percent rise as to the same month of the previous year.

As compared to the end of 1997, therefore in the 20 years since the FGDB has been operating, the value of deposits held by guaranteed natural persons surged by more than 75 times in nominal terms, while the number of guaranteed depositors, natural persons, increased by over four times.

The real wage index for the December 2016-December 2015 period reached 112 percent⁷⁵ as inflation stayed on negative ground in 2016 as well.

The unemployment rate, which at end-2016 stood at 4.8 percent, one of its lowest levels since the outbreak of the financial crisis, also had a positive impact on the evolution of the value of deposits.

Throughout 2016, interest rates extended the downtrend of the previous years. Nevertheless, the population maintained a cautious savings behaviour opting for bank deposits, particularly for demand deposits in the national currency.

During 2016, natural persons' deposits moved up, no matter the currency denomination, with leu-denominated deposits below the coverage level making a substantial contribution.

At the end of 2016, eligible deposits in the national currency totalled 89.4 billion lei, up 10.9 percent from 31 December 2015, while deposits denominated in foreign currencies added 7.1 percent to reach the leu equivalent of 58.3 billion.

Leu-denominated deposits kept their majority stake of overall eligible deposits held by natural persons (60.5 percent), being followed by deposits in euros (33.4 percent and deposits denominated in U.S. dollars (5.3 percent).

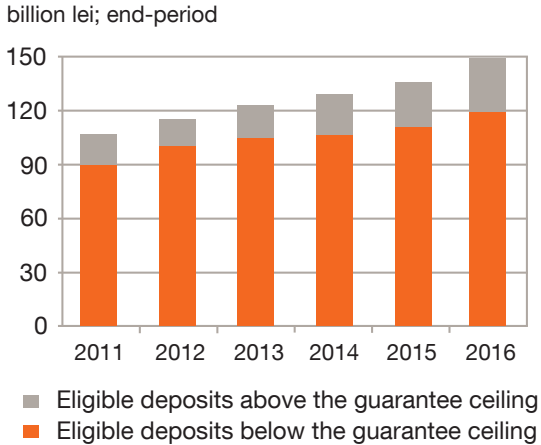
Resident natural persons' eligible deposits amounted to 143.1 billion lei at the end of 2016, going up by 12.5 billion from 31 December 2015. They accounted for 96.8 percent of the overall value of the population's eligible deposits.

At end-2016, the population's covered deposits stood at 132 billion lei, up 7.4 percent as to the end of the previous year.

In relation to the guarantee ceiling of 100,000 euros, at the end of 2016, the FGDB covered 89.4 percent of the total value of the populations' eligible deposits. The average value of a covered deposit held by a depositor, natural person, was 9.3 thousand lei on 31 December 2016, 8.1 percent higher than the end-2015 level.

Most of the depositors, natural persons, that is 14,186,922 persons (99.8 percent of total depositors, natural persons), benefit from full coverage of their deposits as their deposits are at the most equal to the guarantee ceiling. In 2016, the amount of deposits in this segment headed higher by 6.2 percent to 119.6 billion lei at the end of the year, accounting for 81 percent of the total value of the population's eligible deposits.

The positioning of the natural persons' eligible deposits as compared to the guarantee ceiling

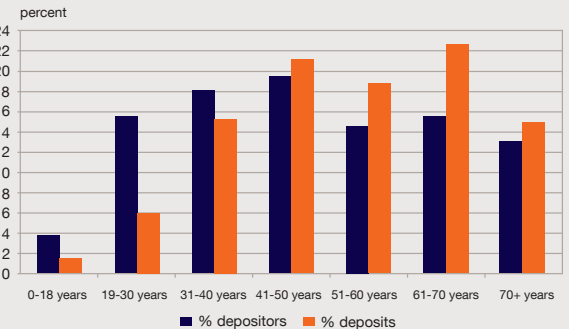


Features of the distribution of depositors, natural persons, and of their deposits on 31 December 2016

Based on data reported by credit institutions in line with the *FGDB Regulation no.1/2016 on the transmission to the Bank Deposit Guarantee Scheme of the information needed to prepare payout lists and to calculate credit institutions' annual contributions*, with subsequent amendments and completions, features of the distribution of depositors and of their deposits could be identified applying the 1 depositor – ∑ deposits at different credit institutions algorithm.

- At the end of 2016, 10,252,070 resident natural persons held deposits worth 142.9 billion lei, while 27,786 non-resident natural persons had deposits totalling around 1 billion lei.
- Some 52 percent of the resident population holds deposits at FGDB-member credit institutions.

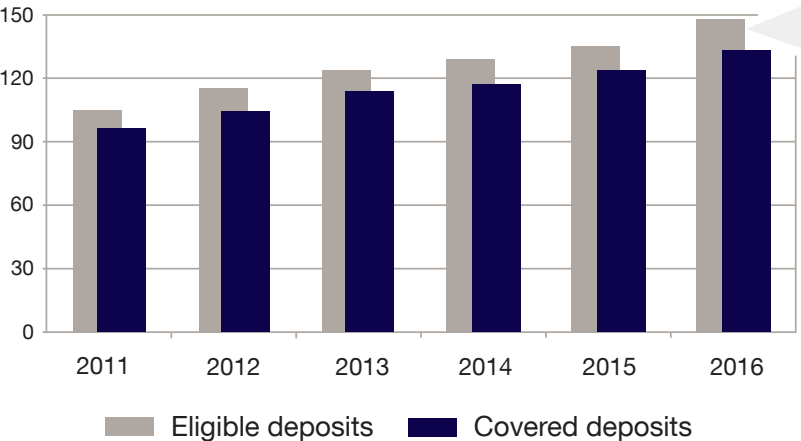
Deposits and depositors brakedown by age groups



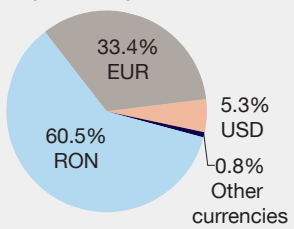
- The bulk of the total number of depositors with credit institutions in the membership of the FGDB is held by age group 41-50 years (19.3 percent), followed by the 31-40-year age group (18 percent).
- In terms of the amount of eligible deposits, the largest stake of the total is taken by age group 61-70 years (22.3 percent), followed by the 41-50-year age group (21.1 percent).

Household deposits with FGDB-member credit institutions

billion lei; end-period

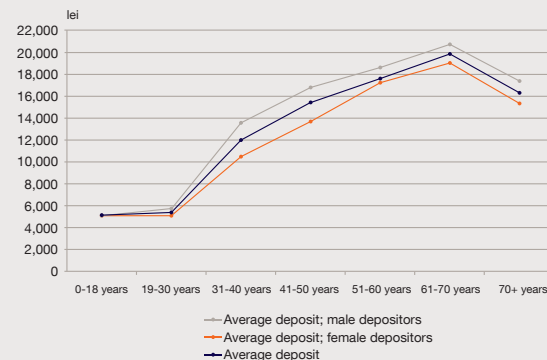


Structure of eligible deposits by currencies



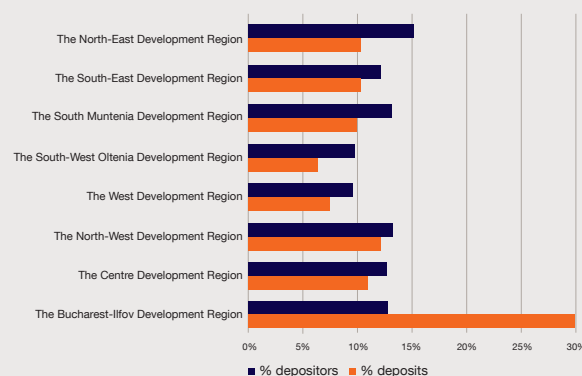
⁷⁵ Data of the National Institute of Statistics.

Average value of a deposit



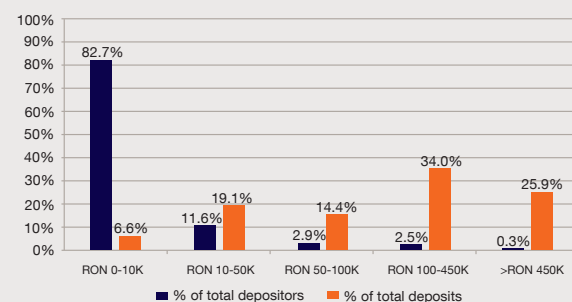
- The highest value of an average deposit is recorded for age groups 61-70 years (average deposit of around 20 thousand lei) and 51-60 years (average deposit of roughly 18 thousand lei).
- Average deposit in the male depositor segment is worth 15.1 thousand lei.
- Average deposit in the female depositor segment stands at about 13 thousand lei.

Deposits and depositors breakdown by regions



- The Bucharest-Ilfov Development Region stands out from the other regions in terms of average deposit (about 33 thousand lei)
- Placed on the subsequent standings are the South-East Development Region (average deposit worth 13 thousand lei) and the North-West and Centre development regions (average deposit of around 12.2 thousand lei).
- The lowest value (9.4 thousand lei) is registered in the South-West Oltenia Development Region.

Deposit breakdown by value range



- Depositors in the first segment (82.7 percent of the total number of depositors) hold 6.6 percent of the amount of deposits, the average value of a deposit in this section standing at 1.1 thousand lei.
- In the next segment, 11.6 percent of total depositors hold 19.1 percent of the value of deposits, with the average deposit being worth 23 thousand lei.
- The last segment includes depositors with deposits of more than 450 thousand lei. This means that 0.3 percent of the overall number of depositors hold 25.9 percent of the value of deposits and the average deposit amounts to 1,076 thousand lei.

LEGAL PERSONS' ELIGIBLE DEPOSITS

At the end of 2016, the eligible deposits that guaranteed depositors, legal persons (small and medium-sized enterprises, large companies

and other legal entities), held at credit institutions participating in the FGDB totalled 93.4 billion lei, an 8.2 percent upturn as to 31 December 2015.

In the 12 years since deposits of enterprises have been guaranteed⁷⁶, the value of their eligible deposits has increased by more than 11 times, the extension of the FGDB's guarantee scope having had a significant influence in this respect.

On 31 December 2016, approximately 60 percent of the total value of legal persons' deposits at member credit institutions was within the FGDB's scope of coverage.

The respective rise was also an outcome of the improved financial situation of companies and of a cautious approach to investments because of an uncertain environment.

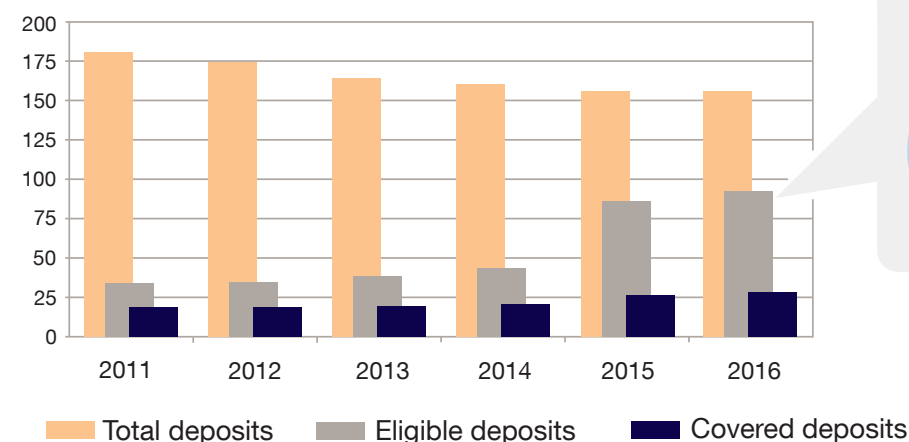
The upward move of legal persons' eligible deposits in 2016 resulted from the positive evolution of the two currency components – the leu and foreign currencies.

As compared to the end of the previous year, the amount of leu-denominated eligible deposits held by legal persons surged by 8.7 percent to 70.4 billion lei on 31 December 2016, the increase scored in the overnight-deposit segment contributing substantially to the leap.

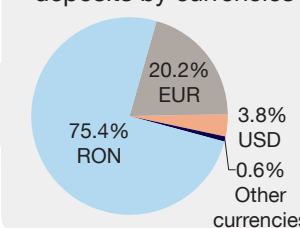
The foreign-currency component rose by 6.7 percent to the leu equivalent of 23 billion at end-2016, mainly on the strength of deposits in euros and in U.S. dollars.

Legal persons' deposits with FGDB-member credit institutions

billion lei; end-period



Structure of eligible deposits by currencies



⁷⁶ Legal persons' deposits were included in the FGDB's guaranteed scope in 2004. Before *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund* took effect, guaranteed depositors, legal persons, consisted mainly of small and medium-sized enterprises and other similar entities.

Deposits denominated in the national currency maintained their three-quarter stake in the total value of legal persons' eligible deposits, with euro-denominated deposits and deposits in U.S. dollars trailing behind on 20.2 percent and, respectively, 3.8 percent.

At the end of 2016, 99.6 percent of the 911,411 guaranteed depositors, legal persons, were resident legal entities.

Resident legal persons held 97.7 percent of the total value of legal persons' eligible deposits on 31 December 2016.

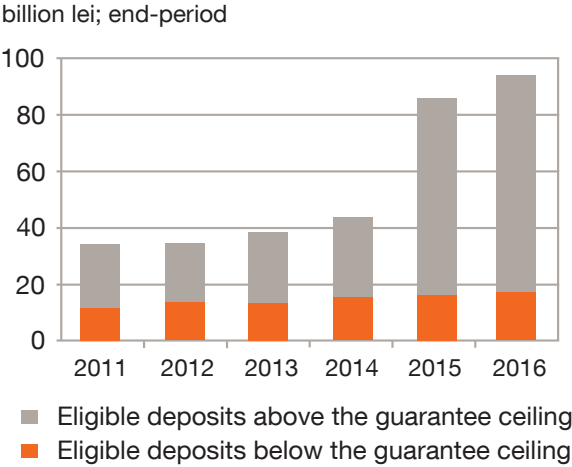
Resident legal persons' eligible deposits posted a year-on-year growth of 8.2 percent to stand at 91.3 billion lei at end-2016.

