AEDIFICIUM Banca pentru Locuințe

ALPHA BANK

BANCA CENTRALĂ COOPERATISTĂ CREDITCOOP

BANCA COMERCIALĂ FEROVIARA

INTESA SANPAOLO BANK

BCR

EximBank România

BRCI Banca Română de Credite și Investiții

BANCA ROMÂNEASCĂ

BANCA TRANSILVANIA

leumi BANK LEUMI ROMÂNIA

BCR Banca pentru Locuințe

BRD GROUPE SOCIETE GENERALE

CEC Bank

CRÉDIT AGRICOLE Banca pentru tine

Credit Europe Bank

FIRST BANK

Garanti BBVA

Idea Bank

LIBRA INTERNET BANK

otpbank

PATRIA BANK

PORSCHE BANK PORSCHE FINANCE GROUP ROMANIA

ProCredit Bank

Raiffeisen BANK

UniCredit Bank

VISTA BANK

FGDB 2019 ANNUAL REPORT

FGDB

FONDUL DE GARANTARE A DEPOZITELOR BANCARE

BANK DEPOSIT GUARANTEE FUND

2019 annual report

NOTES

The 2019 Annual Report was endorsed by the Supervisory Board of the Bank Deposit Guarantee Fund during a meeting held on 28 April 2020 and was approved by the Board of Directors of the National Bank of Romania in its meeting of 8 May 2020, in compliance with Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund.

The statistical data used herein are data available on 31 December 2019. Due to rounding, totals may not fully correspond with the sum of the separate figures and, equally, small differences as to percentage variations in the graphs and tables may occur.

Data sources were specified only when the statistical data used were provided by other institutions.

BANK DEPOSIT GUARANTEE FUND

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2019

annual report

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MISSION

FGDB duly compensates guaranteed depositors when a credit institution in its membership is no longer able to reimburse its account holders.

The FGDB is the administrator of the bank resolution fund and may act as special administrator of credit institutions undergoing resolution, temporary administrator of credit institutions where the National Bank of Romania applies early intervention measures, shareholder of a bridge bank or of an asset management vehicle, in line with legislation on the recovery and resolution of credit institutions, as well as sole liquidator of credit institutions entering into liquidation at their shareholders' initiative.

VALUES shared and promoted by FGDB

The FGDB is an apolitical institution, which, within the limits provided for in legislation, protects the funds in depositors' accounts at Romanian credit institutions affiliated to the statutory deposit guarantee scheme it administers, contributing in this way to financial stability, all while also encouraging savings.

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

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

Demetrian Octav Magheru
Strategy Consultant
The National Bank of Romania

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

Anca Florina Iordache
General Director
The Ministry of Public Finance

Cătălin Bogdan
Expert
The National Bank of Romania

Lucia Sanda Stoenescu
Senior Expert
The National Bank of Romania

Supervisory Board members had their mandates renewed on 1 August 2019.

ORGANISATIONAL CHART

EXECUTIVE BOARD

Adriana Sîvu
Deputy General Director

Petre Tulin
General Director

Vasile Bleotu
Financial Director

- Internal Audit Subdivision
- Deposit Guarantee, Bank Resolution and Liquidation Department
  - Deposit Guarantee Subdivision
  - Bank Resolution and Liquidation Subdivision
- Risk Management and Financing Policies Department
- Project Management Advisors
- Legal Department and Supervisory Board's Secretariat
- Treasury Subdivision
- Organisation and Human Resources Subdivision
- Public Relations and Communication Subdivision
- Information Technology Subdivision
- Finance and Accounting Department
- Administration and Logistics Subdivision

1

The Bank Deposit Guarantee Fund and Its Administrative Framework

The key purpose of the Bank Deposit Guarantee Fund (FGDB) is, as the very name of the sole statutory guarantee scheme in Romania[1] suggests, to guarantee the deposits natural and legal entities hold at credit institutions authorised by the National Bank of Romania.

Since the creation of the FGDB back in 1996, its duties, assigned under the law, have gradually grown increasingly complex and have further strengthened its role within the national financial stability maintenance system. Starting end-2015 and following the implementation in national legislation of the European framework for the recovery and resolution of credit institutions[2], the FGDB has also been the administrator of the bank resolution fund.

On account of its responsibilities for safeguarding financial stability as part of the new legislative framework, the FGDB enjoys observer status in the National Committee for Macroprudential Supervision, which consists of representatives of the National Bank of Romania, the Ministry of Public Finance and the Financial Supervisory Authority[3].

Given the broader range of its activities, the FGDB currently falls into the category of deposit guarantee schemes with a more comprehensive mandate of functions and responsibilities[4]. Besides tasks related to deposit guarantee and the administration of the bank resolution fund, the FGDB may actively engage in the application, by the National Bank of Romania, of bank recovery (early intervention) and resolution measures, acting as:

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

Furthermore, the FGDB also acts as sole liquidator of credit institutions where the National Bank of Romania orders dissolution followed by liquidation or where liquidation is initiated by shareholders. At the same time, under a court appointment of 2002, the FGDB will continue to fulfil its duties as liquidator of Banca Română de Scont S.A. (*BRS*) and Banca Turco Română S.A. (*BTR*) until bankruptcy proceedings for the two banks close[5].

In the matter of cross-border reimbursements, the FGDB acts as paying agent on behalf of the deposit guarantee schemes in the home member countries of the credit institutions with branches operating in Romania. As part of the process of applying EU provisions on cross-border payouts, a *Multilateral Cooperation Agreement* between deposit guarantee schemes within the European Union[6] was signed in the autumn of 2016, with the FGDB among its first signatories.

[1] Under Law no.311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, which took effect on 14 December 2015 transposing into national legislation Directive 2014/49/EU on deposit guarantee schemes.

[2] 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 was adopted to transpose into national legislation Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council, as well as Regulations (EU) no. 1093/2010 and (EU) no. 648/2012 of the European Parliament and of the Council (BRRD1).

[3] For further details, see Chapter 2, the section on *Cooperative Relations at the National Level.*

[4] Depending on their mandates, deposit guarantee schemes may be of the *paybox* type, exercising only their basic function, which is to disburse payouts, or of the *paybox plus* type, holding additional functions besides the basic one as far as bank recovery and resolution are concerned.

[5] Under legislation currently in force, which has governed its activity starting 14 December 2015, the FGDB may no longer act as court-appointed liquidator of credit institutions.

[6] It was developed by the European Forum of Deposit Insurers and validated by the European Banking Authority. To date, 30 deposit guarantee schemes in the European Union have signed this agreement.

The Aim and Functions of the FGDB

1996 - 2001
The FGDB's major responsibility was limited to deposit guarantee and disbursements to depositors of failed banks.

2002 - 2015
Further duties related to bank liquidation and stabilisation were added, complementing the task of guaranteeing deposits.

Starting December 2015
The FGDB became Romania's statutory deposit guarantee scheme, as well as the administrator of the bank resolution fund, all while taking on tasks related to the application of early intervention and bank resolution measures.

FGDB

Protection of depositors and contribution to maintaining financial stability

- Statutory deposit guarantee scheme of Romania
- Administrator of the bank resolution fund of Romania
- Temporary administrator of a credit institution undergoing recovery proceedings
- Special administrator of a credit institution under resolution
- Shareholder of a bridge institution
- Shareholder of an asset management vehicle
- (Sole) administrative liquidator and court-appointed liquidator*
- Paying agent for deposit guarantee schemes in EU-member states

* until the ongoing liquidation procedure closes.

Since 2018, the FGDB has also been a party to *EDDIES*[7], a central secure mechanism developed within the European Union with a view to providing the necessary infrastructure both for exchanges of information between deposit guarantee schemes and for cross-border repayments.

All through 2019, with the banking system in Romania maintaining its stability and solidity of previous years, the FGDB was spared situations implying compensation payments or funding of resolution measures, or the exercise of any of the capacities it may have to assume, under the law, in instances of early intervention, bank resolution or administrative liquidation.

Thanks to the "peaceful climate" of 2019, the FGDB could focus on consolidating its operational framework, adding the finishing touches on the procedural framework it needs in discharging its duties related to the guarantee of deposits held at affiliated credit institutions and the administration of the bank resolution fund, as well as on continuing its action towards the court-supervised liquidation of *BRS* and *BTR.*

a) Protection of deposits held at FGDB-Member Credit Institutions

(i) Coverage level offered by the FGDB

În situations when a credit institution is unable to meet its obligations to its depositors, triggering the unavailability of their deposits, the FGDB reimburses guaranteed depositors up to the coverage level which is the leu equivalent of 100,000 euros[8].

The disbursement of guaranteed compensation to depositors represents the key component of the FGDB's role in maintaining financial stability by preserving depositor confidence in the financial and banking system in Romania. With a view to consolidating that role, the scope of deposit guarantee in Romania has gradually expanded and, at the end of 2015, the shortest payout period agreed within the European Union – namely seven working days of the date deposits have become unavailable[9] – was instituted.

There are certain categories of natural persons' deposits that benefit from improved coverage[10], which is different from the guarantee ceiling. The National Bank of Romania sets the higher coverage at 100,000 euros in its leu equivalent based on the evolution of relevant statistical indicators[11].

At the end of 2019, the FGDB had under its protective "umbrella" 15,227,922 guaranteed depositors (99.5 percent of the total deposit holders in Romania), of which 14,181,449 natural persons and 1,046,473 legal entities[12]; the overwhelming majority of these depositors (99.7 percent of the total number of natural persons and 97.2 percent of the overall number of legal persons) held deposits of less than or up to the leu equivalent of the guarantee ceiling, which meant that they enjoyed full FGDB coverage.

[7] EDDIES - The European DGS to DGS Information Exchange System. For further details, see Chapter 2 – *The 2019 Background and Regulatory Framework.*

[8] The 100,000-euro deposit coverage per guaranteed depositor per credit institution applies in all European Union member states. Romania implemented it at end-2010.

[9] According to the Directive on deposit guarantee schemes, European Union member states must implement the payout deadline of seven working days by 2024.

[10] The *Temporary High Balances* apply 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.

Guaranteed depositors with deposits included in the aforesaid categories benefit from the higher coverage 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.

[11] Circular no. 24 of 29 December 2016 on the guarantee level set forth at Article 62 (1) of Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, which came into force on 10 January 2017.

[12] The FGDB adds up data on the number of depositors as reported individually by each member credit institution, but it does not have the possibility to make adjustments where the same depositor holding deposits at different credit institutions is recorded several times.

On 31 December 2019, eligible deposits totalled 323.9 billion lei, of which 210.7 billion lei (or 65 percent) held in covered deposits[13]. Deposits in both categories followed an upward path, going up from end-2018 with relatively similar annual variations (eligible deposits +11.4 percent; covered deposits +11.1 percent) and moving higher also in point of the number of depositors and currencies.

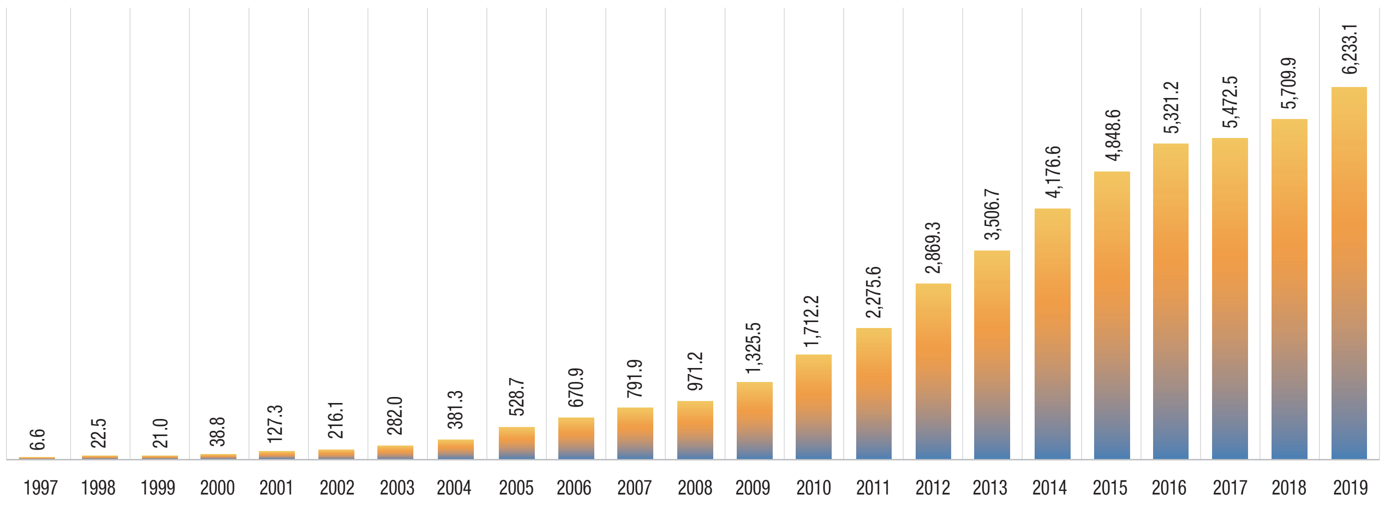
(ii) The Deposit Guarantee Fund

The financial resources of the deposit guarantee fund, which are channelled towards repayments and resolution measures, are mainly sourced from the contributions of FGDB-member credit institutions. The FGDB determines the size of the individual contribution of each member credit institution depending on its risk profile which is an indicator of the respective institution's possible recourse to the resources of the deposit guarantee fund[14]. These determinations are subsequently approved by the Board of Directors of the National Bank of Romania. One of the FGDB's priority concerns has always been the consolidation of the deposit guarantee fund as a prerequisite for the fulfilment of its essential goal of protecting depositors.

At end-2019, the financial resources of the deposit guarantee fund amounted to 6,233.1 million lei[15], having gone up by 9.2 percent from their level as at 31 December 2018. The available financial resources of the deposit guarantee fund are invested in compliance with an annual strategy endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania. This strategy mainly targets mitigating risk and securing adequate liquidity and also focuses on yields as a related goal.

Evolution of the Deposit Guarantee Fund from Its Creation to 31 December 2019

million lei; end-period



[13] "Eligible deposit" and "covered deposit" are defined in Annex. 2 – *Definitions*.

[14] The method for determining contributions was developed according to the European Banking Authority's Guidelines on methods for calculating contributions to deposit guarantee schemes and is included in Regulation no. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund, with subsequent amendments and completions.

[15] This amount also includes the portion of the 2019 profit capitalised once the financial statements were authorised.

Relevant Data as at 31 December 2019

FGDB

GUARANTEE CEILING *for natural persons and legal entities*

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

ELIGIBLE DEPOSITS

Time deposits, current accounts, savings accounts, card accounts, joint accounts and other similar leu- or foreign exchange-denominated products, including due interest.

PAYOUT PERIOD

The FGDB is one of the European Union's deposit guarantee schemes boasting the shortest reimbursement period – within seven working days.

HIGHER COVERAGE LEVEL *for natural persons*

The leu equivalent of 100,000 euros

The FGDB offers an improved coverage level "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 temporary higher 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.

FGDB-MEMBER CREDIT INSTITUTIONS

All the credit institutions authorised by the National Bank of Romania, which totalled 27 at the end of 2019.
(N.B. Branches in Romania of credit institutions based in other European Union member states are covered by the schemes of their home countries)

GUARANTEED DEPOSITORS

15,227,922
natural and legal persons
14,181,449
guaranteed natural persons,
of which 99 percent residents
1,046,473
guaranteed legal entities
(all enterprises, no matter the size),
of which 99.7 percent residents

TOTAL ELIGIBLE DEPOSITS
323.9 bln. lei

Leu-denominated deposits:
204.76 bln. lei
Deposits in foreign currencies:
the equivalent of 119.19 bln. lei
Natural persons' deposits:
195.75 bln. lei
Legal entities' deposits:
128.20 bln. lei
Deposits of resident natural and legal persons:
313.93 bln. lei
Deposits of non-resident natural and legal persons:
10.02 bln. lei

FGDB-MANAGED RESOURCES

The deposit guarantee fund:
6.23 bln. lei
The bank resolution fund:
1.39 bln. lei

In compliance with the law, at least 99 percent of the profit from investments is allocated to the deposit guarantee fund to replenish its financial resources. The amount of the FGDB's profit channelled towards the deposit guarantee fund so far totals 2,133.6 million lei, accounting for 34.23 percent of the fund's resources.

(iii) Recovery of the FGDB's claims arising from its payouts

The guaranteed depositors of the seven banks that went bankrupt in Romania over 1999 - 2006 got a total 512.2 million lei in FGDB payouts.

In order to recoup the amount paid as compensation, the FGDB asserted its right of subrogation to the guaranteed depositors' rights and joined the body of creditors of the failed banks. Along the years, depending on legislation in force at the time of each case of bank failure, there were shifts in the FGDB's place on the creditor priority ladder[16] which impacted on claim recovery ratios[17]. By 31 December 2019, the FGDB had recovered 34.3 percent of its payouts to the guaranteed depositors of all seven failed banks[18].

b) Administration of the Bank Resolution Fund

As shown above, with the new regulatory framework for bank recovery and resolution as a basis, in 2015 the FGDB was designated as the administrator of the bank resolution fund of Romania[19]. Under a decision of the National Bank of Romania, as the resolution authority, the financial resources of the fund may be used to finance the application of resolution measures according to the particularities of each specific tool.

At the end of 2019, the financial resources of the bank resolution fund had surged by 19.6 percent year on year to stand at 1,392.7 million lei[20]. In the absence of instances to date demanding the use of accumulated resources, these resources have risen with every passing year. The method for calculating the individual amount each credit institution is to contribute to the bank resolution fund and the size of that contribution, tailored to the respective institution's risk profile, are established by the National Bank of Romania.

The financial resources of the bank resolution fund were invested in keeping with a strategy for 2019 endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania. As was the case with the deposit guarantee fund, the goals in focus were minimised risk and adequate liquidity, with yields as a subsidiary target.

Over 2011-2015, credit institutions' annual fees were determined as a percentage of their non-guaranteed liabilities (not more than 0.1 percent). Starting 2016, the National Bank of Romania, as the resolution authority, has established risk-adjusted contributions.

Just like in the case of the deposit guarantee fund, at least 99 percent of the profit resulting from the administration of bank resolution fund resources is intended to top up that fund. The FGDB's profit resulting from bank resolution fund resources and distributed to replenish those resources amounts to 107.2 million lei, or 7.7 percent of total financial resources.

[16] See footnote 115 to Chapter 5 – *Liquidation of Failed Credit Institutions.*

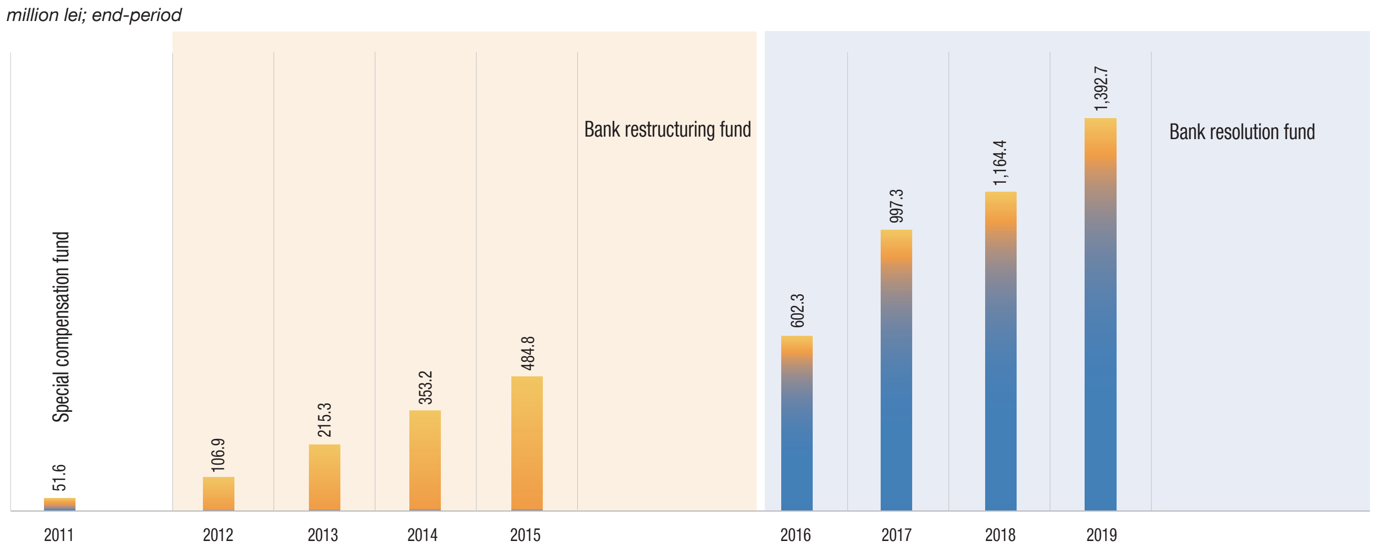
[17] Ratio in the 25.9 percent and 40.3 percent range, in the case of the banks that went bankrupt before the year 2001 and of 100 percent in the case of banks that failed in 2002.