Unlike the situation in the population segment, deposits above the guarantee ceiling take the bulk of the total value of legal persons' deposits. By the end of 2016, their amount had reached 76.2 billion lei, accounting for 81.6 percent of the total value of legal persons' eligible deposits.

At the end of 2016, legal persons' covered deposits totalled 26.6 billion lei (an annual nominal variation of +2.4 percent). Covered deposits accounted for 28.5 percent of the overall value of legal persons' eligible deposits, a relatively low percentage triggered by the prevalence of deposits above the guarantee ceiling.

The average value of a legal person's covered deposit stood at 29.2 thousand lei on 31 December 2016, adding 5.4 percent to the level recorded on the same date of the previous year.

The positioning of the legal persons' eligible deposits as compared to the guarantee ceiling



The average value of deposits below the guarantee ceiling rose by 6 percent to 19.3 thousand lei at the end of 2016.

The average value of eligible deposits above the 100,000-euro coverage limit stood at 3,677.6 thousand lei on 31 December 2016, up 8.3 percent from the end-2015 level.

COMPENSATION PAYOUTS

As a result of the adoption of new legislation on deposit guarantee, Romania applied the shortest payout deadline envisaged by the relevant EU Directive that is within 7 working days of the date deposits became unavailable⁷⁷.

By making this decision, Romanian authorities aimed to boost the confidence of depositors in Romania in the safety of their savings with credit institutions authorised by the National Bank of Romania.

Following the application of the new repayment deadline, the FGDB has intensified its concerns to put conditions in place so as to be able to intervene effectively at all times. Besides steps to consolidate its operational and financial capability, the FGDB also paid particular attention to testing the capability of credit institutions to generate, within the statutory deadline, full and accurate payout lists in the event of unavailability of deposits.

In the first half of 2017, in light of the new legal provisions, the FGDB updated its payout procedure and supplemented it to also include specific details of the actions needed to make compensation payments through the deposit guarantee scheme in the host member state if a FGDB-member credit institution whose deposits are unavailable has branches in another member country.

One of the FGDB's actions in preparation of the payout channels needed in the event of

deposit unavailability at a credit institution was to the issue a new regulation⁷⁸ on the selection, at the beginning of each year, of credit institutions to be mandated by the FGDB to act as paying agents.

The credit institutions mandated to reimburse guaranteed depositors should place among the first 10 FGDB-member credit institutions in terms of total volume of eligible deposits and should not be under early intervention or resolution procedures. Credit institutions to be mandated are selected according to the following criteria:

- they boast a vast network of operational units nationwide;
- they are equipped with an adequate IT system allowing compensation payments according to a consolidated payout list;
- they do not charge commissions and fees from either the compensation recipient or the FGDB;
- their liquidity indicator and liquidity coverage ratio should meet at least the minimum requirement set under applicable specific rules;
- they should comply with the stipulations of the National Bank of Romania regarding reserve requirements;
- their interest rate on the money in the FGDB's account for repayments;
- their access to call centre services;
- other aspects likely to benefit guaranteed depositors and/or the FGDB.

⁷⁷ According to European legislation, the payout period will be reduced gradually from 20 working days to 7 working days by 2024.

⁷⁸ FGDB Regulation no. 5/2016 on the selection of credit institutions the FGDB mandates to repay guaranteed depositors. The regulation took effect on the date it was published in the Official Gazette of Romania, Part I no. 1048 of 27 December 2016.

According to the *Multiannual Programme for Stress Test Exercises*, which the FGDB adopted to comply with the provisions under the new legislation⁷⁹, starting 2017 such exercises will be conducted to test the FGDB's payout capability. The tests cover:

- operational capability, including access to data, staff and other resources involved, communication with depositors and with the public, payment instruments employed, payouts and repayment period;
- funding capability, verifying if the FGDB's available funding resources are adequate to meet its payment obligations under different scenarios.

In its 20 years of activity, the FGDB made compensation payments amounting to 512.2 million lei for seven banks that failed over 1999 – 2006.

In all seven FGDB interventions, guaranteed depositors were repaid within the stipulated period and the reimbursement process, defined so as to imply simple steps for depositors to take, ran smoothly.

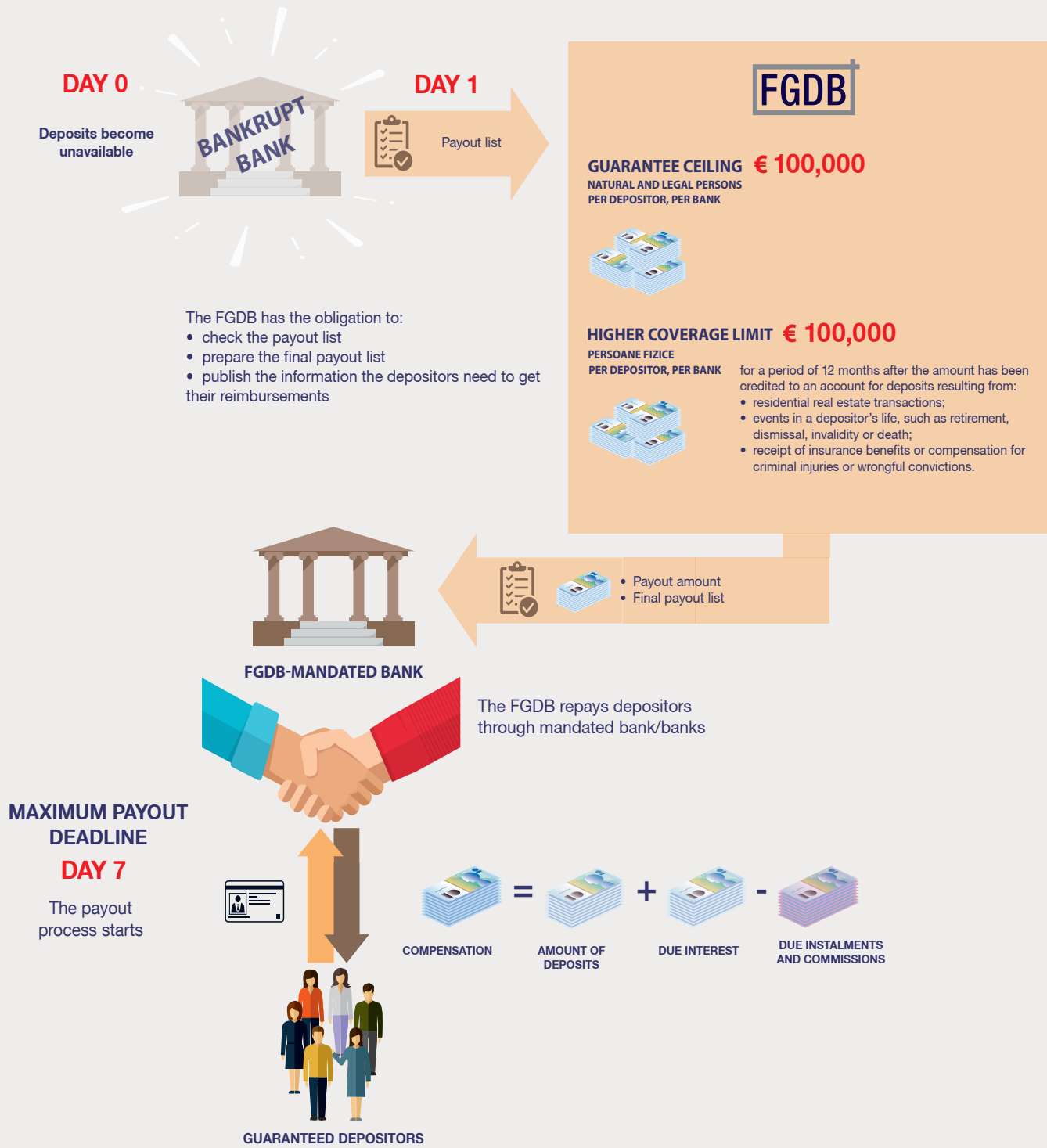
All depositors have to do to get their compensation (payable in cash or into a bank account) is to show some form of identification at the counters of the mandated credit institutions.

Moreover, all member credit institutions' capability to prepare and transmit payout lists will be tested before 3 July 2017.

The year 2016 in Romania was the tenth consecutive year to register neither a bank failure nor an instance of deposit unavailability and, consequently, there was no need for FGDB's intervention through payouts.

⁷⁹ In order to apply legal provisions on the obligation of deposit guarantee schemes to periodically test their own systems, the FGDB issued *Regulation no. 4/2016 on the organisation of stress test exercises by the Bank Deposit Guarantee Fund*, drawn up according to the *European Banking Authority's Guidelines on stress tests of deposit guarantee schemes pursuant to Directive 2014/49/EU*.

Compensation payout process



FGDB MEMBERSHIP

The FGDB covers deposits with all credit institutions licensed by the National Bank of Romania⁸⁰, including deposits with their branches abroad.

On 31 December 2016, the FGDB membership included 29 credit institutions⁸¹, of which 26 banks, two savings and loan banks for housing and a cooperative credit organisation (central body and affiliated cooperatives).

The number of credit institutions participating in the FGDB remained constant throughout 2016, with the only change occurring in the name of one credit institution, as shown in *Annex 1 – List of FGDB-member credit institutions as at 31 December 2016*.

In the second half of 2016, the FGDB undertook controls of all its member credit institutions. These verifications were in line with the new procedural framework⁸² in compliance with the provisions of *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund* and aimed at:

- i. checking the accuracy of the data submitted by member credit institutions in the Reporting form on covered deposits on 31 December 2015;*
- ii. checking the actuality of data submitted by credit institutions in the Payout List on 30 June 2016;*
- iii. checking compliance with legal provisions on the information credit institutions provide to depositors.*

The results of the controls showed a more accurate classification of deposits in terms of FGDB coverage.

The most frequently identified errors occurred when a number of legal persons benefitting from coverage under the law were wrongly placed in the category of persons excluded from protection. Such situations were encountered particularly in the case of state-owned enterprises and companies, autonomous public corporations, educational and health establishments, small and medium-sized enterprises.

At the same time, deficiencies were noted in the calculation of depositors' tax liabilities imposed by the state and of credit institutions' demandable/payable claims over depositors, as well as the category of deposits with beneficiaries whose identities were uncertain at the time of the reporting (for example, in the case of collateral deposits and money subject to seizure).

Following the differences observed in the covered deposit balance on 31 December 2015, the FGDB recalculated the contributions 23 credit institutions owed to it in 2016. The recalculation showed that the respective credit institutions still owed the FGDB more than 302 thousand lei.

A verification of 75 units of the 29 member credit institutions in terms of information on deposit guarantee provided to depositors focused on:

- supply of information to depositors on the guarantee scheme and the categories of deposits excluded from coverage;
- records of the information provided to depositors in connection with deposit guarantee and the calculation of compensation before they sign a deposit contract;
- fulfilment by credit institutions of their obligation to include in depositors' each statement of account a confirmation that their deposits are eligible and to refer them to the standardised information sheet, in line with legal provisions.

In terms of information of depositors, the deficiencies identified concerned the absence of the standardised information sheet containing basic information on deposit guarantee, as well as the failure to adjust statements of account so as to include a mention of the scope of deposit coverage.

The reports on the respective controls set measures and deadlines for the correction of the deficiencies found in order to ensure compliance with applicable legal provisions, with the FGDB monitoring their fulfilment.

At the beginning of 2016, a working meeting was organised with representatives of the member credit institutions during which topics of interest related to deposit guarantee in light of the transposition into national legislation of the provisions of the Directive on deposit guarantee schemes, as well as operational aspects were approached.

The same topics were also at the core of the cooperation between the FGDB and the Romanian Banking Association in 2016. Furthermore, the FGDB answered credit institutions' queries related to methodology, legislation and FGDB regulations on deposit protection and the calculation of contributions.

⁸⁰ Branches in Romania of banks headquartered in other member states participate in the deposit guarantee schemes of the home countries.

⁸¹ *Annex List of FGDB-member credit institutions as at 31 December 2016.*

⁸² *Regulation no. 1/2016 on the transmission to the Bank Deposit Guarantee Scheme of the information needed to prepare payout lists and to calculate credit institutions' annual contributions*, with subsequent amendments and completions, and the *Internal Procedure on the verification by the Bank Deposit Guarantee Fund of the data reported by member credit institutions and of their observance of legal provisions on the information provided to depositors.*



4

Financial resources administered by the FGDB



In light of its responsibilities as a statutory deposit guarantee scheme, the FGDB was entrusted, under the law, the administration of two funds that operate in Romania for the exclusive purpose of protecting depositors and, respectively, financing resolution measures – the deposit guarantee fund⁸³ and the bank resolution fund⁸⁴.

The FGDB aims to continuously strengthen its funding capability to be able to sustain, without difficulty, interventions such as payouts or funding of bank resolution measures.

The main sources of the two funds are the contributions of the credit institutions in the

membership of the FGDB, the reinvested profit (at least 99 percent of the earned profit) resulting from the FGDB's investments and receipts from recovered FGDB claims.

The operations related to building, investing and using financial resources for deposit protection and bank resolution are registered as distinct entries in accounting records.

According to the provisions of European Union directives on deposit guarantee and bank recovery and resolution, both funds rely on *ex ante*⁸⁵ funding mechanisms based on member credit institutions' risk-weighted contributions.

At the end of 2016, the resources accumulated in the deposit guarantee fund and the bank resolution fund totalled 5,923.5 million lei, gaining 590.1 million lei from 31 December 2015.

⁸³ The resources of the deposit guarantee fund are used to make compensation payments and to finance the resolution measures that ensure depositors' continuous access to their deposits at the banks undergoing resolution.