[18] See Chapter 5 – *Liquidation of Failed Credit Institutions.*

[19] The bank resolution fund was set up based on Law no. 312/2015. For details of its creation see footnote 95 to Chapter 4 – *FGDB-Managed Financial Resources.*

[20] Just as with the deposit guarantee fund, this amount also includes the portion of the 2019 profit capitalised once the financial statements were authorised.

Evolution of the Bank Resolution Fund since Its Creation to 31 December 2019



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

Starting 2002, the FGDB has been the court-appointed liquidator of *BRS* and *BTR*, two banks which went bankrupt in April and, respectively, July, of that year.

Further steps were taken in 2019 to recover the claims of those banks and, for the duration of liquidation proceedings until 31 December 2019, funds were distributed to 47 percent of the body of creditors of *BRS* (the highest percentage of satisfaction for creditors of failed banks), and, respectively, to 41 percent of the body of creditors of *BTR*[21].

THE FGDB'S ADMINISTRATION AND MANAGEMENT

According to the applicable law, the FGDB administration and management are based on a two-tier system consisting of a supervisory board and an executive board and rely on good governance and transparency principles and standards intended to impart solidity, effectiveness and credibility on the institution.

The Supervisory Board is comprised of seven members[22], of which five representatives of the National Bank of Romania (including the Chairperson of the Board) and two representing the Ministry of Public Finance. Current FGDB activities are run by the Executive Board, which consists of three members appointed by the Supervisory Board whose four-year mandates are approved by the Board of Directors of the National Bank of Romania[23].

[21] For further details referring to the court-supervised liquidation proceedings at *BRS* and *BTR* see Chapter 5 – *Liquidation of Failed Credit Institutions.*

[22] The mandates of Supervisory Board members were renewed for a further three-year term starting 1 August 2019 based on Order no. 802/2019 of the National Bank of Romania.

[23] The mandates of the current members of the Executive Board started on 15 December 2016. They were appointed under Decision no. 27/2016 of the Board of Directors of the National Bank of Romania.

The duties and responsibilities of the Supervisory Board and of the Executive Board are laid down in the law on the organisation and operation of the FGDB and in the Statute of the institution, a solid and transparent administration and management framework being thus established. The permanent goal of the activities and decisions of both the Supervisory Board and the Executive Board, according to the level of competence of each structure, is to apply the best practices in this sector in order to effectively attain the strategic targets arising from the mandates the FGDB entrusted to them.

During 2019, the FGDB's Supervisory Board endorsed or, where appropriate, approved a number of documents playing a significant role in defining and consolidating the procedural and operational frameworks. Essentially, these materials referred to the institution's capability to discharge its statutory duties, with the most important of them covering the FGDB's policies and strategies concerning funding and investments of available financial resources, a revised risk-management policy, applicable accounting policies and monographs, the revenue and expenditure budget, the regulatory framework for communication with depositors during payout periods, or stepped-up procedures to purchase a new integrated IT system in compliance with legal provisions on public procurement.

At the same time, the Supervisory Board approved, as a matter of principle, several rules, in the form of procedures, referring to the actions the FGDB would take while performing the roles likely to be assigned to the institution, in line with applicable legislation, if the National Bank of Romania were to apply early intervention or bank resolution measures. Finalisation of these procedures, however, is conditional upon the relevant regulations the resolution authority will introduce.

The Audit Committee

The Audit Committee, which operates within the FGDB with a view to consolidating corporate governance, is an independent consultative body consisting of three Supervisory Board members. The main functions of the Audit Committee include monitoring the effectiveness of the internal control, internal audit and risk management systems within the FGDB and assessing and monitoring the extent to which the independence of the statutory auditor or auditing firm is guaranteed.

The Audit Committee aids the Supervisory Board in fulfilling its responsibilities related to overseeing and supervising the process of preparing and updating the FGDB's general development strategy. At the same time, by monitoring internal audit activities, the Committee also plays a significant role in guaranteeing the independence of the internal audit function within the FGDB.

The Audit Committee meets on a quarterly basis or as often as necessary and its meetings are convened either by its Chairperson or by the Chairperson of the Supervisory Board. Audit Committee meetings are regularly attended by internal auditors representing the Internal Audit Department. Depending on the topics for debate, members of the Executive Board, external auditors or representatives of the FGDB's organisational structures may also take part in these meetings, as guest participants, in order to supply necessary information.

In 2019, the Audit Committee held four meetings which analysed and endorsed documents covering internal audit regulations and planning, the results of the internal audit missions and their performance, as well as periodical activity reports.

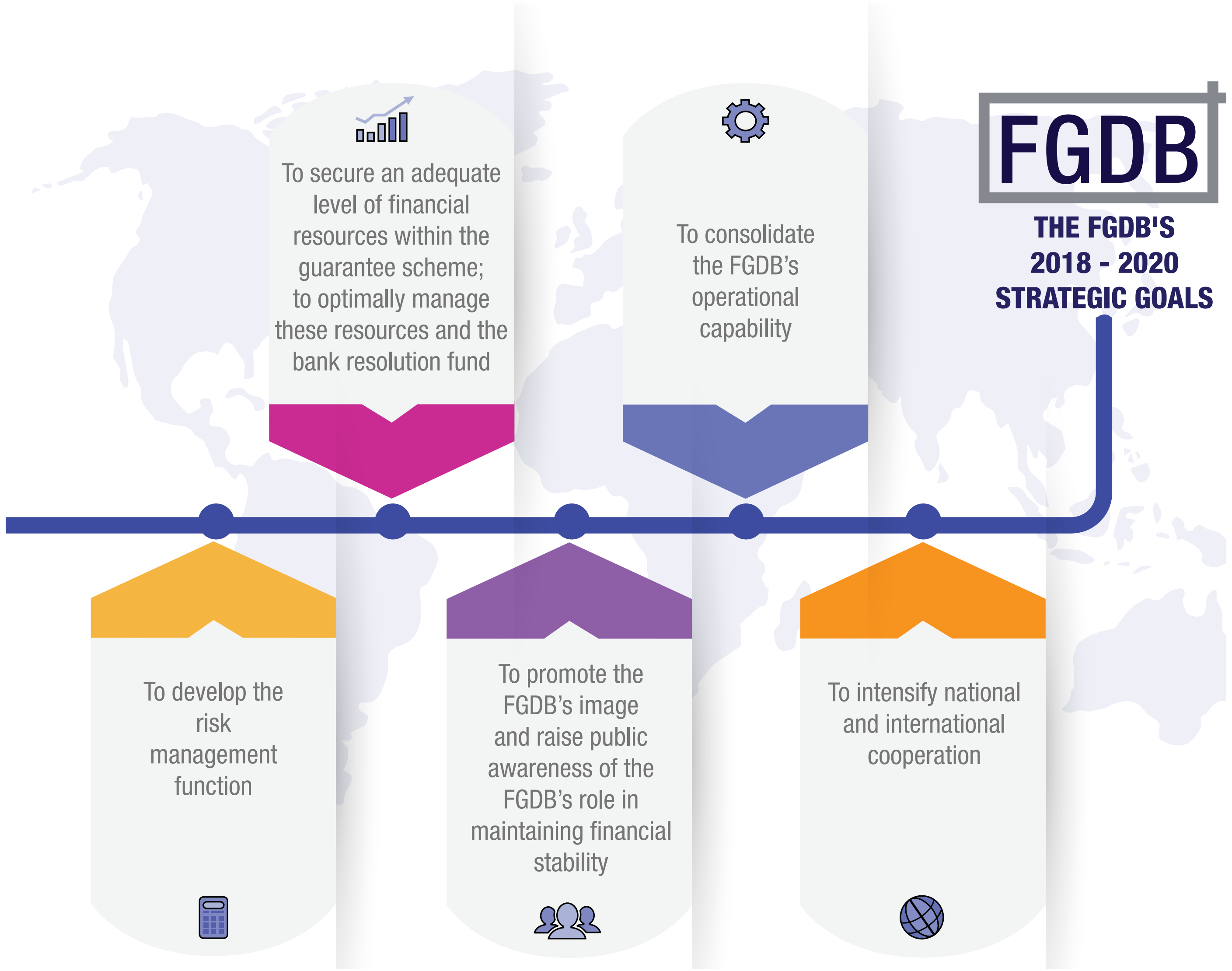
The Executive Board and FGDB activities

Executive Board members carry out their activity under the control of the Supervisory Board, to which they are accountable for the way in which they fulfil their mandated goals and duties.

In the exercise of its legal functions in 2019, the Executive Board provided for the implementation of the strategies and policies approved by the National Bank of Romania[24] and the coordination of the FGDB's organisational structures and fulfilled its executive duties related to FGDB activities and the management of FGDB assets. The 2019 revenue and expenditure budget shows that, compared to planned levels, "*Total Revenues*" increased by 12 percent, while "*Total Expenses*" were four percent lower. Furthermore, net profit[25] was higher than in 2018.

[24] The 2019 Strategy for Investing the Financial Resources of the Guarantee Scheme and of the Bank Resolution Fund and the Funding Policy.

With a view to optimising and consolidating the FGDB's operational capability to meet its legal obligations as far as payouts to guarantee depositors are concerned, in the summer of 2019 the Executive Board initiated an extensive project to identify and implement compensation payment methods fit for the digital age we live in and complementary to the method in current use (through the agency of mandated credit institutions[26]).



[25] Pursuant to Article 13, paragraph (2), point e) of Law no. 227/2015 on the Fiscal Code, the FGDB's profit is tax exempt and consequently its pre-tax profit is actually its net profit. Further details on the budget and the result of fiscal year 2019 may be found in Chapter 7 – *The FGDB's Financial Statements.*

[26] See Chapter 3 – *Deposit Guarantee,* the section on *Payout Process.*

The Supervisory Board and the Executive Board have shown constant preoccupation with the attainment of the institution's strategic targets for the 2018 – 2020 period, a concern that was reflected particularly in the FGDB's activity throughout 2019, as synthetically outlined below – including a breakdown by goals.

Goal no. 1:
To secure an adequate level of financial resources within the guarantee scheme; to optimally manage these resources and the bank resolution fund

The financial resources[27] of the deposit guarantee fund and of the bank resolution fund continued to rise providing for the consolidation of the capability to finance the measures the legal framework stipulates with regard to depositor protection and the maintenance of financial stability, in line with an investment strategy based on a well-diversified portfolio and low-risk investments.