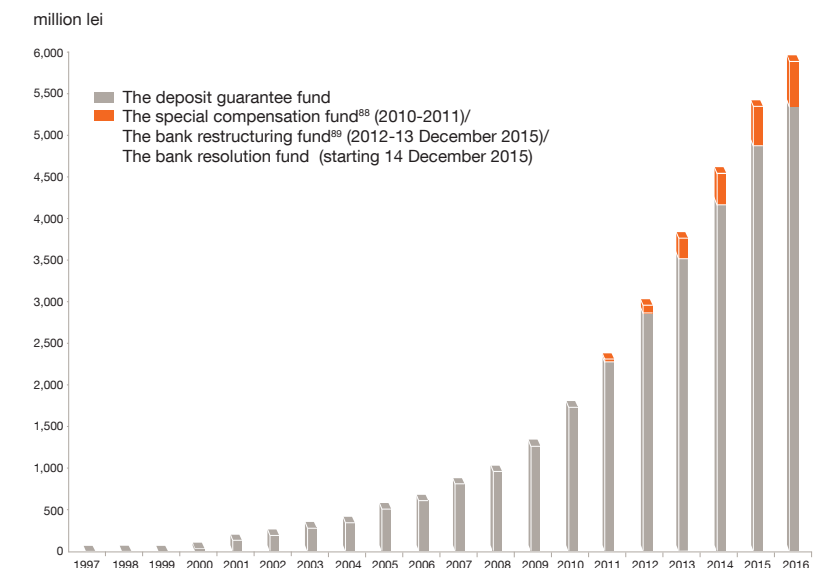
⁸⁴ The bank resolution fund was created on 14 December 2015 by taking over the financial resources of the bank restructuring fund, previously administered also by the FGDB.

⁸⁵ An *ex ante* financing mechanism implies a gradual accumulation of resources before the unavailability of deposits occurs or prior to the start of a resolution procedure. The *ex ante* funding mechanism was the only one used in Romania.

At the same time, under legal stipulations, target levels of the available financial resources of the two funds were set, calculated as a percentage of the value of covered deposits and harmonised throughout the European Union⁸⁶.

Throughout the 20 years of activity, the resources administered by the FGDB have followed an upward path although in the early years of operation there were cases when internal resources proved insufficient to cover payouts and loans had to be resorted to⁸⁷.

Resources administered by the FGDB from its creation to 31 December 2016



⁸⁶ 0,8 percent for the deposit guarantee fund and 1 percent for the bank resolution fund.

⁸⁷ To be able to repay depositors at Banca Internațională a Religiiilor and at Bankcoop, two banks that filed for bankruptcy in 2000, the FGDB took loans from the National Bank of Romania which it paid back by 2005.

⁸⁸ The Special Compensation Fund was created to secure the financial resources needed to compensate persons prejudiced by measures taken and implemented during special administration proceedings.

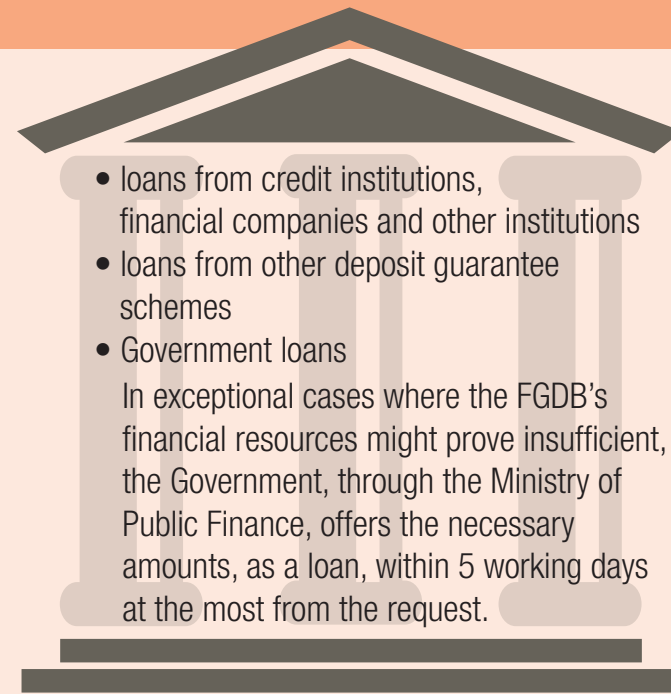
⁸⁹ The Bank Restructuring Fund was intended both to compensate persons prejudiced by measures taken and implemented during special administration proceedings and to finance the stabilisation measures decided by the National Bank of Romania.

Funds administered by the FGDB

The Deposit Guarantee Fund



- annual contributions from credit institutions
- extraordinary contributions from credit institutions
- recovered claims
- revenues from investment of financial resources



- loans from credit institutions, financial companies and other institutions
 - loans from other deposit guarantee schemes
 - Government loans
- In exceptional cases where the FGDB's financial resources might prove insufficient, the Government, through the Ministry of Public Finance, offers the necessary amounts, as a loan, within 5 working days at the most from the request.

- payouts to guaranteed depositors
- funding of resolution measures to be applied to FGDB-member credit institutions, according to the decision of the National Bank of Romania in its capacity as the resolution authority
- loans granted to other deposit guarantee schemes

The Bank Resolution Fund



- annual contributions from credit institutions
- extraordinary contributions from credit institutions
- revenues from investment of the accumulated amounts



- loans and other forms of assistance from credit institutions, financial institutions or other third parties
- loans from resolution funding mechanisms within the European Union
- loans from the Government

- funding of resolution measures to be applied to the FGDB-member credit institutions stipulated under the law, according to the decision of the National Bank of Romania in its capacity as the resolution authority
- loans granted to other resolution financing mechanisms within the European Union

The FGDB has at its disposal a solid and diversified funding system allowing it to fulfil its payment obligations within stipulated deadlines.

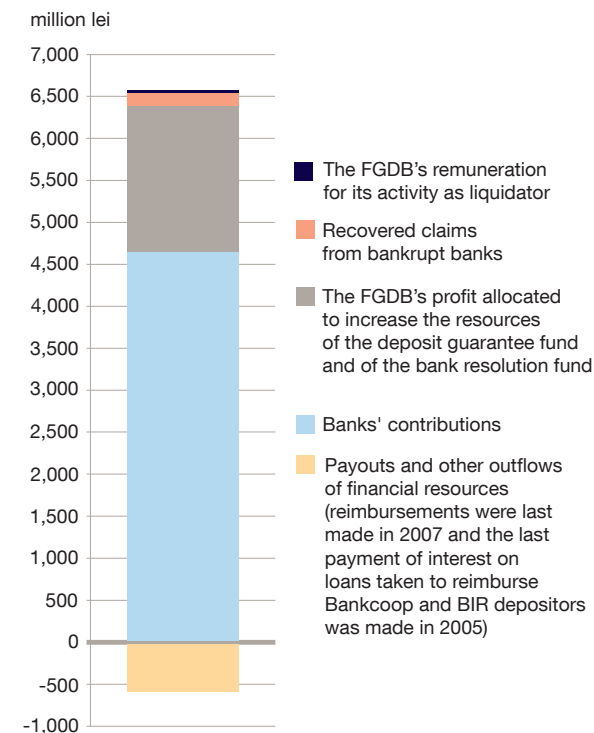
Besides internal resources, the FGDB may resort to external funding, such as loans from the Government, from credit institutions, financial institutions and other deposit guarantee schemes or, in the case of resolution measures, from other resolution funding mechanisms within the European Union.

In 2016, the FGDB's resources advanced much faster than the total value of covered deposits (an annual nominal variation of +11.1 percent vs +6.5 percent).

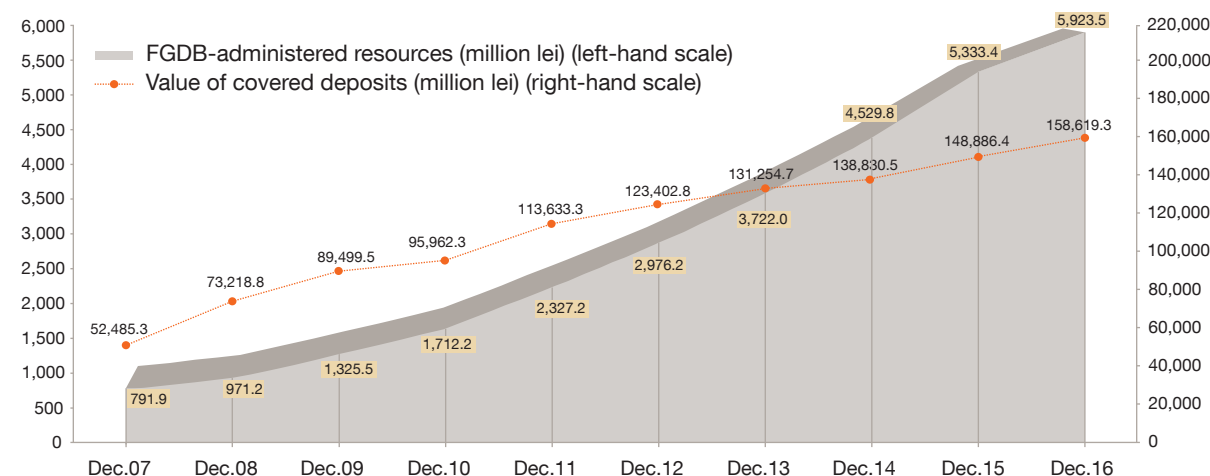
In 2016, FGDB-member credit institutions' contributions to the two funds totalled 459.2 million lei, 28.2 percent less than the previous year.

The reinvested profit worth 130.9 million lei, a result of the FGDB's investments in 2016, represented another inflow of resources.

The FGDB's total funds and liabilities from its creation to 31 December 2016



The FGDB-administered resources and the value of covered deposits



In exceptional cases where:

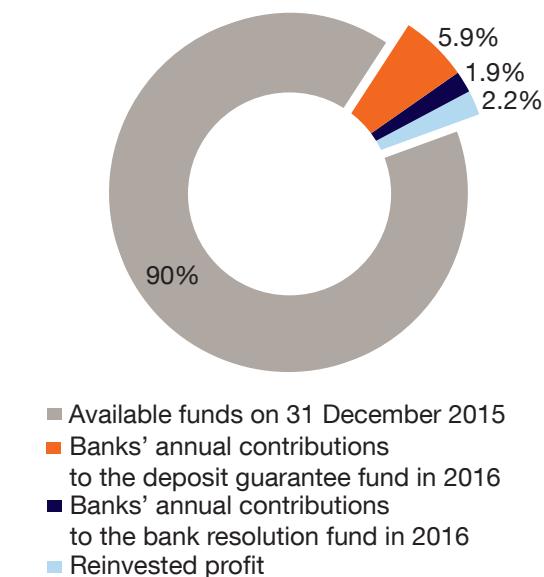
- the available financial resources of the FGDB, as deposit guarantee scheme, are insufficient to cover payouts or to fund resolution measures

or

- the resources of the FGDB-administered bank resolution fund are insufficient to finance measures for the resolution of credit institutions according to the legislation on the recovery and resolution of credit institutions,

the Government, through the Ministry of Public Finance, lends the FGDB the necessary amounts within maximum five working days from the FGDB's request.

Origin of the FGDB's resources in 2016



The FGDB invests the available resources of the deposit guarantee fund and of the bank resolution fund focusing on minimum

risk and adequate liquidity of investments, which actually represent the stipulated key targets of the strategy for investing FGDB-administered financial resources.

The investment strategy is endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania. The 2016 investment strategy is based on an updated risk analysis methodology, in harmony with the adjustments made by the National Bank of Romania as part of the supervisory review and evaluation process (SREP). This internal analysis tool allowed the FGDB to make well-timed decisions on investment structure adjustments in keeping with the evolution of the risk rating of credit institutions, which it determines and for which a minimum acceptable level was set.

As part of its concerns to secure adequate liquidity, the FGDB has maintained a monthly liquidity reserve of 10-20 percent of the available financial resources of the deposit guarantee scheme. At an operational level, whenever necessary, the Resources Management Committee (CARF) adjusted both the liquidity reserve level and the structure of investments and exposure limits by credit institutions and types of investments and maturities, depending on specific market conditions and the results of its own risk analyses.

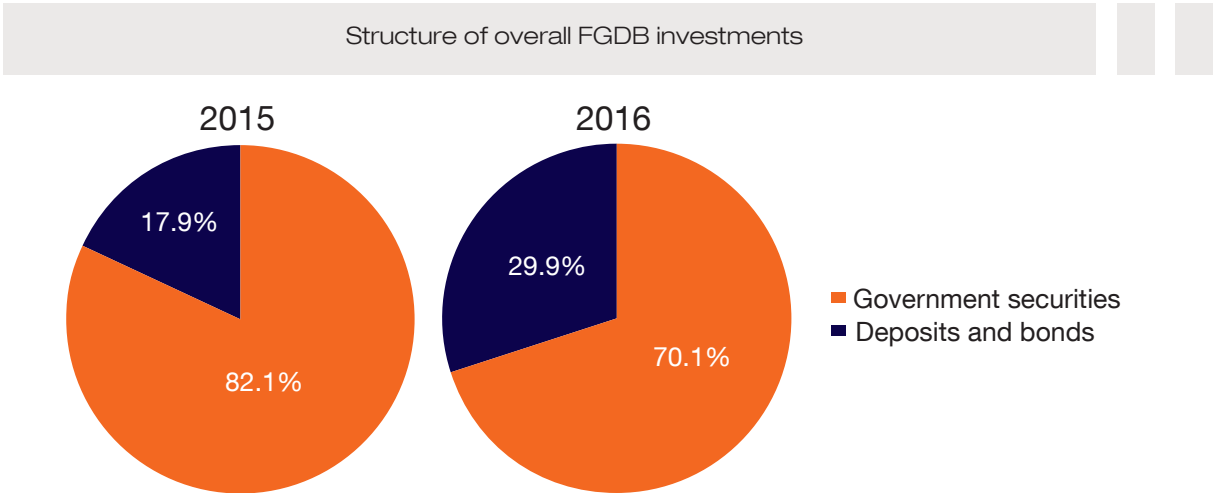
The FGDB has been particularly concerned with securing the highest possible level of granularity of its investments, pursuing a strategy of portfolio diversification conducive to an adequate dispersion by types of instruments and by categories of issuers and, within a category, by issuers whose rating risk stands at the accepted minimum.