Moreover, the FGDB developed the procedural framework for the application of alternative funding mechanisms which covers a wide range of potential market scenarios.

Goal no. 2:
To consolidate the FGDB's operational capability

The FGDB's operational capability to make compensation payments was further strengthened throughout 2019 when two stress simulation exercises were organised according to the *Multiannual Programme for Stress Test Exercises*[28]. One of these exercises[29] tested for the first time the FGDB's capability to provide the funds needed for payouts if its available financial resources were insufficient. The other test verified the capability of the selected credit institutions to prepare and deliver the *Payout List* on a date other than the last day of a calendar month.

The year 2019 also saw the first exercise testing the *Business Continuity Plan*[30]. As part of future annual stress testing programmes, the scenarios wherein operational incidents are tested are expected to grow increasingly complex.

Goal no. 3:
To develop the risk management function

Steps were taken in the second half of 2019 to update the FGDB's strategy for managing significant risks which mainly focuses on the growth of a caution-oriented risk culture and the maintenance of a low-risk profile, the development of a diversified and granular assets portfolio providing for a most efficient administration of the available financial resources of both the deposit guarantee scheme and the bank resolution fund, the protection of depositors' interests and compliance with applicable legislation and internal regulations.

At the same time, action was taken to optimise the framework of internal regulations allowing for an adequate management of operational risk, according to international good practices.

Goal no. 4:
To promote the FGDB's image and raise public awareness of its role in maintaining financial stability

Public information has always been a matter of significance to the FGDB which, along the years and along these lines, has employed a wide range of communication channels and diverse information strategies. Advertorials placed in widely circulated magazines catering to a diverse readership represented an important means of disseminating information in 2019. Moreover, in 2019, the FGDB initiated an extensive programme of relaying relevant information to depositors through the agency of affiliated credit institutions. To this end, the FGDB, seconded by member credit institutions, launched two projects for the information of depositors. The first project involved the use of the online platforms of credit institutions to disseminate information about the FGDB and the role it plays in depositor protection. As part of the second project, leaflets were distributed to the branches and units of participating credit institutions to be consulted by depositors.

The year 2019 also meant the opening of training sessions held by the FGDB for call-centre operators at the credit institutions mandated to make compensation payments, which was a first in the work of ensuring rapid and effective communication with depositors during payout periods. Through such activities, the FGDB aims to assist depositors requesting information about protection of their deposits and disbursements as call-centre operators attend periodic training courses to be able to offer answers based on updated information.

Goal no. 5:
To intensify national and international cooperation

All through 2019, the FGDB had further meetings with representatives of the credit institutions in its membership to discuss practical aspects related to the application of deposit-guarantee regulations.

The FGDB and the National Bank of Romania continued their cooperation aimed to provide in the nearest future the framework the FGDB needs, in point of legislation included, to be able to enter *repo* transactions with the National Bank of Romania, in line with European regulations and the practices of other guarantee schemes within the European Union.

Seeking to complement the infrastructure allowing it to fulfil its statutory obligations and also to operationalise alternative funding mechanisms, the FGDB held negotiations on a contingent financing instrument (*Contingency Financing Agreement*) with World Bank representatives. This instrument, which addresses the funding requirements of deposit guarantee schemes, would give the FGDB emergency access to funding resources uncorrelated with risks on the financial and banking market in Romania, allowing it to disburse payouts or to finance resolution measures using deposit guarantee fund resources.

With a view to putting prerequisites in place ahead of getting the contingent loan and implementing the infrastructure needed to provide the funds for possible interventions in the market, in the first quarter of 2020 the FGDB opened a euro account with the National Bank of Romania.

Internationally, in 2019 the FGDB was permanently involved in projects conducted by the European Forum of Deposit Insurers (*EFDI*) to improve legislation applicable in the European Union on deposit guarantee and cooperation between deposit guarantee schemes in cases of cross-border payouts. Along this line, the General Director of the FGDB maintained his membership of the management executive structure of the EFDI EU Committee and acted as the coordinator of the forum's Cross-Border Cooperation Working Group.

Furthermore, the FGDB was a participant in the proceedings of the sub-groups of the Task Force of the European Banking Authority and made an active contribution to the preparation of the Authority's opinions on deposit guarantee[31].

[27] Resulting from the annual contributions paid by member credit institutions and the allocation of 99 percent of the net profit arising from investments of financial resources.

[28] For further details see below the section on *Stress Simulation Exercises.*

[29] That was the third exercise of the testing programme under the *Guidelines on stress tests of deposit guarantee schemes* of the European Banking Authority.

[30] For further details see below the section on *Testing the Business Continuity Plan.*

[31] Opinion on the eligibility of deposits, coverage level and cooperation between deposit guarantee schemes, published on 8 august 2019; Opinion on the payouts by deposit guarantee schemes, published on 30 October 2019; Opinion on deposit guarantee scheme funding and uses of deposit guarantee scheme funds, published on 23 January 2020. For further details, see Chapter 2, the section on *Opinions Delivered by the European Banking Authority.*

THE FGDB'S RISK MANAGEMENT FRAMEWORK

Risk management is one of the FGDB's key activities with guidelines set under its risk management strategy and policies approved by the Supervisory Board.

As previously pointed out, in 2019 the strategy for the management of the FGDB's significant risks targeted the consolidation of a caution-oriented risk culture and the maintenance of a low-risk profile. To that end, the FGDB continued to develop a balanced assets portfolio providing for the protection of depositors' interests and of the available financial resources of the deposit guarantee scheme and of the bank resolution fund and, equally, for compliance with applicable regulations and legislation.

The implementation of a dynamic and effective risk management system, adapted to the particularities of ongoing activities, is a complex, long-term process to which the FGDB has been committed considering it a prerequisite for consolidating its capability to fulfil its statutory duties.

This system covers the whole range of risks to which the FGDB is exposed and contains the specific processes, applications and procedures in use, as well as the duties and responsibilities related to risk management assigned to each organisational structure and of the risk management function. The system will be implemented gradually, as the FGDB completes the necessary infrastructure, and it will be finalised once the integrated IT system[32] allowing, among other things, for the operationalisation of reports on risks, is put into service.

The main risk categories which the FGDB addresses using specific instruments and processes are:

Credit risk

In its capacity as statutory deposit guarantee scheme and administrator of the bank resolution fund, the FGDB assumes credit risk due to exposures to the eligible counterparties set under its annual strategy for the investment of financial resources. Depending on the nature of the counterparty/issuer, this type of risk is managed with the aid of a system of setting risk limits for credit institutions, categories of credit institutions and other categories of issuers (including international financial institutions). Observance of the limits is monitored and reported to the FGDB's management on a regular basis and the limits may be revised during the course of a year if market/counterparty developments so require.

Market risk

The FGDB is exposed to such risk whenever adverse moves occur in the price of its financial instruments available for trading and in interest and currency exchange rates. This risk is currently monitored by marking to market such tradable instruments as trading securities, by looking at potential losses (*Value at Risk*) and by setting alert and intervention thresholds. The FGDB will supplement its market risk management tools as its investment portfolio grows increasingly complex and diverse.

Liquidity risk

The prime goals of the FGDB's liquidity risk management policy are to maintain a minimum monthly level of liquidity from available financial resources, along with an adequate volume of trading securities and a balanced investment structure, as well as to implement/update alternative funding mechanisms for unforeseen circumstances.

In 2019, solutions were identified to allow the FGDB to enter *repo* transactions with the National Bank of Romania in the immediate future as a means of raising short-term funds should the need arise. Operationalisation is due in 2020 following the updating of the relevant regulatory framework.

Operational risk

The risk of incurring losses or of failing to make the estimated profit, triggered by factors that can be either endogenous (the use of inadequate or inappropriate processes, systems and human resources) or exogenous (external events and actions) is inherent in any of the FGDB's activities. In identifying operational risks and implementing measures to eliminate/mitigate them, the FGDB relies on self-assessments of risks incurred and on controls implemented at the level of its organizational structures.

A consolidated, optimised internal regulatory framework providing for an adequate management of operational risk in line with the good practices developed by other deposit guarantee schemes will continue to be in the focus of the FGDB as a strategically significant goal. All this will lead to the use of an adequate set of operational risk indicators and the implementation of a functional system providing for data collection and loss events reporting once the integrated IT system is in place.

The use of the previously mentioned instruments, as well as the degree of their sophistication will correlate with the volume and complexity of activities actually carried on and with the level of exposure to operational risk by applying the proportionality principle.

Reputational risk

The purpose of the FGDB's policy of managing reputational risk is to avoid any action that might generate a negative perception on the part of depositors, the public at large and the other institutions within the financial stability network and, equally, to improve the operational framework, periodically update and test the *Business Continuity Plan* and to conduct stress simulation exercises. Moreover, the FGDB aims to promote systematic and open communication with member credit institutions both directly and through the agency of their professional organisations.

Strategic risk

Strategic risk assessment is one of the components of the strategic planning process. The major potential sources of strategic risk are identified in the FGDB's strategic plans which refer to the coverage target level, organisational development and the strategy for the management of available financial resources.

In order to keep strategic risk within agreed limits, the FGDB periodically reassesses its strategic goals in relation to achievements, all while relying mostly on active prevention. In this respect, the functional and effective governance system, provided by the management structure comprised of the Executive Board and the Supervisory Board, with the latter also including the Audit Committee, performs a significant role.

The FGDB management annually establishes a target risk profile – the level of which is based on the institution's statutory duties and risk appetite – which synthetically expresses the sum total of the risks to which the organisation is or will be exposed. The risk profile is gauged periodically on the basis of the evolution of the scores of identified significant risks in order to maintain it in line with the pledged target. In turn, that target is also appraised periodically to determine its consonance with internal developments and shifts in the external environment in which the FGDB works.

[32] In the first half of 2020 a contract was signed with the successful bidder of a public procurement procedure launched by the FGDB. Next, software components will be developed according to the FGDB's requirements and requested operational specifications.

Stress Simulation Exercises

In 2019, the FGDB conducted its first exercise testing its capability to raise the necessary funds to cover payouts within seven working days of the date of deposit unavailability when it faces a shortage of available financial resources.

The test was prepared and run over March – May 2019 and involved institutional participants including the FGDB, the National Bank of Romania, as the competent authority, the Ministry of Public Finance and Banca Transilvania SA (the credit institution mandated to disburse payouts), as well as observers representing the Romanian Banking Association and the National Bank of Romania, as the resolution authority.