In 2016, the FGDB once again resorted to the VaR (Value-at-Risk) technique to gauge the risk exposure of the government securities in its portfolio, all while continuing to monitor their market value.

The average invested capital amounted to 5,736.5 million lei in 2016 (an annual nominal variation of +14.1 percent).

On 31 December 2016, government securities had a 70.1 percent stake in the FGDB's investment portfolio, with the remainder accounted for by deposits and bonds.

Although 2016 saw an extension of the downward trend in interest rates on the market, investment performance in terms of the available financial resources of the two funds was good.



THE DEPOSIT GUARANTEE FUND

On 31 December 2016, the deposit guarantee fund (which includes the 2016 reinvested) stood at 5,321.2 million lei, up 472.6 million lei from the end of the previous year.

The available financial resources of the deposit guarantee fund accounted for 3.4 percent of the value of FGDB-covered deposits, a percentage that is 2.6 percentage points higher than the target level all European Union member states must reach by 2024.

Two major decisions in relation to the FGDB's funding policy were reached in 2016: the adoption of a multi-annual approach to the target level of available financial resources and the introduction of a risk-based contribution system.

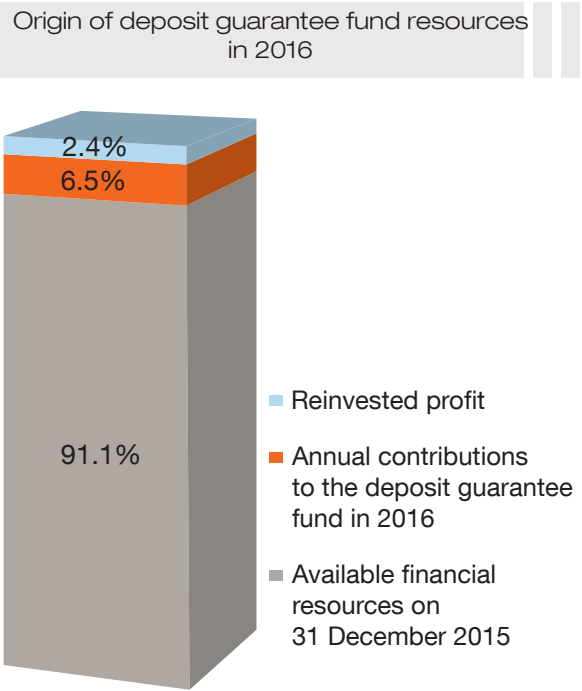
The multi-annual approach to the target level of available financial resources, which all deposit guarantee schemes in the European Union adopted by now, is intended to ensure a more predictable framework for the attainment of the target level assumed by more rigorously spreading out the total contributions to be collected over the chosen time horizon.

The multi-annual target set for the deposit guarantee fund is based on the current and future needs of the FGDB and is spaced out over the assumed time horizon (2-5 years), the annual target for the contributions to the bank resolution fund set by the National Bank of Romania being also taken into consideration.

For the beginning, the FGDB planned to collect total contributions to the deposit guarantee fund worth 400 million lei, within the 2016 - 2017 time horizon, of which 348 million lei in 2016 (about one third less than the total contributions collected the previous year) and 52 million lei in 2017⁹⁰. The aim of this division was to ensure that over the two-year period credit institutions would contribute relatively constant total amounts to the deposit guarantee fund and the bank resolution fund.

The new system of differentiated contributions ensures a distribution of the total annual contribution among the credit institutions affiliated to the FGDB according to their respective riskiness in terms of a possible use of FGDB resources. The calculation base is the end-year amount of covered deposits.

In 2016, the FGDB used a calculation method⁹¹ that relies on four risk classes with different risk weights assigned to them, respectively of 75 percent, 100 percent, 120 percent and 150 percent of the identical contribution rate applicable if there is no risk differentiation.



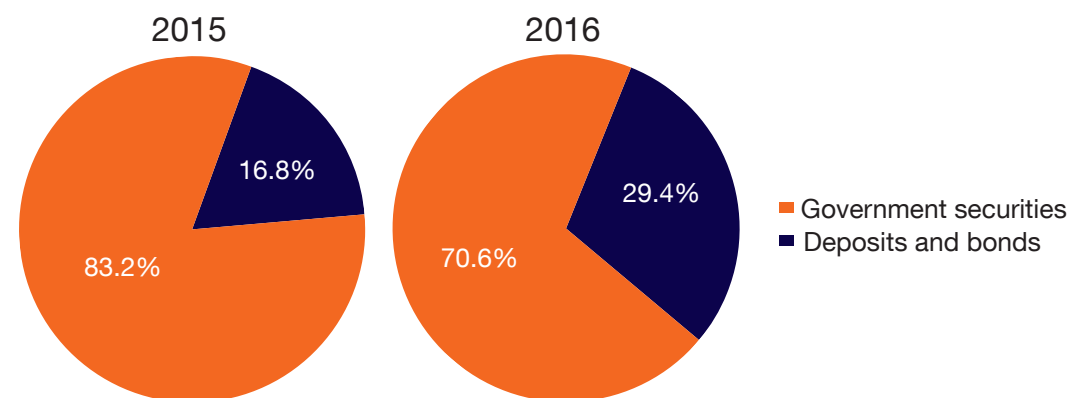
The profit reinvested into the deposit guarantee fund totalled 124.6 million lei.

By end-2016, 70.6 percent of the financial sources of the deposit guarantee fund had been invested in government securities.

⁹⁰ Over the respective two years, contributions, differentiated according to the risk profile, to the deposit guarantee fund were collected by the end of April of each year.

⁹¹ The calculation method was devised according to the requirements of the EBA's *Guidelines on methods for calculating contributions to deposit guarantee schemes* and was approved by the National Bank of Romania in compliance with the legislation in force. In order to implement it, the FGDB issued *Regulation no. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund* and published the calculation method in full on its website, in the section dedicated to Banks.

Structure of FGDB's investments of deposit guarantee fund resources



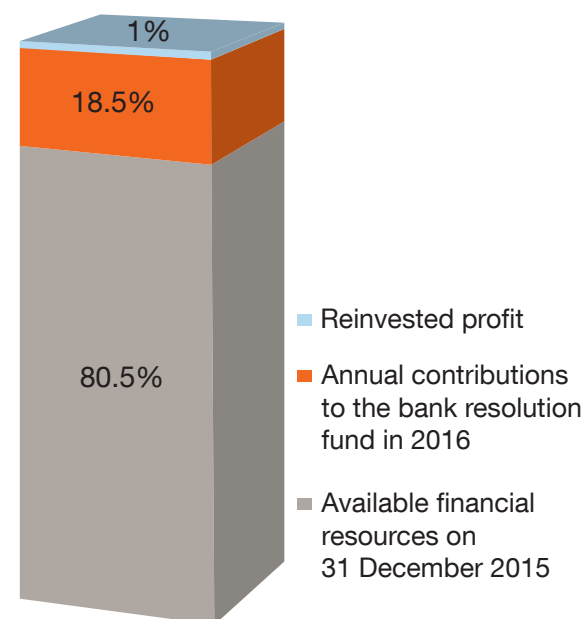
THE BANK RESOLUTION FUND

The available financial resources of the bank resolution fund, including the 2016 profit reinvested into it totalled 602.3 million lei at end-2016, that is 117.5 million lei more than the 31 December 2015 level.

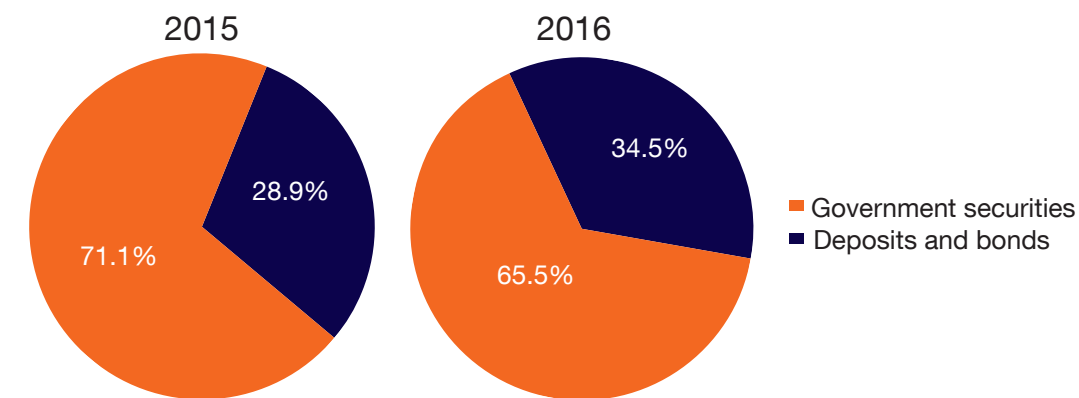
These resources accounted for 0.4 percent of the amount of FGDB-covered deposits, a stake 0.1 percentage points higher than the previous year. According to European Union regulations, all member states should reach the minimum target level of the bank resolution fund, set at 1 percent, by 2024.

Annual contributions to the bank resolution fund stood at 111.2 million lei in 2016 when, for the first time, the National Bank of Romania, as the resolution authority, set the level of individual contributions for each credit institution taking account of its risk profile.

Origin of bank resolution fund resources in 2016



Structure of FGDB's investments of bank resolution fund resources



According to applicable regulations, when established, annual contributions should be spread out as evenly as possible over time, but with due account of the phase of the business cycle and the pro-cyclical impact that contributions may have on the financial position of credit institutions.

At end-2016, the weight of government securities in the portfolio of investments of bank resolution fund resources diminished by 5.6 percentage points, to 65.5 percent from 71.1 percent.



Liquidation of failed credit institutions



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

In its 20 years in operation, the FGDB, in its capacity as creditor or, where appropriate, liquidator, was involved in bankruptcy/liquidation proceedings against the following banks⁹²:

- Banca Comercială "Albina" SA – went through bankruptcy procedures over 25 May 1999 – 14 December 2012 (the date when the procedure closed);
- Banca "Columna" SA – failed on 18 March 2003;
- Bankcoop SA – failed on 8 February 2000;
- Banca Internațională a Religiiilor SA (BIR) – went bankrupt on 10 July 2000;
- Banca Română de Scont SA (BRS) – filed for bankruptcy on 16 April 2002;
- Banca Turco-Română SA (BTR) – declared bankrupt on 3 July 2002;
- Nova Bank – went bankrupt on 9 November 2006, after going through dissolution followed by liquidation starting 22 August 2006⁹³.

⁹² For the purpose of carrying out liquidation proceedings against these banks, the courts appointed liquidators – namely the FGDB for BRS and BTR and professional liquidators for the other banks.

⁹³ The FGDB was appointed liquidator of Nova Bank on 4 September 2006 to be replaced by SC Refal Star TNB SRL and SC Activ Lichidator SRL when bankruptcy procedures opened. The FGDB ceased to be a creditor of Nova Bank on 5 April 2007 following an assignment of claims agreement with creditor Ronaturstein SRL.

Cumulative data on claims against the failed banks as at 31 December 2016

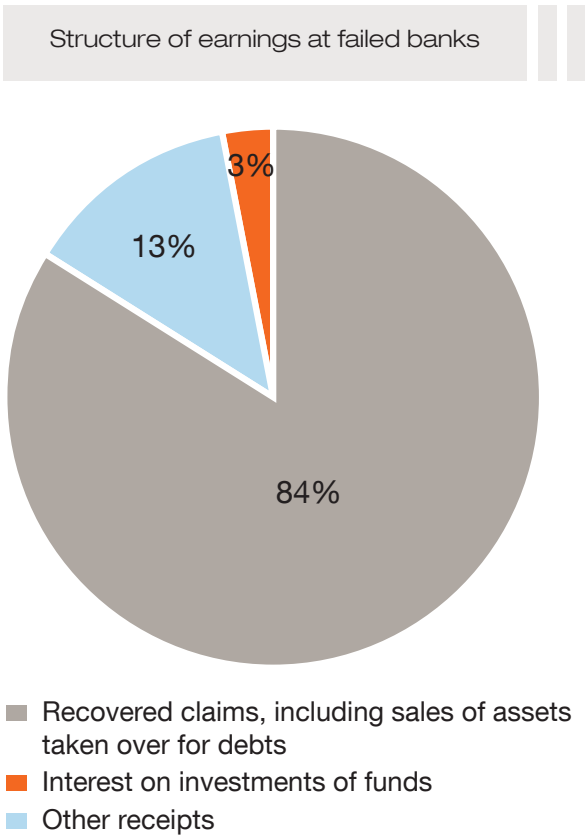
Total claims 1,001,806 thousand lei	The FGDB's claims = 513,300 thousand lei
	Other creditors' claims = 488,506 thousand lei
Total recovered claims 325,294 thousand lei	Claims recovered by the FGDB = 175,959 thousand lei (claim recovery ratio 34.28 percent of total claims)
	Claims recovered by other creditors = 149,335 thousand lei (claim recovery ratio 30.57% percent of total claims)

In 2016, the FGDB was involved in bankruptcy procedures against five banks, acting as creditor of Bankcoop, BIR and the Banca "Columna", and as court-appointed liquidator for BRS and BTR.