The overall aim of the exercise was to test the FGDB's capability to provide the funds needed to make repayments likely to exceed the available financial resources of the guarantee scheme and to start compensation disbursements within seven working days at the most of the date the deposits with the participating credit institution were determined unavailable. This overarching goal was broken down into specific targets for each of the institutional participants and regrouped according to theme.

The results of the test showed that the FGDB's financial resources were sufficient to fully cover payouts for any credit institution in liquidation and cumulatively for any two credit institutions in that situation.

By liquidating its investements, the FGDB has the capability to discharge its duties and compensate guaranteed depositors within at most seven working days of the date the National Bank of Romania declares the unavailability of deposits at the affiliated credit institution/institutions, even if, in conditions of an illiquid market, monetisation of FGDB investments may imply loss of principal.

The results of the test exercise also pointed to a number of legislative and operational aspects that need improvement so that the FGDB may get emergency loans from international financial institutions and/or from credit institutions with government-backed guarantee, in line with legislation.

The analysis of the test results led to a plan of measures to strengthen the FGDB's funding capability and provide for the fulfilment of its statutory goal of ensuring the necessary resources for reimbursements. These measures essentially aim to:

- prepare scenarios to evaluate the impact of market shocks on the portfolio of financial instruments so as to allow the FGDB to have visibility into potential losses at all times;
- identify and implement a legal solution whereby the FGDB may enter into *repo* transactions with the National Bank of Romania;
- finalise and conclude a tripartite agreement between the Ministry of Public Finance, the National Bank of Romania and the FGDB to complement and update obligations related to cooperation and early warning so that the parties involved may have sufficient time to fulfil their legal functions;
- improve the applicable legislative framework so as to give the FGDB immediate access to funding from international financial institutions and/or from credit institutions based on government-backed guarantees.

The report on the results of the simulation exercise testing the FGDB's capability to provide the financial resources needed for make compensation payments was approved by the Supervisory Board and was sent to the National Bank of Romania together with a set of proposals with respect to the improvement and completion of the regulatory frameowrk in order to guarantee and consolidate the FGDB's capability to intervene in compliance with *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund.*

With a view to enhancing its operational capability to make repayments, over August – December 2019, the FGDB continued to test the capacity of several credit institutions to prepare the *Payout List* on a date other than the last day of a calendar month and dispatch it to the FGDB observing the deadline stipulated by the regulations in force, namely three business days of the reference date.

A comparison with the results of previous simulation exercises showed that in the case of most of the credit

institutions involved in the 2019 test the percentage of critical errors (errors in relation to the identity of depositors which make it impossible to reimburse them) in the total number of depositors had diminished.

Alternative Funding Mechanisms

To complement the internal infrastructure it needs to discharge its statutory function of providing financial resources for compensation payments or for the implementation of bank resolution measures, the FGDB developed the procedural framework for the application of alternative funding mechanisms which covers all possible situations – from lack of liquidity in the market to shortages of financial resources.

Technically, an analysis was made of available options in point of related costs and potential benefits with a view to adopting optimal financing solutions providing for fast access to funding at reasonable costs.

Furthermore, in the field of cooperation with institutions sharing responsibilities in maintaining financial stability, the FGDB took further steps towards operalisating *repo* transactions with the National Bank of Romania. Ongoing actions for the conclusion of a Protocol on Funding between the Ministry of Public Finance and the FGDB are expected to come to an end in the immediate following period. This protocol will establish a framework for action on access to Government loans or to Government-backed guarantees, in compliance with legislation in force.

Testing the Business Continuity Plan

In 2019, the FGDB entered a new stage in point of business continuity management following the updating of the relevant internal regulatory framework and the launching and implementation of a programme for the periodical testing of the *Business Continuity Plan.*

In November 2019, the FGDB ran a first exercise to test the possibility of remote database access and data processing, measure the time needed to gain access to the backup server and appraise the adequacy of the services offered by the critical IT service provider.

The results of the test showed that the FGDB had at its disposal an adequate backup system for the tested operative module, as data could be accessed remotely and tested applications proved fully operational.

A gradual increase in the complexity of test exercise scenarios, as part of the future annual stress simulation programme, is a goal the FGDB is set to fulfil in order to consolidate its operational capability.

INTERNAL AUDIT WITHIN THE FGDB

The Internal Audit Department performs the internal audit function within the FGDB. This structure is subordinated to the Supervisory Board and its work is overseen by the Audit Committee as a guarantee of independence and objectivity, in line with the framework regulating internal audit activities.

The foremost goal of the internal audit structure is to contribute to the consolidation of management within the FGDB by independently and objectively examining risk management, internal control and governance processes.

For the duration of their missions, the internal audit team aimed to rigorously assess risks, identify causes, determine potential consequences, and make pertinent recommendations for their improvement. Their recommendations were economically feasible and can therefore be implemented and applied with financial/human/logistic costs proportional to their contribution to streamlining FGDB activities.

The internal audit team's missions throughout 2019 concentrated on the assessment of the risk management processes underway within organisational structures, the FGDB's specific activities in its capacity as liquidator and, respectively, creditor of failed banks, running of stress test exercises, as well as communication and public relations activities.

The Internal Audit Department focused on the regulatory framework and the evolution of the good practices in internal audit that complement the related legislative and standardisation frameworks. The internal audit team paid continuous attention to formulating opinions and recommendations apt to boost the efficiency and effectiveness of processes in order to make better use of material and human resources, significantly contributing to improving processes and increasing employee accountability.

The Internal Audit Department constantly monitored the implementation of the recommendations advanced at the end of the internal audit missions, the activity of the internal audit team supporting the consolidation of the internal control system within the FGDB.

With the aid of specific tools, the internal audit function contributed to increasing the efficiency and effectiveness of the assessed processes. Progress was made in optimising the risk management, internal control and governance systems which were created to allow the FGDB to fulfil its targets related to depositor protection and ensurance of financial stability.

2

The 2019 Background and Regulatory Framework

INTERNATIONAL FRAMEWORK

There are 37 deposit guarantee schemes in operation across the European Union (the one in the United Kingdom not included) as some states (such as Germany, Austria, Italy, Luxembourg) are home to more than one such schemes.

Over the years, their specific activities have known constant expansion and consolidation, with the year 2008 and the financial crisis it recorded marking a turning point. That was when an awareness emerged of the role these institutions play in safeguarding financial stability. As their role grew more powerful, they started being included, within structures that vary from one country to another, in the implementation of bank resolution measures as well.

Depending on the scope of their activities, deposit guarantee schemes differ in point of complexity, their functions ranging from compensation payments when deposits are declared unavailable to direct involvement in funding resolution measures decided by the competent resolution authority and managing the application of those measures, and/or the administration of several categories of funds (deposit guarantee funds, resolution funds, investor protection funds).

As for their relationship with depositors in the digital age, more and more guarantee schemes in Europe use their own platforms to handle payouts to guaranteed deposit holders. As Chapter 1 of this Report shows, the FGDB initiated a project to identify and implement alternative compensation payment methods.

With the activities of deposit guarantee schemes expanding and growing more complex and against the background of the opening of the financial industry and of cooperation in this sector, *Directive 2014/49/EU on deposit guarantee schemes* was introduced to establish a common regulatory framework at European level and its provisions were transposed into the national legislation of each European Union member state. As cross-border operations assumed greater importance and proved more necessary, cooperation between all guarantee schemes became essential for the smooth run of their activities. To this end, the European Forum of Deposit Insurers and the International Association of Deposit Insurers were created and the FGDB is a member of both organisms.

FRAMEWORK REGULATING THE ACTIVITY OF DEPOSIT GUARANTEE SCHEMES

The regulatory framework, as well as the guidance and guidelines for deposit guarantee and bank resolution across the European Union consolidated further in 2019, staying on the path it had followed in the recent period.

The FGDB, through the agency of its representatives to various forums and working groups at European level, engaged actively in analysing and preparing such documents, as shown hereunder:

Opinions Delivered by the European Banking Authority

The opinions of the European Banking Authority, drafted from a depositor protection perspective, are intended to support the European Commission in preparing a Report on the implementation by EU member states of *Directive 2014/49/EU on deposit guarantee schemes*, and also assist it if and when preparing a proposal for a revised Directive to be submitted to the European Parliament and the Council. To draft the Report, the European Banking

Authority set up a task force of which the FGDB's General Director is a member alongside representatives of other guarantee schemes within the European Union. The task force includes three subgroups – and the FGDB is represented to all of them – "Payouts"; "Funding and uses of funds" and "Eligibility, coverage and cooperation between authorities". Each of these subgroups was actively involved in formulating the opinions of the European Banking Authority on the respective topics.

- *Opinion on the eligibility of deposits, coverage level and cooperation between deposit guarantee schemes*[33]

  The document offers an analysis and proposals on specific topics related to deposit guarantee, such as coverage level, the scope of depositor protection, transfer of contributions and cooperation between schemes.

- *Opinion on deposit guarantee scheme payouts*[34]

  The document offers an analysis and proposals on aspects related to repayments, such as unavailability of deposits, the payout process, the approach to temporary high balances or to the setting off of liabilities fallen due, and cross-border repayments.

- *Opinion on deposit guarantee scheme funding and uses of deposit guarantee scheme funds*[35]

  The third opinion, which was completed and published in January 2020, is a synthesis of the conclusions resulting from an analysis of such aspects as target level, definition of the financial resources of deposit guarantee schemes, the use of funds for purposes other than payouts, payment commitments, the strategy for investing financial resources.

The implementation of the proposals set forth in the opinions delivered by the European Banking Authority may lead to an amended European legislative framework providing the prerequisites for a more rapid harmonisation of the standards European Union member states apply in the bank deposit guarantee sector.

In 2019, the European Banking Authority published several other analyses, including a report on structured deposits[36]. This report, which is incidental to the topic of deposit guarantee, is based on a survey of the market for such deposits, as well as on a mapping of the specific regulatory and reporting requirements applicable at national and European levels.

Guidance Papers and Studies of the European Forum of Deposit Insurers (EFDI)

In 2019, working groups within the EFDI, which included FDGB representatives, brought out guidance papers, studies and reports dealing with significant aspects of the activity of deposit guarantee schemes in the European Union, such as access to data needed to make compensation payments, alternatives to payout in a banking crisis, risk-adjusted contributions and, last but not least, the implementation of regulations across the Union.

[33] https://eba.europa.eu/sites/default/documents/files/documents/10180/2622242/324e89ec-3523-4c5b-bd4f-e415367212bb/EBA%20Opinion%20on%20the%20eligibility%20of%20deposits%20coverage%20level%20and%20cooperation%20between%20DGSs.pdf

[34] https://eba.europa.eu/sites/default/documents/files/document_library//EBA%20Opinion%20on%20DGS%20Payouts.pdf

[35] https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Opinions/2020/EBA%20Opinion%20on%20DGS%20funding%20and%20uses%20of%20DGS%20funds.pdf

[36] https://eba.europa.eu/sites/default/documents/files/documents/10180/2551996/05de2b20-4597-46b9-b720-1b78b7c0750a/EBA%20Report%20on%20structured%20deposits.pdf
Structured deposit means a deposit as defined in Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

- *Guidance paper on the creation of SCV files*[37] *in preparation for a repayment in the European Economic Area*[38]

The EFDI's guidance note published in June 2019 aimed to provide the institutions responsible for depositor protection with a reference basis for defining the types of information to be included in SCV files. The European Union's regulatory framework for this sector lays down general and comprehensive obligations, all while giving deposit guarantee schemes the flexibility needed in implementing them. The use of these files, which include depositor data at aggregate level, enables prompt and effective reimbursements, all while allowing the deposit guarantee schemes to contribute to strengthening depositor trust, as well as financial stability.

- *Guidance paper on alternative measures to repayments to effectively resolve banking crises*[39]

Although the national legislation of states across the European Union amply sets forth alternative measures to resolve banking crises, there are different interpretations as to the use of the funds of deposit guarantee schemes for such interventions. Starting from this observation and from the practical issues such situation generates[40], the EFDI conducted a survey of the benefits and the legal and operational burdens arising, at a national level, from the application of such alternative measures in the context outlined in *Directive 2014/49/EU on deposit guarantee schemes* with regard to the possibility of using the available financial means of a deposit guarantee scheme, in certain conditions[41], also for the application of alternative measures intended to prevent a credit institution from failing.

The EFDI guidance paper advances suggestions for the implementation of alternative measures based on the experience of several states within the European Union.

- *Updated EFDI H2C Rulebook on the application of the provisions of the Multilateral Cooperation Agreement referring to cross-border cooperation between deposit guarantee schemes*[42]*, a part of the Multilateral Cooperation Agreement between deposit guarantee schemes in the European Union*[43]

Throughout 2019, the EFDI working sub-groups made efforts to improve some of the specifications this Rulebook details in light of the European legislative framework in force.

- *Expert paper on the actual implementation of the system of risk-based contributions by deposit guarantee schemes*[44]

The paper outlines various current aspects related to the development of risk-adjusted contribution systems. Since the Guidelines on methods for calculating contributions to deposit guarantee schemes of the European Banking Authority[45] operate across the board, the EFDI surveys are intended to help guarantee schemes in specifically defining, implementing and operationalising risk-based systems within their national jurisdictions and also to offer suggestions for improvement.

[37] SCV (*Single Customer View*) files are files containing individual depositor information, including the aggregate amount of eligible deposits of every depositor, which a deposit guarantee scheme needs to prepare for a repayment.

[38] https://www.efdi.eu/sites/default/files/publications/efdi_non-binding_guidance_paper_-_single_customer_views_in_the_eea_-_11_june_2019.pdf

[39] https://www.efdi.eu/sites/default/files/publications/efdi_nbg_alternative_measures_-_public_release.pdf

[40] The findings of a survey the EFDI conducted in 2019 showed that different deposit guarantee schemes applied alternative measures very differently, depending on provisions laid down in their respective national legislation.

[41] Under Romania's legislation, Article no.116 of Law no.311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund.

[42] EFDI H2C Rulebook (Home/Host Cooperation Rulebook) 1.0.1 Effective 1 January 2020.

[43] The report is available at: https://www.efdi.eu/efdi-h2c-rulebook-101-effective-1-january-2020

[44] https://www.efdi.eu/sites/default/files/publications/efdi_expert_paper_-_risk-based_systems_for_deposit_guarantee_schemes_-_1_august_2019.pdf

[45] https://eba.europa.eu/sites/default/documents/files/documents/10180/1199246/1bdcba31-fec8-4d27-af81-d5c55083a9b0/EBA-GL-2015-10_GL%20on%20Calculation%20of%20Contributions%20DGS_RO.pdf

- *Stress simulation exercises run by deposit guarantee schemes*

In January 2019, the EFDI published an updated version of its report[46] on the stress test exercises deposit guarantee schemes had conducted since the European Banking Authority's Guidelines on stress tests of deposit guarantee schemes came into effect in 2016, in line with *Directive 2014/49/EU*. The report offers an image, at aggregate level, of the experiences of various national jurisdictions[47], advances proposals for further steps to be taken and makes a detailed analysis of each type of test that was conducted.

IADI's Research and Guidance Papers

As a member of the International Association of Deposit Insurers (IADI), the FGDB benefitted also from the experience and expertise of deposit insurers of non-EU countries thanks to both direct meetings with their representatives and IADI research and guidance papers, which include:

- *Research paper on purchase and assumption*[48]

At the end of 2019, IADI released a paper surveying the bank resolution actions taken by IADI-member or IADI-affiliated institutions using purchase and assumption transactions as a resolution tool. The survey, which details the practical experience of these institutions, gives a synthesis of the advantages of the tool, of specific challenges and technical implications.

- *The IADI's annual survey on deposit insurance and financial safety net frameworks*

This annual survey, which the IADI conducted among its members, shares information on the key characteristics of deposit guarantee schemes. The survey results show that national jurisdictions continue to strengthen their deposit guarantee function and are moving towards growing compliance with the IADI's *Core Principles for Effective Deposit Insurance Systems*, which the Association revised in November 2014.

- *The IADI's guidance paper on the role of deposit guarantee schemes in contingency planning and the management of financial crises*[49]

Starting from the role and responsibilities of deposit insurers in managing financial crises[50], the guidance paper synthetises, based on a survey of IADI members, information about the diverse characteristics of financial safety nets, contingency planning, information sharing and the management of financial crises.

[46] https://www.efdi.eu/sites/default/files/publications/efdi_stress_test_wg_analysis_september_2018.pdf

[47] The FGDB implemented the provisions of the European Banking Authority's Guidelines on stress tests of deposit guarantee schemes through its Regulation no.4/2016 on the organisation of stress test exercises by the Bank Deposit Guarantee Fund on the basis of which it ran tests of its systems covering the following:
- files containing depositor information in preparation for a payout (run over May - June 2017);
- the FGDB's operational capability to make compensation payments (run over February - May 2018);
- the FGDB's funding capability (run over March - May 2019).

[48] https://www.iadi.org/en/assets/File/Papers/Approved%20Research%20-%20Discussion%20Papers/IADI_PnA_Research_Paper_November_2019_final_version-for-publication.pdf

[49] https://www.iadi.org/en/assets/File/Papers/Approved%20Guidance%20Papers/IADI%20Guidance%20Paper_DI%20role%20in%20contingency%20planning%20&%20crisis%20management.pdf

[50] In this case, it refers to *Principle 6*: the role of deposit guarantee schemes in contingency planning and financial crisis management.

- *The IADI's guidance paper on public policy objectives of deposit guarantee schemes*[51]

In September 2019, a survey was launched of the public policy objectives of deposit guarantee schemes which was finalised on 23 March 2020 when the above mentioned guidance paper was published providing updated information about public policy objectives in different jurisdictions in light of recent changes, all while supplying, where possible, underlying reasons, as well as recommendations for the effective application of *Principle 1*[52] referring to the public policy objectives of deposit guarantee schemes.

Regulations on the Resolution of Credit Institutions

As 2019 recorded no crisis situation, the *Single Resolution Board (SRB)* did not have to step in with bank resolution measures. Nevertheless, the EU's framework for the recovery and resolution of credit institutions was further strengthened with a view to safeguarding financial stability.

In August 2019, the European Commission and the Single Resolution Board signed a *Memorandum of Understanding*[53] to consolidate their cooperation on the *Single Resolution Mechanism (SRM)*, as well as on resolution, legal regulation and communication matters.

At the same time, the Single Resolution Board published several documents on topics of interest related to resolution actions, with one such document dwelling on the conclusions of a public interest assessment, which is a significant element of the framework for bank resolution, pinpointing the factors to be considered when making the appraisal and explaining how to apply legal provisions in this sector.

The Single Resolution Board updated its policy on the Minimum Requirement for Own Funds and Eligible Liabilities (*MREL*)[54] for credit institutions so as to bring it in line with new European Union regulations[55]. The Single Resolution Board also published its Framework for Valuation worked out in cooperation with the European Banking Authority[56], which aims to enhance comparability of valuation reports prepared during the application of bank resolution measures.

In 2019, the Single Resolution Board also launched its first guidance, called *Expectations for banks*[57], which outlines the actions credit institutions under its remit should carry out during the resolution planning phase to prove that they are prepared for crisis management. This document will be supplemented by guidelines and recommendations synthesising the best practices in the bank resolution process in all its key aspects.

[51] https://www.iadi.org/en/assets/File/Papers/Approved%20Guidance%20Papers/IADI_PPO_Guidance_Final_23032020.pdf

[52] *Principle 1*: "The principal public policy objectives for deposit insurance systems are to protect depositors and contribute to financial stability. These objectives should be formally specified and publicly disclosed. The design of the deposit insurance system should reflect the system's public policy objectives."

[53] https://srb.europa.eu/sites/srbsite/files/mou_between_the_ec_and_the_srb.pdf

[54] Under BRRD I, MREL is calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the credit institution, while under BRRD II, MREL is determined as a ratio between the sum of own funds and eligible liabilities and the total risk exposure amount reported by the credit institution – Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

[55] In May 2019, after negotiations between the European Parliament and Council that had lasted two years, a comprehensive package of measures was adopted to mitigate risks in the European Union's banking sector. The agreed package contains amendments to regulations referring to the capital requirement imposed on banks, as well as to bank recovery and resolution (with BRRD II Directive as one of the components of the package).

[56] https://srb.europa.eu/sites/srbsite/files/framework_for_valuation_feb_2019_web_0.pdf

[57] https://srb.europa.eu/sites/srbsite/files/srb_expectations_for_banks_2019.pdf

Also, in 2019, the Financial Stability Board published a review of the standard on the total loss absorbing capacity (*TLAC*)[58] to consolidate the capability to resolve global systemically important banks that fell into difficulty. Furthermore, a peer review was published on bank resolution planning, which forms part of a series of such periodic assessments of the implementation of the standards set out in *Key Attributes of Effective Resolution Regimes for Financial Institutions*[59].

Stage of the Establishment of the European Deposit Insurance Scheme

The adoption in 2019 of a legislative package to reduce risks in the European Union's banking sector meant an important step forward towards consolidating the Banking Union, the completion of which also depends on the establishment of its third pillar, namely the European Deposit Insurance Scheme (*EDIS*), which is intended to protect depositors and which is still subject to political discussions.