Total receipts and expenses at the failed banks in 2016

- thousand lei -			
No.	Failed bank	Total receipts	Total expenses
0	1	2	3
1	Bankcoop	14	80
2	BIR	323	506
3	BRS	151	644
4	BTR	85	1.475
5	Banca "Columna"	81	97
	TOTAL	654	2.802

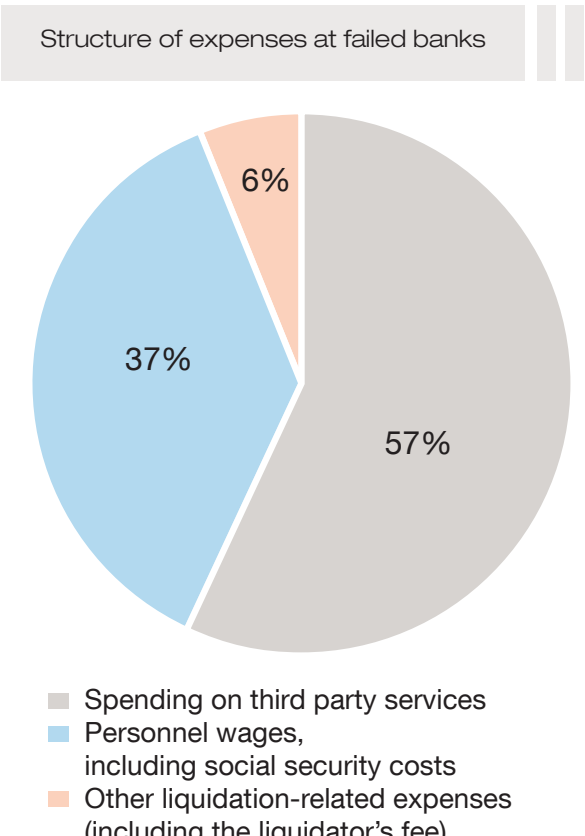
Earnings from recovered claims, including sales of assets taken over for debts, account for the bulk of total earnings, namely 84 percent.



By 31 December 2016, the amount allotted for distribution to creditors within the bankruptcy procedures against the five banks totalled 301,886 thousand lei.

Considering the overall claims amounting to 938,884 thousand lei, the claim recovery ratio stood at 32.15 percent.

The five banks' expenses in 2016 totalled 2,802 thousand lei, with the largest stake taken by third party services (57 percent).



Throughout 2016, there was only one instance of distribution to creditors, namely Banca "Columna", with 407 thousand lei going to the Authority for State Assets Management, the major creditor.

Total receipts, expenses and funds for distribution to creditors as of 31 December 2015:

No.	Bankrupt bank ¹⁾	Total claims to recover on the date of bankruptcy (thou. lei)	Total liquidation-related receipts ²⁾ (thou. lei)		of which:							Total liquidation-related expenses (thou. lei)		Total sums allotted for distribution (thou. lei)
			on 31.12.2016	of which, in 2016	recovered claims			asset sales		other receipts		on 31.12.2016	of which, in 2016	
					value (thou. lei)	% of total claims to recover	% of total receipts	value (thou. lei)	% of total receipts	value (thou. lei)	% of total receipts			
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Bankcoop	250,050	155,442	14	91,989	36.79	59.18	57,496	36.99	5,957	3.83	62,565	80	98,047
2	BIR	213,982	174,390	323	137,325	64.18	78.75	23,554	13.51	13,511	7.75	80,982	506	95,635
3	BRS	37,750	38,622	151	17,921	47.47	46.40	16,423	42.52	4,278	11.08	17,251	644	18,130
4	BTR	227,480	57,068	85	5,143	2.26	9.01	31,799	55.72	20,126	35.27	16,016	1,475	39,776
5	Banca "Columna"	..	..	81	..	..	..	..	..	..	..	..	97	50,298
TOTAL ³⁾		729,262	425,522	654	252,378	34.61	59.31	129,272	30.38	43,872	10.31	176,814	2,802	301,886

¹⁾ No cumulative data on receipts and expenses are available for Banca "Columna".

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

³⁾ Including Banca "Albina" and Nova Bank, total liquidation-related receipts stand at 460,836 thousand lei (recovered claims 269,224 thousand lei, sales of assets 142,377 thousand lei and other receipts 49,235 thousand lei), overall expenses amount to 187,764 thousand lei and the funds allotted for distribution total 325,294 thousand lei.

Receipts in the main categories resulted from recovered claims (including sales of assets taken over for debts) and from sales of assets. The rest of the receipts sprang from interest on investments of funds, dividends and rents.

The failed banks' debtor portfolios thinned further in 2016 as a result of actions

taken to recoup debts from the main debtors or to remove from accounting records the debtors whose debts could no longer be recovered (closed bankruptcy procedures, lack of realisable guarantees, insolvent debtors etc). As compared to the previous year, the number of debtors of the bankrupt banks decreased by 31 to stand at 129 on 31 December 2016.

The evolution of the number of bankrupt banks' debtors

No.	Bankrupt bank	Total debtors on bankruptcy filing date	Total debtors removed from accounting records	Total debtors* on 31.12.2016
0	1	2	3	4=2-3
1	Bankcoop	14,716	14,702	14
2	BIR	22,416	22,339	77
3	BRS	232	198	34
4	BTR	1,286	1,282	4
	TOTAL	38,650	38,521	129

* The only available data in the case of Banca "Columna" are those referring to the number of debtors on 31.12.2016, namely 7 debtors.

Banca Română de Scont (BRS)

In the case of BRS, liquidation-related receipts stood at 151 thousand lei in 2016. Most of them were derived from recovered claims (92 percent) and the remainder (8 percent) from interest on investments of funds.

From the date of bankruptcy filing (16 April 2002) to 31 December 2016, claims worth 17,921 thousand lei were recovered accounting for a claim recovery ratio of 47 percent.

If debt repayments from collateral deposits/guarantees and the takeover of bank debtors' assets to recover claims are included, the claim recovery ratio (also considering the claims added to the bank's patrimony after the procedure had opened) is substantially higher, climbing to 58 percent.

Liquidation-related spending throughout 2016 totalled 644 thousand lei, of which

76 percent accounted for by personnel wages, 23 percent by third party services and 1 percent by other expenses.

With the BRS's collecting account remaining under seizure in 2016⁹⁴, no funds were distributed to creditors despite the 4,319 thousand lei on hand and at bank at the end of the year.

On the date of the opening of bankruptcy procedures, claims amounting to 112,763 thousand lei were lodged. Once the claims had been reviewed by the liquidator, the court admitted just one third of that amount, namely claims worth 38,446 thousand lei. The claim review procedure was completed in 2006 and its aim was to secure a strict application of the principle that invalid claims would not be admitted nor will they be paid to natural and legal persons who fraudulently prepared and lodged unjustified claims.

By 31 December 2016, the BRS had distributed to its creditors a total 18,130 thousand lei, satisfying 47 percent of the body of creditors, the highest degree of creditor satisfaction recorded at failed banks.

Throughout the BRS bankruptcy proceedings, the liquidator permanently acted in the interest of the creditors and took the necessary steps to engage the liability of the persons behind the damage caused to the bank. Reviews identified several fraudulent deals against which many complaints had been filed. The Prosecutor's Office attached to the Bucharest Tribunal joined those complaints and opened two criminal cases concerning embezzlement and money laundering.

Banca Turco-Română (BTR)

In the case of BTR, 2016 liquidation-related receipts amounted to 85 thousand lei and originated from: recovered claims (90 percent), interest on investments of funds (9 percent) and other receipts (1 percent).

Claims recovered from bankruptcy date (3 July 2002) to 31 December 2016 stood at 5,143 thousand lei, or two percent of total claims.

By end-2016, none of the claims against the bank's main debtor⁹⁵ had been recovered.

By 31 December 2016, 39,776 thousand lei had been distributed satisfying 36 percent of BTR's body of creditors.

The Bucharest Tribunal decided the criminal case of the embezzlement of BRS on the merits under Sentence no. 764 of 11 May 2015. The court convicted the defendants to imprisonment and, in the civil case, ordered them to pay, jointly and severally, to the plaintiffs 86,835 thousand lei, of which to the BRS 26,358 thousand lei (as against the claimed 125,707 thousand lei). When the present annual report was completed, the Bucharest Court of Appeal was reviewing the appeals initiated by the BRS and, respectively, the defendants.

As the aforesaid criminal case has not been closed, 64 civil cases have been adjourned, which is why there is no possibility to obtain enforceable titles to recover the bank's claims.

Taking into account the claims in the BTR's records on bankruptcy date, other than the claims over the main debtor, the recovery ratio was of 28.6 percent.

Liquidity-related expenses totalled 1,475 thousand lei in 2016 and included: third party services (84 percent), personnel wages (14 percent) and other spending (2 percent).

⁹⁴ The seizure was imposed in 2011 as part of a criminal case concerning damage caused to RAFO SA and has been maintained pending a court ruling on RAFO's action for damages against BRS. On 4 November 2014, the Bucharest Tribunal adjourned the matter until the BRS bankruptcy procedure closes.

⁹⁵ According to the accounting records of Banca Turco-Româna SA (BTR), taken over from the liquidator when bankruptcy proceedings opened, the main debtor was Bayindir Insaat Turizm Ticaret ve Sanayi AS, a company whose accrued debt stands at 52,873.67 thousand USD and, respectively, 10,164.60 thousand EUR, accounting for 92.08 percent of total claims. Following the penal action initiated against five former administrators of the bank, held liable for the fraudulent transfer of BTR funds to banks abroad to serve as collateral/guarantee for the benefit of the aforesaid company, an enforceable title was obtained to recover the losses incurred by BTR. This consequently showed in the BTR's accounting records where the five former administrators were registered as collective debtor and by substitution with Bayindir Insaat Turizm Ticaret ve Sanayi AS became the bank's main debtor.

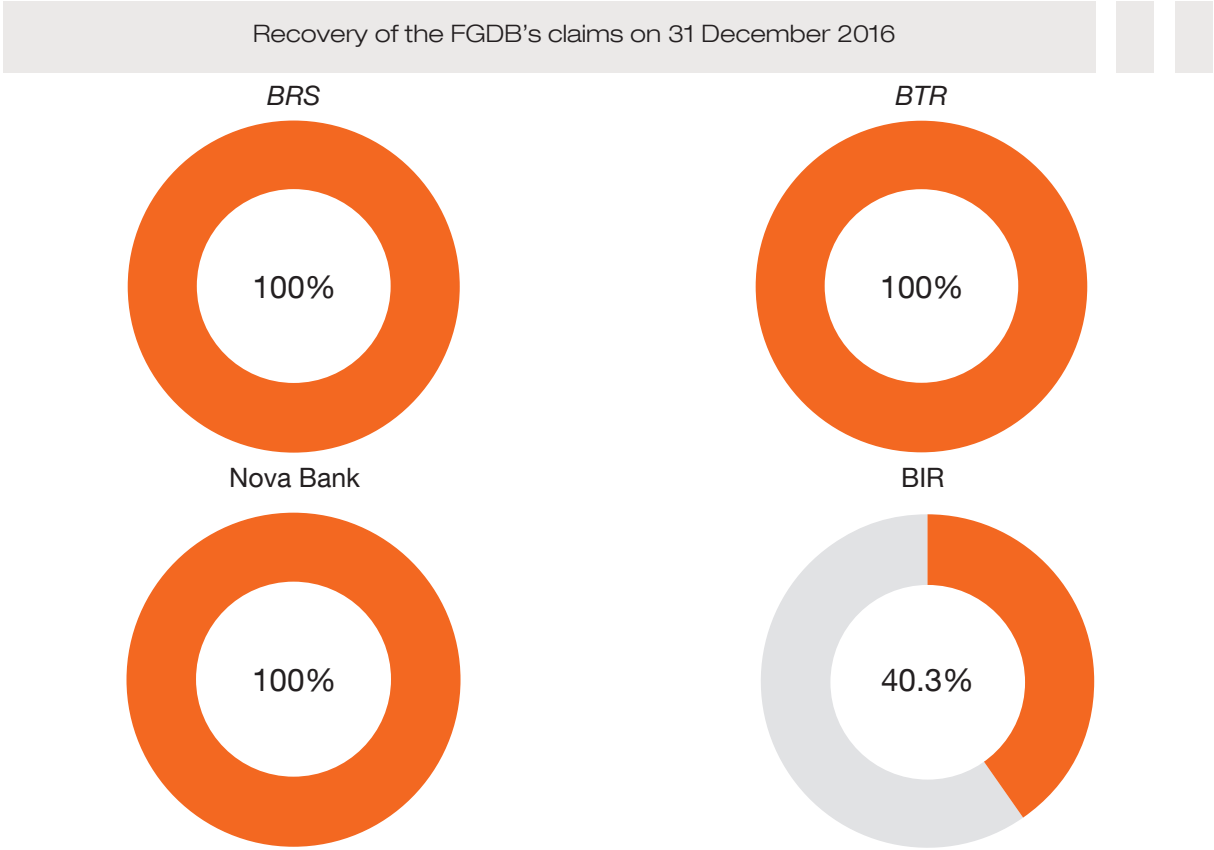
In 2016, steps were taken to recover the bank's main claim from Switzerland and actions were initiated to recover it from other countries as well.

RECOVERY OF THE FGDB'S CLAIMS

The FGDB is a major creditor of Bankcoop (83.45 percent of the body of creditors) and BIR (78.90 percent of the body of creditors) and holds an insignificant stake of the body of creditors of Banca "Columna" (0.04 percent)⁹⁷.

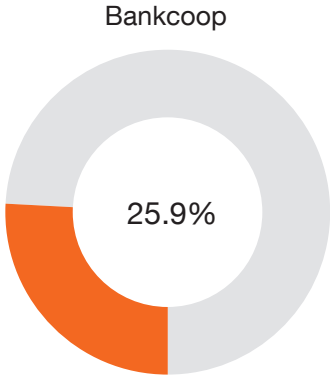
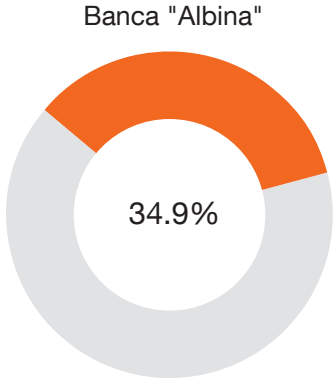
On 20 February and 2 March 2017, *BTR* recovered from Switzerland 2,058,731 CHF⁹⁶ against its main claim.