Operationalisation of the EDIS will be high on the Eurogroup's agenda in 2020, as will be aspects related to the completion of the Banking Union, in line with decisions made during the Euro summit of 13 December 2019 and the recommendation of the Council of the European Union on the economic policy of the euro area of 18 February 2020.

DOMESTIC REGULATORY FRAMEWORK

Throughout 2019, the improvement of the regulatory framework by introducing new specific regulations, strategies and policies or by updating existing ones remained the focus of attention as a means to allow the FGDB to exercise and fulfil its legal functions and to establish an effective procedural framework for operational flows. Some of the most significant regulations for the FGDB's activity in 2019 are referred to hereunder.

There was an update to the risk indicators used to calculate the contributions of credit institutions and *Regulation no.1/2019 to amend Regulation no.2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund* was issued.

A *Procedure for determining, communicating and collecting the contributions of credit institutions to the deposit guarantee scheme* was also issued in 2019, when the *Risk profile and the risk-management strategy and policies* were updated.

The FGDB took one more step towards operationalising alternative funding mechanisms in 2019 when it issued *Procedure for applying alternative funding mechanisms*, which was applied and tested as part of the stress simulation exercise verifying the FGDB's funding capability.

In 2019, the FGDB also prepared a package of preliminary procedures for internally regulating the processes in which the FGDB may engage in the different roles it may play during the application of early intervention or bank resolution measures. These procedures include:

a) Provisions that are common to the FGDB's bank resolution procedures;
b) Procedure with respect to the FGDB's activity as temporary administrator of a credit institution;
c) Procedure with respect to the FGDB's activity as special administrator of a credit institution under resolution;
d) Procedure with respect to the FGDB's activity as shareholder of a bridge institution, of a bridge credit institution, or of an asset management vehicle.

At the operational level, in 2019 the FGDB updated the internal regulatory framework for business continuity management, as well as the *Regulation on the organisation and operation of the FGDB*. Furthermore, a *Procedure on communication during a payout case* was issued.

In the period ahead, the FGDB aims to further improve its operational framework based on the results of the periodic tests of the *Business Continuity Plan* and to run stress simulation exercises under increasingly complex scenarios intended to eventually lead to a palpable action plan.

In point of communication with the public, the FGDB plans to increase its visibility acting on as many fronts as possible for a more extensive dissemination of information about its specific activities and the role of deposit guarantee schemes in general. At the same time, it will follow another line of action as well by arranging further training sessions for the call-centre operators of the credit institutions mandated to make compensation payments. These sessions were initiated in 2019 with a view to providing a channel of continually updated information, in line with the latest standards.

[58] *TLAC* was issued by the Financial Stability Board in November 2015 as a standard for global systemically important banks to ensure that they have sufficient loss-absorbing and recapitalisation capacity available in the resolution process.

[59] The International Monetary Fund and the World Bank utilise these recommendations, together with *Core Principles for Effective Deposit Insurance Systems*, in evaluations under the Financial Sector Assessment Programmes.

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

In 2019, the economy of European member states maintained a moderate pace of growth. Gross domestic product for the year 2019 as a whole grew by 1.5 percent in the European Union and by 1.2 percent in the euro area[60]. With a rate of 4.1 percent, Romania was on the list of EU countries with most significant economic growth rates.

The labour market across the European Union showed signs of improvement in comparison with 2018 as unemployment hit its lowest rate on record at 6.2 percent[61]. In Romania, the rate of unemployment stayed low in 2019, ending the year at 3.9 percent.

Annual inflation in 2019 remained relatively unchanged from the previous year at 1.6 percent in the European Union and 1.3 percent in the eurozone (shedding 0.2 percentage points on a year-on-year basis)[62]. Romania was among the European Union states with the highest inflation, ending December 2019 with a rate of four percent, a level exceeded only by Hungary's 4.1 percent.

Developments in the Banking Sector in the European Union

As the European Banking Authority's *Risk Dashboard* Data as of Q3 2019 show[63], risk indicators from credit institutions in the European Union as a whole were stable or declining, except asset quality which improved slightly.

Solvency of the credit institutions within the European Union was almost unchanged from the 2018 level, with Tier 1 capital ratio for all credit institutions standing at 14.6 percent in September 2019, down by 0.1 percentage points from end-2018.

[60] https://ec.europa.eu/eurostat/documents/2995521/10516829/2-10032020-AP-EN.pdf/1781f16a-60f8-ea95-66c9-57b19a75b776

[61] https://ec.europa.eu/eurostat/documents/2995521/10159296/3-30012020-AP-EN.pdf/b9a98100-6917-c3ea-a544-ce288ac09675

[62] https://ec.europa.eu/eurostat/documents/2995521/10159211/2-17012020-AP-EN.pdf/12e497ea-cfce-c8ae-acf5-2b97b5076ba0

[63] https://eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20dashboard/Q3%202019/EBA%20Dashboard%20-%20Q3%202019%20final.pdf – cele mai recente date disponibile

Asset quality was adversely affected by the slowdown in economic growth and easing lending standards, especially in the euro area, particularly in the case of lending to enterprises and mortgage lending. The ratio of non-performing loans inched down to 2.9 percent in September 2019 (losing 0.3 percentage points from the end-2018 level). However, dispersion of non-performing loan ratios across member states remains wide (the highest rates were reported by Greece – 37.4 percent and Cyprus – 21.1 percent, and the lowest by Germany and the Czech Republic – 1.2 percent).

With the economic slowdown in the background, the loan to deposit ratio contracted by one percentage point against the end of 2018 to stand at 116.1 percent in September 2019. Low interest rates continued to exert pressure on credit institutions which showed a willingness to engage in more risky lending operations in order to get higher yields.

The forecasts for the profitability of the banking system remain unpromising given the intense competition going on in an economic environment of extremely low or even negative interest rates which limit the possibilities of both increasing incomes, from bank commissions included, and identifying feasible measures to cut operating costs. Open banking for Fintechs exerts additional competitive pressure.

As credit institutions still remain vulnerable to cyber attacks which may trigger significant direct and indirect costs, advanced technology in banking and cooperation with third party services providers have become key elements in the banking sector as challenges arise in risk management, personal data protection and corporate governance.

With the purpose of strengthening the European Union's crisis resolution framework, the Single Resolution Board hosted at the end of 2019 a coordination exercise with the participation of the European Banking Authority, the European Commission, the European Central Bank, and representatives of national authorities. The aim of the exercise was to enhance the efficiency of the cooperation between European authorities at the national and international level in the implementation of bank resolution cases.

The Financial Stability Board, which monitored the financial system in 2019, noted a significant progress in the implementation of bank resolution policies at national level.

The annual reports on funding plans and on risks and vulnerabilities in the banking sector of the European Union, which the European Banking Authority published in 2019, showed that solvency ratios remained steady, while the ratio of non-performing loans, as has already been pointed out, stayed on the slide and asset quality continued to improve. Deposits, though moving up at a slower pace than in recent years, remained the main source of funding for the banking sector.

In their turn, the analyses of the European Commission also underscore the continued downtrend in the ratios of non-performing loans of banks across the European Union, which tends to approach pre-crisis levels.

The Single Resolution Fund continued to grow in 2019 when it reached almost half the target level of one percent of the amount of covered deposits, a target size expected by end-2023.

In April 2019, the European Commission published a report on the application and review of *Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD1)* and of legislation within the framework of the Single Resolution Mechanism, the second pillar of the Banking Union.

The measures adopted in May 2019 at European Union level[64] cover significant elements of the legislation on capital and liquidity requirements and the consolidation of the regulatory framework for the recovery and resolution of credit institutions in difficulty. Essentially, these are measures intended to impart greater stability to the financial and banking system and to reduce risks in the banking system by strengthening banks' resilience to shocks.

[64] https://www.consilium.europa.eu/en/press/press-releases/2019/05/14/banking-union-council-adopts-measures-to-reduce-risk-in-the-banking-system/

As previously mentioned, 2019 knew no crisis situations requiring the application of bank resolution measures by the Single Resolution Board. The European Banking Authority, as a hub for the collection and dissemination of information on crisis prevention and the resolution of banks in distress within the European Union, receives notifications from national resolution authorities and from the designated authorities of some of the member states[65] referring to cases where resolution measures were taken in relation to an institution or where funds of deposit guarantee schemes were used. In 2019, the European Banking Authority received only one such notification, from Austria's resolution authority, in relation to the application of resolution measures to Heta Asset Resolution AG.

Developments in the Banking Sector in Romania

"Prudential and financial indicators for the local banking sector are at adequate levels relative to risks, its soundness remaining above the EU average, but a series of vulnerabilities persist."

"Banking sector profitability remained high in the first three quarters of 2019. Behind this stood the resumption in operating profit growth and the further historical low level recorded by net expected credit losses (…). The challenges to operational efficiency and the differentiated capacity of banks to sustain their current profitability over the long term stimulate the consolidation process. The effects of the tax on bank assets will materialise at the end of the year into a manageable decrease in profit."

Financial Stability Report of the National Bank of Romania[66]
December 2019

In 2019, Romania's macrofinancial environment remained favourable and the country's banking sector maintained its solidity and resilience to shocks. Against this robust background, the National Bank of Romania, in its capacity as competent authority and resolution authority, did not have to take any bank recovery and resolution measures as none of the FGDB-member credit institutions found itself in trouble.

There were two notable deals in the market for mergers and acquisitions in Romania in 2019 – the acquisition by Eximbank S.A. of 99.28 percent of Banca Românească S.A. from the National Bank of Greece[67] and the acquisition by First Bank S.A.[68], on 10 July 2019, of the majority stake of Bank Leumi România S.A, a subsidiary of Bank Leumi Israel.

At the same time, Raiffeisen Bank S.A. became the majority shareholder of Raiffeisen Banca pentru Locuințe S.A. with a stake of 99.99 percent. It subsequently changed the bank's name to Aedificium Banca pentru Locuințe S.A.

[65] https://eba.europa.eu/regulation-and-policy/recovery-and-resolution/notifications-on-resolution-cases-and-use-of-dgs-funds
[66] Financial Stability Report of the National Bank of Romania, December 2019, no.8 (18) New Series, pp. 57, 58.
[67] Eximbank S.A. completed the acquisition of Banca Românească S.A. on 23 January 2020.
[68] First Bank is owned U.S. by investment firm J.C. Flowers & Co.

Aggregate Indicators for Credit Institutions in Romania[69]

The net assets of member credit institutions stayed on the upward path in 2019 when they gained 44.1 billion lei to total 495.3 billion lei on 31 December (an annual variation of +9.8 percent in nominal terms).