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 procedures (in 2012, for Banca "Albina").



⁹⁶ The equivalent of 2,033,917.33 USD, respectively 8,723,873.72 lei, accounting for some 4 percent of the *BTR*'s claim on bankruptcy date and 1.5 percent of the accrued debt on 2 March 2017.

⁹⁷ Banca "Columna" is an atypical case, as only two depositors were reimbursed.



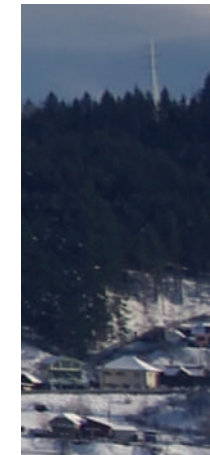
Claims recovered by the FGDB before 31 December 2016 amounted to 175,959 thousand lei, of which 174,978 thousand lei for FGDB's repayments to guaranteed depositors and 981 thousand lei representing the contributions owed to the FGDB and unpaid by Bankcoop, *BTR* and Nova Bank before filing for bankruptcy.

The FGDB recovered 34.2 percent of the amount it had paid out to the guaranteed depositors of all five bankrupt banks.



6

Public information



Against the background of the new regulations on depositor protection, harmonised across European Union states, emphasis was laid in 2016 on the need for a uniform information of the public about deposit guarantee.

Starting 2016, credit institutions in Romania and in the other European Union member states must send depositors, at least once a year, a standardised template containing information on deposit coverage⁹⁸.

This standard information sheet virtually provides uniform information to all depositors within the European Union in connection with the key elements of deposit guarantee, such as guarantee ceiling, payout deadlines, and the method of calculating repayments.

In order to ensure that information on deposit guarantee is relayed to depositors in a most accessible manner, the FGDB recommended member credit institutions to detail the notions they employed.

Besides the use of the aforesaid sheet, other measures were taken inside the European Union in a bid to improve the information of depositors, including the obligation that depositors' statements of account contain the confirmation that their deposits are eligible (guaranteed) deposits.

The information on deposit coverage which credit institutions must make available to depositors at the headquarters of all their branches must be drafted in a clear, fluent, comprehensible and unequivocal manner, in compliance with the norms worked out by deposit guarantee schemes.

COMMUNICATION WITH THE PUBLIC

Marking its 20th anniversary in 2016, the FGDB launched a new website which included

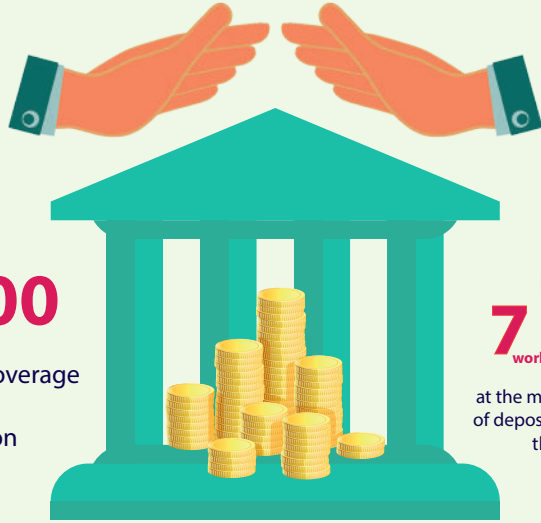
a special section on the highlights of the Fund's evolution.



Collage within the Communication section of the FGDB's website

⁹⁸ Where depositors use Internet banking, deposit guarantee-related information may be provided also via electronic means.

The Bank Deposit Guarantee Fund safeguards your money in the bank



€ 100,000

is the maximum FGDB coverage
per depositor
per credit institution

IN MAXIMUM
7 DAYS
working

at the most of the unavailability date
of deposits the FGDB makes available
the due compensation
to depositors

You are at a FGDB-member bank



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(flat-rate number)

www.fgdb.ro



FONDUL DE GARANTARE A DEPOZITELOR BANCARE
BANK DEPOSIT GUARANTEE FUND

FGDB poster intended to inform the public

Along the years, the FGDB has been constantly concerned with making its mission known to the public, resorting to a wide range of media, from classic means of communication to modern ones, of the social network type.

The new website is so designed as to offer depositors and every other interested party a variety of useful information in a clear and accessible manner. The website, which is more attractive and more user friendly, is the FGDB's most complete medium.

The deposit guarantee-related information the website offers has been permanently adapted

in consideration of the depositors' queries and requests for clarifications by telephone or in writing. Furthermore, the *Frequently Asked Questions* was updated and completed in line with the new legal provisions.

In order to make the public aware of the new legal provisions granting better protection to depositors, the FGDB created a poster containing updated information on deposit guarantee. Copies of the poster were distributed to the FGDB-member credit institutions and are now on display in all their units in the territory.



Collage in FGDB publications

The FGDB's publications in printed or electronic form represent another means to disseminate information on FGDB activities, bank deposits at partner credit institutions and the latest developments in bank deposit guarantee in Romania and abroad.

RELATIONSHIP WITH THE MEDIA

Cooperation with the press is an essential instrument of communication for the FGDB to the benefit of depositors.

From this perspective, the FGDB has further developed its fine links with the media in order to constantly provide prompt deposit guarantee-related information of interest to the general public to be published and to reach all interested parties.

Furthermore, materials and articles were published in the printed media and presentations were given at various conferences and seminars.

In recognition of the FGDB's contribution to maintaining financial stability in Romania by protecting depositors, the Finmedia company and the Piața Financiară magazine awarded the deposit guarantee scheme the 2016 Prize for Excellence for "the achievement of a framework

The publications of the FGDB are available on its website and are also distributed to institutions in the financial and banking sector, public authorities, academic institutions, research institutes etc.

of stability and safety for clients". The prize was awarded during the Piața Financiară Prize Awarding Gala held in December 2016.



Piața Financiară Prize Awarding Gala
Bucharest, December 2016

EDUCATIONAL ACTIVITIES

In 2016, the FGDB organised the fifth edition of the *Costin Murgescu Contest for Economic Research*, initiated in 2012 to support young people showing an interest in contemporary socio-economic and political developments.

The contest's prize was awarded to "*Income Inequality in Romania: A Comprehensive Assessment*", authored by Andrei-Florin Crețu, a

student enrolled in the DOFIN Programme of the Bucharest Academy of Economic Studies.

A jury including members of the academic community and researchers graded the papers entered in the contest according to criteria of originality, logic of arguments, conclusions and style.



Costin Murgescu Contest for Economic Research Awarding Ceremony
Bucharest, December 2016

In consideration of the prime place assigned to communication with the public, the FGDB has been actively involved internationally in a EFDI working group on public relations. The purpose of the working group is to share experience and exchange ideas and solutions to improve the communication practices of all deposit guarantee schemes.

In April 2016, the FGDB carried out a survey on the communication strategies of

deposit guarantee schemes in Europe and their experience in communication in the event of payouts. The results of the survey were presented during a meeting of the EFDI working group hosted by Turkey's deposit guarantee scheme. The general conclusion was that although the communication tools the deposit guarantee schemes employ are roughly the same, each country's specificity and distinct situations impose the use of these instruments on a case-by-case basis.



Internal audit



The organisation of the internal audit function within the FGDB relies on applicable national regulations and on international standards in the auditing practice. This is transposed into an independent functional structure, subordinated to the Supervisory Board, whose goal is to add value to the processes carried out to attain the organisation's targets.

Internal audit examines implemented controls taken as a whole and assesses their operational adequacy, the effectiveness of activity, the protection of assets and the compliance with legal provisions. All the processes carried out are subject to a periodical assessment which takes into account the regulatory requirements that are either specific or related to a deposit guarantee scheme.

The aim of internal audit is to assure the FGDB's Supervisory Board and the executive management that the respective processes are being or can be implemented adequately to meet the targets set under the law, particularly as concerns deposit guarantee and the involvement in bank resolution actions.

At the beginning of 2016, internal regulations were updated in line with current international professional standards and the

legislative framework impacting FGDB activities. The aim was to ensure the conformity and uniformity of the processes and actions carried through within the FGDB to meet the goals of the audit function in an efficient and effective manner.

Throughout 2016, internal audit focused on the organisation and management function. Processes referring to the management of personnel files, representation of the organisation's interests in court, and the management of the FGDB's external relations were appraised in terms of conformity and operational efficiency. Aspects of compliance with legal acts, including internal regulations in force, as well as the efficiency and performance of internal control and its improvement were in the focus.

Monitoring missions oversaw the implementation of the measures taken by the assessed structures and of the recommendations made during previous audit missions.

Given the exercise of its consultative role, upon the management's request, counselling arrangements were made related to future investments so as the coordinates of the FGDB's *Annual Resource Investment Strategy* should be observed in point of lower risk, liquidity and, subsidiarily, the yield of investment.

The internal auditor's findings, conclusions and recommendations were included in reports on the audit missions and submitted to the executive management. An *Audit Report* periodically informed the Supervisory Board of the results of the audit arrangements carried out in a year and the stage of implementation of the Internal Audit Plan.

In playing its part as counsellor to the management, the internal audit function advanced proposals for better internal control processes, risk management and governance, thus contributing to optimising and improving the efficiency of work done.

Higher competence of internal audit, as well as improved quality and effectiveness of activities have been permanent concerns for the FGDB, which saw to it that the best practices contribute significantly to the fulfilment of the FGDB's mandate of protecting depositors and securing financial stability.

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The FGDB's financial statements

At the end of 2016, the FGDB's assets totalled 5.9 billion lei, climbing by 11.3 percent from the 31 December 2015 level.

Government securities maintained their main stake of FGDB assets in 2016.

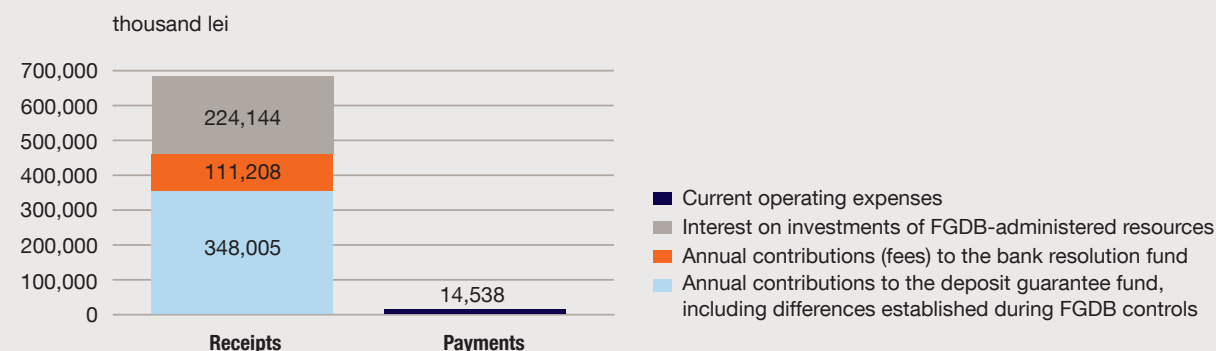
THE FGDB'S RECEIPTS AND PAYMENTS

The FGDB's 2016 total receipts amounted to 683,357 thousand lei, resulting from member credit institutions' contributions and interest on FGDB investments. In comparison with the previous year, FGDB receipts dropped by 185,293 thousand lei, mostly under the impact

of lower contributions to the deposit guarantee fund from credit institutions.

The FGDB's payments in 2016, totalling 14,538 thousand lei (+50 thousand lei as to 2015), covered current operating expenses.

The FGDB's receipts and payments in 2016



THE FGDB'S BALANCE SHEET

- lei -

Assets			Liabilities		
	31.12.2015	31.12.2016		31.12.2015	31.12.2016
1. Total fixed assets, of which:	4,474,889,287	4,229,146,360	1. Total own funds, of which:	5,335,735,491	5,925,522,657
- intangible assets	49,142	48,374	- reserves	5,170,202,898	5,793,293,203
- tangible assets	272,280	301,118	- profit for the fiscal year	165,532,593	132,229,454
- financial assets	4,474,567,865	4,228,796,868			
2. Total current assets, of which:	861,273,326	1,697,395,584	2. Total debts, of which:	435,982	1,021,929
- short-term financial investments	859,959,622	1,696,011,892	- debts payable within one year	435,982	1,021,929
- cash at bank and in hand	1,082,810	1,078,605			
- other claims (bank settlements)	230,894	305,087			
3. Prepaid expenses	8,860	2,642			
TOTAL ASSETS	5,336,171,473	5,926,544,586	TOTAL LIABILITIES	5,336,171,473	5,926,544,586

THE PROFIT AND LOSS ACCOUNT

The FGDB’s fiscal year-end result is given by the difference between revenues from investments of financial resources and current expenses

- In 2016, the FGDB’s revenues totalled 146,946 thousand lei and were derived from:
- 146,932 thousand lei - interest and fixed coupons following investments of the FGDB’s financial resources during 2016 (99.99 percent of total revenues);
 - 14 thousand lei - interest on the FGDB’s funds in bank current accounts.

The FGDB’s 2016 total expenses stood at 14,717 thousand lei and included:

- 11,790 thousand lei - personnel-related expenditures (80.11 percent of total expenses);

- 2,575 thousand lei - spending on third party services (17.50 percent of total expenses);
- 352 thousand lei - ther expenditures (2.39 percent of total expenses).

In compliance with the law, the FGDB covers its operating expenses exclusively from revenues resulting from investments of its available financial resources.

The resources within the two funds which the FGDB administers can only be used for purposes stipulated by the law, namely payouts and the funding of resolution measures.

In 2016, the ratio of FGDB expenses to revenues from investments of financial resources stood at 1:10.

The profit and loss account

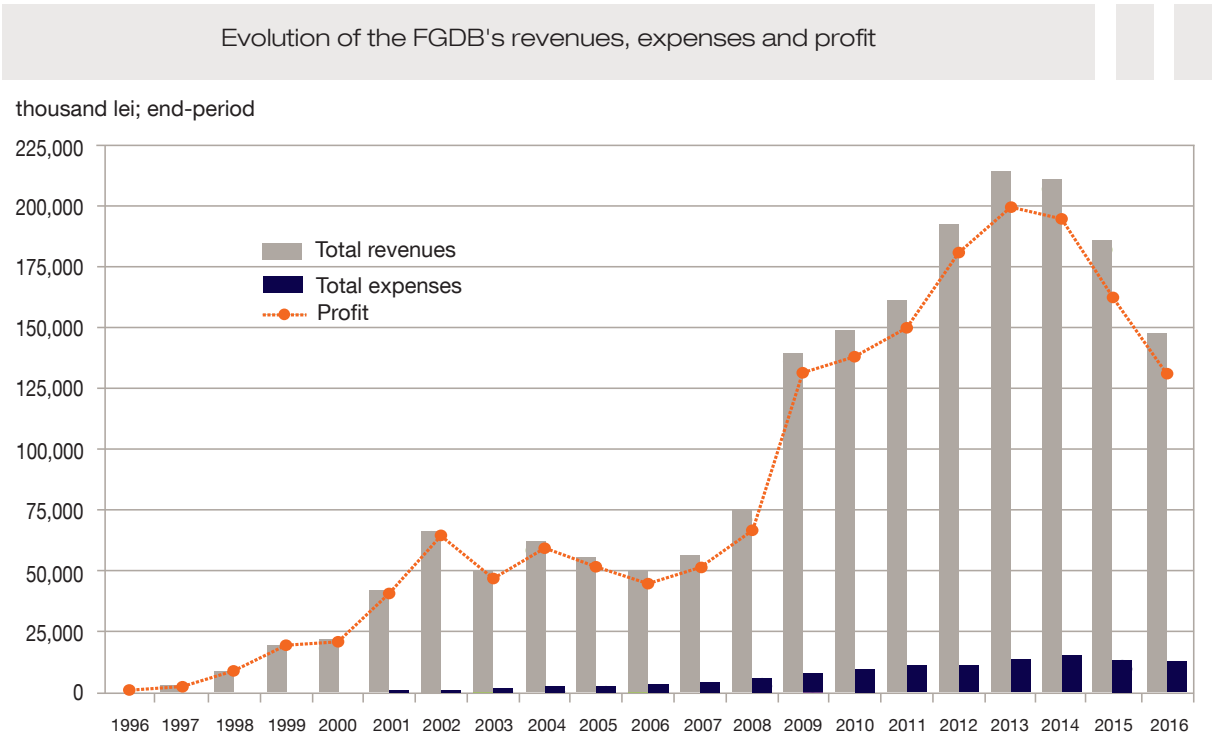
	31.12.2015	31.12.2016	- lei - Diferența
1 Total revenues	180,219,604	146,946,411	-33,273,193
2 Total expenses	14,687,011	14,716,957	29,946
3 Result for fiscal year	165,532,593	132,229,454	-33,303,139

As yield, according to the law, is a mere subsidiary target within the FGDB’s investment strategy, which focuses on the safety and liquidity of investments, the FGDB’s revenues were further affected by the extended downward trend in yields on the financial-banking market in 2016.

The 18.5 percent contraction of revenues in 2016, while expenses posted a scant rise of 0.2 percent, had a significant bearing on the result of the fiscal year ended 31 December 2016 which compressed by about 20 percent as to the previous year.

The net accounting profit for the fiscal year ended 31 December 2016 amounted to 132,229 thousand lei.

In compliance with legal provisions, at least 99 percent of the FGDB’s profit is allocated to replenish the available financial resources of the deposit guarantee fund and of the bank resolution fund.



The FGDB’s financial statements as at 31 December 2016 were audited by Ernst & Young Assurance Services SRL. According to the financial auditor’s opinion expressed in the Auditor’s Report⁹⁹ "the financial statements give a true and fair view of the Fund's financial

position on 31 December 2016 and of its financial performance for the fiscal year then ended, according to Order no. 6/2015 of the National Bank of Romania, with subsequent amendments and clarifications, and to the accounting policies described in the notes to the financial statements."

⁹⁹ The independent auditor’s report, the balance sheet, the profit and loss account and the notes to the financial statements are presented in Chapter 9 of the present Report



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**Independent auditor's
report, balance
sheet, profit and loss
account and notes to
the FGDB's financial
statements**





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INDEPENDENT AUDITOR'S REPORT

To: The Supervisory Board of the Bank Deposit Guarantee Fund

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the Bank Deposit Guarantee Fund ("the Fund"), which include the balance sheet as at 31 December 2016, the profit and loss account for the fiscal year then ended, as well as an overview of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the Fund's financial position on 31 December 2016 and of its financial performance for the fiscal year then ended, according to Order no. 6/2015 of the National Bank of Romania, with subsequent amendments and clarifications, and to the accounting policies described in the notes to the financial statements.

Basis for Opinion

We have conducted our audit according to the International Standards on Auditing (ISA). Our responsibility according to these standards are detailed in the "Auditor's Responsibility for the Audit of the Financial Statements" section of our Report. We are independent from the Fund according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements that are relevant to the audit of financial statements in Romania and we have fulfilled our ethical responsibilities in line with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information comprises the Management's report, but does not include the financial statements and our audit report on the financial statements. The management is responsible for other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, analyse whether the other information is significantly inconsistent with the financial statements or with our knowledge obtained in the audit, or whether it appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of Those Charged with Governance for the Financial Statements

The Fund's Management is responsible for the preparation and fair presentation of these financial statements, in compliance with Order no. 6/2015 of the National Bank of Romania, with subsequent amendments and completions, and for the internal control it deems necessary in preparation of financial statements that are free of material misstatements, whether caused by fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and we also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We inform those charged with governance of, among other matters, the planned scope and timing of the audit and of significant audit findings during the audit, including any significant deficiencies in internal control that we identified during our audit.

Report on other legal and regulatory requirements

Report on information other than the financial statements and our auditor's report

Besides our responsibilities to report according to ISA standards, described in the "Other Information" section, with reference to the Management report, we have read the Management report and we report the following:

- a) in the Management's report, we have not identified, in all significant matters, any information that is inconsistent with the information presented in the accompanying financial statements as at 31 December 2016;
- b) the Management's report, identified above, includes, in all significant matters, the information required under Order no. 6/2015 of the National Bank of Romania, with subsequent amendments, the Annex and points 225-228.
- c) based on our knowledge and understanding obtained during the audit of the financial statements prepared on 31 December 2016 on the Fund and the environment related to it, we have not identified materially misstated information in the Management's report.

On behalf of:

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors of Romania

No. 77/15 August 2001


Alina Dimitriu



Registered with the Chamber of Financial Auditors of Romania
No. 1272/17 December 2001

Bucharest, Romania
29 April 2017

BALANCE SHEET

as at 31 December 2016

-RON-

Indicator	Position Code	31 December 2015	31 December 2016
A	B	1	2
Cash	010	7,037	5,480
Claims over credit institutions	020	860,025,541	1,692,051,173
• sight claims	023	1,075,773	1,073,125
• other claims	026	858,949,768	1,690,978,048
Public instruments, bonds and other fixed-income securities	040	4,474,567,865	4,228,796,868
• issued by public bodies	043	4,474,567,865	4,228,796,868
Intangible assets	050	49,142	48,374
Tangible assets	060	272,280	301,118
Other assets	070	230,894	305,087
Prepaid expenses and committed income	080	1,018,714	5,036,486
Total assets	090	5,336,171,473	5,926,544,586
Other liabilities	330	435,982	1,021,929
The bank deposit guarantee fund and the bank resolution fund	360	5,169,497,898	5,792,588,203
• The bank deposit guarantee fund	361	4,692,523,142	5,196,564,169
▸ The deposit guarantee fund consisting of credit institutions' contributions	362	3,175,901,965	3,523,906,769
▸ The deposit guarantee fund consisting of revenues from claim recovery	363	66,203,008	66,203,008
▸ The deposit guarantee fund consisting of revenues from investments of available financial resources	365	1,447,696,944	1,603,733,167
▸ The deposit guarantee fund consisting of other revenues as set within the law	366	2,721,225	2,721,225
• The bank resolution fund	367	476,974,756	596,024,034
Reserves	370	705,000	705,000
Result of the fiscal year – Profit	403	165,532,593	132,229,454
Total liabilities and own funds	420	5,336,171,473	5,926,544,586

PROFIT AND LOSS ACCOUNT

for the fiscal year ended 31 December 2016

-RON-

Indicator	Position Code	31 December 2015	31 December 2016
A	B	1	2
Interest receivables and similar income, of which:	010	180,218,906	146,945,852
• on public instruments, bonds and other fixed-income securities	015	159,271,037	133,864,176
Commissions	040	34,609	29,457
Net profit or loss from financial operations	050	881	(739)
Other operating income	060	-	-
General administrative expenses	070	14,015,188	14,037,094
• Employee-related expenses, of which:	073	11,759,028	11,790,121
▸ Wages	074	9,761,811	9,688,789
▸ Social security costs, of which:	075	1,997,217	2,101,332
- Pension-related expenses	076	1,159,973	1,249,614
• Other administrative expenses	077	2,256,160	2,246,973
Adjustments to the book value of tangible and intangible assets	080	199,186	179,290
Other operating expenses	090	438,211	469,818
Result of current activity - Profit	143	165,532,593	132,229,454
Total revenues	180	180,219,787	146,945,113
Total expenses	190	14,687,194	14,715,659
Pre-tax result - Profit	203	165,532,593	132,229,454
Net result for the fiscal year - Profit	223	165,532,593	132,229,454

EXPLANATORY NOTES TO THE FGDB'S FINANCIAL STATEMENTS - EXCERPTS¹⁰⁰

1. Significant Accounting Methods and Policies

Listed below are some of the main accounting policies used in preparing these financial statements.

a) Preparation and Presentation of the Financial Statements

Aceste situații financiare au fost întocmite în conformitate cu:

i. Order no. 6/2015 of the Governor of the National Bank of Romania (BNR) for the approval of the accounting regulations in compliance 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 ("NRB Order no. 6/2015");

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

The present financial statements include the Fund's own individual financial statements.

The present financial statements were prepared on the historical cost basis, with the exceptions detailed further in the accounting policies.

These financial statements were not prepared to reflect the Fund's financial position and the results of its operations according to accounting regulations and policies accepted in countries and jurisdictions other than Romania. Therefore, the attached financial statements are

not intended for use by entities who are unfamiliar with accounting and legal regulations in Romania, including Order no. 6/2015 of the National Bank of Romania.

The Fund prepared the present financial statements using the going concern basis of accounting.

The present financial statements were approved by the Board of Directors of the National Bank of Romania on 26 April 2017.

i) Financial Assets

Investment securities are the financial assets with fixed or determinable payments and fixed maturity which the Fund firmly intends and is able to hold to maturity.

Securities may be designated as investment securities depending on:

- conditions and characteristic features of the financial asset, and
- the Fund's capability and actual intent to hold these instruments to maturity.

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

A precondition for the designation as investment securities is the assessment of the

Fund's intent and ability to hold these 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, as a result of a change in an institution's intent or ability to hold investment securities to maturity the classification of these instruments as investment securities is no longer appropriate they will be reclassified as trading securities and will be assessed in terms of that particular category.

If the institution sold or reclassified a significant amount of investment securities in a current fiscal year or during the two preceding fiscal years it will not be able to designate any further financial asset as investment securities ("the tainting rule").

This interdiction does not apply if the respective sale or reclassification:

- is so close to the maturity date of the financial asset (for instance, less than three months to maturity) that shifts in market interest rates could not have had any notable effect on the fair value of the financial asset;
- occurs after a substantial part of the principal of the financial asset was redeemed through periodical payments or early repayments, or
- is attributable to an isolated, non-recurring and hard-to-predict event.

p) The bank deposit guarantee fund's specific resources

The FGDB's financial resources consist of: initial contributions from credit institutions, annual contributions from credit institutions, extraordinary contributions, recovered claims, the Fund's remuneration as court-appointed liquidator and other resources resulting from previous years' profits. For lack of financial resources, the FGDB may take loans from the Ministry of Public Finance, under lending contracts, in order to cover its need for funds.

The functionality of these accounts and the way they are reflected in accounting records are laid out in Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund and the NBR Order no. 6/2015, with subsequent amendments and completions, as follows:

(i) Annual contribution

The annual contribution is calculated and paid annually by credit institutions and it is recorded under the accrual basis accounting.

(ii) Extraordinary contributions

They represent other contributions collected from credit institutions, according to legal provisions, when the Fund's financial resources are insufficient to cover payouts. Government Ordinance no. 39/1996 called these contributions "special contributions".

(iii) Recovered claims

These are receipts resulting from the recovery of the Fund's claims over banks for the repayments it made following their bankruptcy.

Credit institutions' contributions are non-refundable, including when they are liquidated under court supervision or when they are dissolved.

(iv) Funds consisting of other revenues

According to Government Ordinance no. 39/1996, Order no. 6/2015 and Law no. 311/2015, these other funds represent donations, sponsorships, financial assistance and revenues from the Fund's activity as liquidator of bankrupt banks, as well as other revenues provided for within the law.

¹⁰⁰ The numbering of the explanatory notes is that in the original material from which they are quoted.

(v) *Fund consisting of revenues from investments of available financial resources*

These resources consist of the Fund's net profit. Pursuant to Law no. 311/2015, Article 98 paragraph (2) letter s) and Article 112, the Fund's profit, which is the difference between its revenues and its expenditures, is tax free. Following the approval of the Board of Directors of the National Bank of Romania, up to one percent of the profit goes to an annual profit-sharing fund, while the remainder is used to supplement the financial resources for each of the activities stipulated in Article 92, paragraphs (1) and (2).

The financial resources account diminishes as a result of:

- the Fund's payouts to the guaranteed depositors of banks where deposits have become unavailable;
- instalments and interest on loans taken to make compensation payments;
- amounts transferred to the resolution authority;
- loans granted to other guarantee schemes within the law.

Consequently, the Fund does not register provisions for guaranteed depositors'

2. Cash

On 31 December 2016, the Fund's cash on hand amounted to 5,480 RON (31 December 2015: 7,037 RON).

3. Claims over credit institutions

	31 December 2015 (RON)	31 December 2016 (RON)
Current accounts	1,075,773	1,073,125
Term investments at banks	858,949,768	1,690,978,048
Total	860,025,541	1,692,051,173

compensation claims pending resolution or for potential compensation claims that have not been notified.

q) Income tax

The Fund's profit is tax exempt according to provisions in Article 13, paragraph (2), point e) of Law no. 227/2015 on the Fiscal Code.

t) Revenues from interest

Revenues from interest are recognised in the profit and loss account under the accrual basis accounting for all interest-bearing financial instruments when they are earned. Interest income also includes 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) Recognition of revenues

The FDGB is not involved in commercial activities. Its revenues result from interest on financial assets.

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

	31 December 2015 (RON)	31 December 2016 (RON)
Investment securities, of which:	3,657,828,877	3,387,672,974
• Investment securities	3,554,319,804	3,283,254,000
• Bonds	103,509,073	104,418,974
Trading securities	816,738,988	841,123,894
Total	4,474,567,865	4,228,796,868

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

	31 December 2015 (RON)	31 December 2016 (RON)
Initial contribution – 1 %	6,472,230	6,472,230
Annual contribution (including increased contribution)	3,634,721,163	3,982,725,967
Extraordinary contribution	61,777,997	61,777,997
Credit line fee	(14,825,698)	(14,825,698)
Deposit compensations	(512,243,727)	(512,243,727)
Total	3,175,901,965	3,523,906,769

Each credit institution's annual contribution is calculated based on the statements it sends to the Fund. In 2016, the Fund collected 348,004,803 lei in annual contributions, which were calculated based on the amount of covered deposits and the degree of risk incurred by each member credit institution on 31.12.2015 (2015: 0.3 percent, respectively 515,508,259 lei). The total volume of contributions collected in 2016 was set according to the Fund's funding policy and the method of calculating risk-based contributions, both approved by the Board of Directors of the National Bank of Romania.

If, following the Fund's request, the Board of Directors of the National Bank of Romania considers that the Fund's financial resources are

insufficient to settle its payment obligations, it may decide that each credit institution should pay an extraordinary contribution equal to up to the level of the annual contribution of the respective fiscal year. Neither in 2016, nor in 2015 did credit institutions pay extraordinary contributions.

Compensation is the amount the Fund pays to each guaranteed depositor for the unavailable deposits, no matter their number, within the guarantee ceiling. In 2016, just as in 2015, there were no payouts.

10. The Bank Resolution Fund

	(RON)
Balance as at 31 December 2013	207,473,680
2014 annual contribution (fee)	131,178,657
2013 capitalised profit	7,824,134
Balance as at 31 December 2014	346,476,471
2015 annual contribution (fee)	123,818,091
2014 capitalised profit	6,680,194
Balance as at 31 December 2015	476,974,756
2016 annual contribution	111,405,684
Refunded difference in the level of contribution	197,573
2015 capitalised profit	7,841,167
Balance as at 31 December 2016	596,024,034

The bank resolution fund is set up to provide the financial resources needed to finance bank resolution measures. The bank resolution fund is administered by the Bank Deposit Guarantee Fund.

In line with Article 539 of Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector, the National Bank of Romania, as the resolution authority, sets the level of credit institutions' annual contributions to the bank resolution fund so that they should be spread out as uniformly as possible over a time horizon, all while taking due account of the phase of the business cycle and of the impact procyclical

contributions may have on the financial position of contributing credit institutions.

The contributions the Fund collected in 2016 totalled 111,405,684 lei and was determined according to a decision by the National Bank of Romania. In 2015, the annual contributions going to the Fund amounted to 123,818,091 lei and was calculated for a percentage of 0.1 of non-guaranteed liabilities.

The 2015 profit, which stood at 7,841,167 lei and resulted from investments of bank resolution fund resources, was capitalised following a decision of the Fund's Executive Board after the financial statements as at 31 December 2015 had been authorised.

11. Fund consisting of revenues from recovered claims (cumulative amounts)

	31 December 2015 (RON)	31 December 2016 (RON)
Recovered claims	174,977,963	174,977,963
Interest on bank loans – BNR	(108,774,955)	(108,774,955)
Total	66,203,008	66,203,008

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

In 2016, no claims were recovered from bankrupt credit institutions

12. Fund consisting of revenues from investment of available financial resources

	31 December 2015 (RON)	31 December 2016 (RON)
Fund consisting of revenues from investment of available financial resources – share of the profit	1,447,696,944	1,603,733,167

These amounts represent the Fund's cumulative profit resulting from the distribution of previous years' profits.

13. Fund consisting of other revenues, within the law

	31 December 2015 (RON)	31 December 2016 (RON)
The FGDB's remuneration from its activities as liquidator	2,721,225	2,721,225

15. Distribution of profit

	31 December 2015 (RON)	31 December 2016 (RON)
Result of current activity – profit, of which:	165,532,593	132,229,454
Profit from the deposit guarantee fund resources	157,612,228	125,168,205
Profit from the bank resolution fund resources	7,920,365	7,061,249
Undistributed profit	165,532,593	132,229,454

The Board of Directors of the National Bank of Romania will approve the distribution of the profit for the fiscal year ended 31 December 2016 after the financial statements have been authorised.

19. Managementul riscului

Risks associated with FGDB activities are mainly financial and operational risks.

The Fund is exposed to the following risks:

- interest rate risk
- market risk
- liquidity risk
- foreign exchange risk

a) Interest rate risk

The Fund is exposed to market interest rates fluctuations that may impact its financial position and cash flows. Given such variations, interest may rise, but it may also drop and it

may trigger losses if unexpected shifts occur. The Fund management periodically monitors exposure to interest rate changes.

In 2016, the Fund got the following interest rates on its invested assets:

	2015		2016	
	min	max	min	max
Claims over credit institutions	0.50%	2.20%	0.23%	2.20%
Public instruments, bonds and other fixed-income securities	0.46%	7.50%	0.30%	7.50%

b) Market risk

Romania is still a developing economy and there is a significant amount of uncertainty over the possible direction of domestic economic policies. The Fund management can predict

neither the changes to take place in Romania nor the effect they might have on the Fund's financial position and results of its transactions.

c) Liquidity risk

Liquidity risk mainly arises from the maturity mismatch between Fund's assets and liabilities.

As far as possible, the Fund's strategy seeks to keep liquidity levels sufficiently high to be able to fulfil its obligations as they come due without incurring losses.

(RON)				
As at 31 December 2016	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Total
Cash	5,480	-	-	5,480
Current bank accounts	1,073,125	-	-	1,073,125
Claims over credit institutions	698,075,518	992,902,530	-	1,690,978,048
Public instruments, bonds and other fixed-income securities	502,388,505	1,068,007,891	2,658,400,472	4,228,796,868
Other financial instruments	-	-	-	-
Other assets	305,087	-	-	305,087
Prepaid expenses and committed revenues	2,590,358	2,446,128	-	5,036,486
Total assets	1,204,438,073	2,063,356,549	2,658,400,472	5,926,195,094
Other liabilities	1,021,929	-	-	1,021,929
The bank deposit guarantee fund	5,196,564,169	-	-	5,196,564,169
The bank resolution fund	596,024,034	-	-	596,024,034
Total liabilities	5,793,610,132	-	-	5,793,610,132
Liquidity surplus (needs)	(4,589,172,059)	2,063,356,549	2,658,400,472	132,584,962

(RON)

As at 31 December 2015	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Total
Cash	7,037	-	-	7,037
Current bank accounts	1,075,773	-	-	1,075,773
Claims over credit institutions	305,651,907	553,297,861	-	858,949,768
Public instruments, bonds and other fixed-income securities	88,323,529	728,415,459	3,657,828,877	4,474,567,865
Other financial instruments	-	-	-	-
Other assets	230,894	-	-	230,894
Prepaid expenses and committed revenues	127,478	891,236	-	1,018,714
Total assets	395,416,618	1,282,604,556	3,657,828,877	5,335,850,051
Other liabilities	435,982	-	-	435,982
The bank deposit guarantee fund	4,692,523,142	-	-	4,692,523,142
The bank resolution fund	476,974,756	-	-	476,974,756
Total liabilities	5,169,933,880	-	-	5,169,933,880
Liquidity surplus (needs)	(4,774,517,262)	1,282,604,556	3,657,828,877	165,916,171

d) Foreign exchange risk

The FGDB operates within an economic framework where the exchange rates of widely traded currencies (EUR, USD, CHF, GBP) fluctuate, the CHF in particular. Under such circumstances, the risk of a decrease in the value of its RON-denominated net monetary assets is low.

On 31 December 2016, the Fund held cash on hand and current accounts in EUR totalling the equivalent of 2,119 RON (31 December 2015: the equivalent of 756 RON), in USD amounting to the equivalent of 3,102 RON (31 December 2015: the equivalent of 2,444 RON) and in other currencies standing at the equivalent of 139 RON (31 December 2015: the equivalent of 161 RON). The remaining monetary assets and liabilities are denominated in RON.

e) Credit risk

Throughout 2016, special attention was paid to the effectiveness of the investment of the Fund's available financial resources in conditions of higher liquidity and lower risk, in compliance with the Fund's 2016 exposure strategy approved by the Board of Directors of the National Bank of Romania.

(i) Investment securities	31 December 2016 (RON)
Investment securities, of which:	
Investment securities	3,283,254,000
Bonds	104,418,974
Trading securities	841,123,894
Total	4,228,796,868

	31 December 2015 (RON)
Investment securities, of which:	
Investment securities	3,554,319,804
Bonds	103,509,073
Trading securities	816,738,988
Total	4,474,567,865

(ii) Bank deposits	31 December 2016 (RON)
Total bank deposits	1,690,978,048
Current accounts	1,073,125
Total bank deposits and current accounts	1,692,051,173

	31 December 2015 (RON)
Total bank deposits	858,949,768
Current accounts	1,075,773
Total bank deposits and current accounts	860,025,541



ANNEXES



LIST OF FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2016

1. Alpha Bank România - S.A.
2. Banca Centrală Cooperatistă CREDITCOOP
3. Banca Comercială Carpatica - S.A.¹
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 Română de Credite și Investiții - S.A.
9. Banca Românească - S.A., member of the National Bank of Greece Group
10. Banca Transilvania - S.A.
11. Bancpost - S.A.
12. Bank Leumi România - S.A.
13. BCR Banca pentru Locuințe - S.A.
14. BRD - Groupe Société Générale - S.A.
15. CEC Bank - S.A.
16. Crédit Agricole Bank România - S.A.
17. Credit Europe Bank (România) - S.A.
18. Garanti Bank - S.A.
19. Idea Bank - S.A.
20. Libra Internet Bank - S.A.
21. Marfin Bank (România) - S.A.
22. OTP Bank România - S.A.
23. Patria Bank - S.A.²
24. Piraeus Bank România - S.A.
25. Porsche Bank România - S.A.
26. ProCredit Bank - S.A.
27. Raiffeisen Banca pentru Locuințe - S.A.
28. Raiffeisen Bank - S.A.
29. UniCredit Bank - S.A.

¹ On 2 May 2017, a merger by absorption was completed between Banca Comercială Carpatica S.A. (absorbing entity) and Patria Bank S.A. (absorbed entity). The new bank was named Patria Bank S.A.

² Before 10 March 2016 it operated under the name Nextebank S.A.

DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2016

No.	Indicator	31 Dec. 2015*	31 Dec. 2016	Difference	
0	1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1.	Number of deposit holders - total, of which:	15,204,965	15,173,932	-31,033	-0.2
	• natural persons	14,242,456	14,237,187	-5,269	-0.04
	• legal persons	962,509	936,745	-25,764	-2.7
2.	Number of eligible deposit holders - total, of which:	15,162,160	15,125,754	-36,406	-0.2
	• natural persons	14,223,603	14,214,343	-9,260	-0.1
	• legal persons	938,557	911,411	-27,146	-2.9
3.	Total deposits (million lei), of which:	292,114.2	304,191.4	12,077.2	4.1
	• in lei	167,087.0	185,721.1	18,634.1	11.2
	• in foreign currency (leu equivalent)	125,027.2	118,470.3	-6,556.9	-5.2
4.	Total eligible deposits (million lei), of which:	221,424.5	241,170.5	19,746.0	8.9
	% of total deposits	75.8	79.3	3.5 p.p.	
	• in lei	145,395.5	159,832.8	14,437.3	9.9
	• in foreign currency (leu equivalent)	76,029.0	81,337.7	5,308.7	7.0
5.	Natural persons' eligible deposits (million lei), of which:	135,085.0	147,762.9	12,677.9	9.4
	% of total eligible deposits	61.0	61.3	0.3 p.p.	
	• in lei	80,623.5	89,444.4	8,820.9	10.9
	• in foreign currency (leu equivalent)	54,461.5	58,318.5	3,857.0	7.1
6.	Legal persons' eligible deposits (million lei), of which:	86,339.5	93,407.6	7,068.1	8.2
	% of total eligible deposits	39.0	38.7	-0.3 p.p.	
	• in lei	64,772.0	70,388.4	5,616.4	8.7
	• in foreign currency (leu equivalent)	21,567.5	23,019.2	1,451.7	6.7
7.	Total covered deposits (million lei), of which:	148,886.4	158,619.3	9,732.9	6.5
	% of total eligible deposits	67.2	65.8	-1.4 p.p.	
	• natural persons' covered deposits	122,929.9	132,029.0	9,099.1	7.4
	• legal persons' covered deposits	25,956.5	26,590.3	633.8	2.4

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 base for the contributions owed by credit institutions in 2016.