On 31 December 2019, privately-owned credit institutions held 91.8 percent of total assets, somewhat less than on the same date in 2018 (an annual variation of -0.1 percentage points). Likewise, the assets of foreign-owned or majority foreign-owned credit institutions (including branches of foreign credit institutions) accounted for 73.7 percent of total assets at end-2019, being 1.3 percentage points down year on year.

The profitability of the banking system remained high in 2019. Despite the decline in net profit against the previous year, which was triggered by the tax levied on bank assets and the provisions made by housing banks, the net result allowed ratios such as ROE[70] and ROA[71] to end 2019 at 12.32 percent (an annual variation of -2.3 percentage points) and, respectively, 1.35 percent (an annual variation of -0.2 percentage points).

The aggregate liquidity indicator on all maturity bands knew no significant shifts from the previous year and ended 2019 at 2.32 on 31 December.

The non-performing loan ratio decreased further throughout 2019, hitting its lowest in recent years at 4.08 percent at the end of December. The decline was an outcome of a steadily improved portfolio quality, the moves in earnings, and reasonable financing costs. On 31 December 2019, loans to households and non-financial corporations amounted to 260.8 billion lei (a seven percent increase as to the same date the previous year).

As the *First Home Programme* continued and the tax on bank assets was modified, loans to households soared by 7.6 percent, ending 2019 at 143.1 billion lei. In their turn, credits to non-financial corporations climbed by 6.3 percent, standing at 117.7 billion lei at the end of 2019. By currency, total loans saw an upswing from the previous year, with loans in the national currency posting a +9.8 percent annual variation to amount to 177.3 billion lei on 31 December 2019 and credits in foreign currencies gaining 1.5 percent and ending the year at the leu equivalent of 83.5 billion. Thanks to these rises, the share of loans in the national currency in total credits went up by 1.7 percentage points to 68 percent on 31 December 2019.

The monetary policy rate remained unchanged at 2.50 percent all through 2019. The average interest rate on new leu-denominated loans to households lost 0.5 percentage points to reach 7.59 percent at the end of 2019, while in the case of new euro-denominated credits the average interest rate inched down by 0.96 percentage points to stand at 3.88 percent on 31 December 2019. The average interest on new loans in the national currency going to non-financial corporations crawled down by 0.05 percentage points to 5.79 percent in December 2019, while the average interest rate on new loans in euros was up 0.2 percentage points at end-2019, amounting to 2.74 percent.

Deposits from households and non-financial corporations[72] remained in positive territory in 2019, having bounced up

[69] There were 34 credit institutions at the end of 2019, of which 27 Romanian legal entities affiliated to the FGDB, and seven branches of foreign banks and members of the deposit guarantee schemes in their home countries.
Data on aggregate indicators for credit institutions and on loans and deposits were taken from the website of the National Bank of Romania when this report was prepared.
[70] ROE is calculated as ratio of annualised net income to average own capital.
[71] ROA is determined by dividing annualised net earnings by average total assets.

12.6 percent by the end of the year. By currency, the average interest on new leu-denominated time deposits held by households added 0.22 percentage points to amount to 1.98 percent at the end of 2019, while the average interest rate on new time deposits in euros slid by 0.13 percentage points to 0.16 percent.

Non-financial corporations' new leu-denominated time deposits with an initial maturity of more than three months and less than six months registered the sharpest rise in interest rates (+0.47 percentage points to 3.02 percent) and so did household deposits in the national currency with an initial maturity between six months and 12 months included (+0.52 percentage points to 3.06 percent in December 2019).

At the end of 2019, the volume of customer deposits exceeded customer loans, taking the loan-to-deposit ratio to an all-time low of 70.98 percent at end-December 2019 (an annual variation of -2.66 percentage points).

On 31 December 2019, credit institutions, Romanian legal persons, participating in the deposit guarantee scheme of Romania held deposits of guaranteed natural and legal persons totalling 323.9 billion lei, 11.4 percent more than at the end of the previous year[73].

Affiliated credit institutions maintained a strong capitalisation in 2019, keeping total capital ratio at 20 percent and Tier 1 capital ratio at 18.04 percent. The leverage ratio[74] stayed in excess of the regulatory minimum requirement, ending 2019 at 9.16 percent.

COOPERATIVE RELATIONS AT THE NATIONAL LEVEL

In consideration of its contribution to the maintenance of financial stability, the FGDB was granted observer status to the National Committee for Macroprudential Supervision (CNSM)[75] and its General Director attends the meetings of the CNSM's General Board without the right to vote.

The CNSM took over the duties of the National Committee for Financial Stability as an inter-institutional cooperation structure whose fundamental goal is to contribute to safeguarding financial stability, also by strengthening the resilience to shocks of the financial system and by lessening the build-up of systemic risks, thus providing for the sustainable contribution of the financial system to economic growth.

The mission of the CNSM is to coordinate the macroprudential supervision of the national financial system by developing a macroprudential policy and the adequate tools to implement it.

The FGDB attended as observer all the meetings the CNSM held throughout 2019. During the CNSM's meeting on 11 September 2019, the FGDB briefed the

[72] Data include deposits at the branches of foreign credit institutions which are members of the deposit guarantee schemes of their home countries.
[73] FGDB data based on reports from affiliated credit institutions.
[74] The leverage ratio measures Tier 1 capital to average total assets.
[75] The CNSM was set up under Law no. 12/2017 on macroprudential supervision of the national financial system in line with Recommendation of the European Systemic Risk Board on the macro-prudential mandate of national authorities (ESRB/2011/3).

attendance on issues identified during the simulation exercise testing its capability to provide the necessary financial means for a repayment, as well as funds for resolution measures, and also suggested amendments to the relevant legislative framework.

The agenda of the CNSM's 2019 meetings included aspects related to macroprudential policy and systemic risk, worsening external imbalances seen from the perspective of macroeconomic stability, and the situation of savings and loan institutions. Furthermore, those meetings adopted recommendations on the countercyclical capital buffer and the capital buffer relating to other systemically important institutions in Romania[76], as well as the Strategy for the Implementation of International Financial Reporting Standards (*IFRS*) by Non-Bank Financial Institutions as a basis for accounting and for the preparation of separate financial statements.

As far as bank resolution is concerned, in 2019 the FGDB continued its cooperation with the National Bank of Romania in preparing internal regulations applicable in situations where the FGDB may be engaged in actions along this line decided by Romania's resolution authority.

In November 2019, the National Bank of Romania was the venue of a bank resolution simulation exercise. The exercise was conducted through the agency of the European Commission's Structural Reform Support Service (*SRSS*), with the World Bank acting as consultant. The FGDB took part in this exercise by virtue of its functions in bank resolution activities, according to the law, and of its cooperative ties with the National Bank of Romania.

Other participants in the exercise included representatives of the Ministry of Public Finance and of the Financial Supervisory Authority. The exercise, intended to be a follow-up to the simulation held the previous year, tested the possible actions authorities in Romania might take for the resolution of a credit institution in difficulty, as well as the cooperation and information sharing between national and European relevant authorities.

INTERNATIONAL ACTIVITY

In 2019, the FGDB participated in a number of international projects meant to improve the European legislative framework applicable to deposit guarantee schemes, as well as in actions taken by professional associations – the EFDI[77] and the IADI[78].

Since the FGDB's General Director is both a member of the management executive structure of the EFDI EU Committee and the coordinator of the EFDI Cross-Border Cooperation Working Group, most of the activities of 2019 focused on various aspects of the cooperation between the deposit guarantee schemes of the European Union member states in the event of cross-border payouts.

In 2019, deposit guarantee schemes across the European Union hosted meetings of the EFDI Working Group on cross-border cooperation between guarantee schemes. During these meetings operational aspects of cross-border cooperation were identified and discussed in detail, as were the treatment of special cases of deposits, the exchange of files and information sharing between guarantee schemes in normal times and during a crisis, dedicated accounts for cross-border payouts, reimbursement of the costs of repayments etc.

In light of the issues that had been identified, the FGDB launched a survey among European deposit guarantee schemes with a view to improving the existing database which it administers. Early in 2020, the FGDB prepared an extensive questionnaire to gather additional information on the financial, operational and communication areas necessary to clarify aspects of cross-border cooperation. The set of questions was sent to guarantee schemes affiliated to EFDI.

Throughout the year covered by this report, more guarantee schemes adhered to the central secure system EDDIES, which currently has 19 participants[79]. The EDDIES complies with all requirements relative to information sharing between deposit guarantee schemes, as laid down in the *Multilateral Cooperation Agreement* and the updated *H2C Rulebook.*

The FGDB, as deposit guarantee scheme of both a home member state[80] and a host member state[81], cooperated with deposit guarantee schemes of other European Union member countries to test and improve a number of technical aspects, other than the ones detailed in the *Multilateral Cooperation Agreement between deposit guarantee schemes in the European Union*, referring to possible cross-border payouts.

In response to requests from two guarantee schemes, test exercises were run in 2019 on the FGDB's SCV file import capability. The aim of one of those exercises was to check the capability to correctly import the Payout List prepared by a guarantee scheme which has as member a credit institution which operates a branch in Romania. In line with a scenario agreed upon beforehand, the second exercise tested the role of *Home* (the guarantee scheme in the home country of the credit institution whose depositors are reimbursed, which prepares the Payout List and sends it to the guarantee scheme in the host country of the respective branch) and of *Host* (the guarantee scheme in the host country of the credit institution whose depositors are repaid, which receives the Payout List, reimburses depositors and sends payout details to *Home*). This test was actually tantamount to a verification of the technical capability of both guarantee schemes to take on any of the two roles.

As in previous years, in 2019, more precisely in its last quarter, meetings were held of the resolution colleges organised by the Single Resolution Board for banking groups in the eurozone, as well as for the OTP group. FGDB representatives participated by phone in each of those meetings.

[76] The requirement for the capital buffer for other systemically important institutions has applied since 1 January 2016 and is reassessed annually. With the CNSM recommendations as a basis, the National Bank of Romania issued Order No. 10/2019 on the buffer for credit institutions authorised in Romania and designated as other systemically important institutions (O-SIIs), which was published in Official Gazette of Romania, Part I no. 933 of 20 November 2019 and came into effect on 1 January 2020.
According to this order, identified as falling into the "other systemically important institutions" category were nine banks, Romanian legal entities. All these nine credit institutions are members of the FGDB and the covered deposits in their records account for 89.3 percent of the total covered deposits affiliated credit institutions held on 31 December 2019.

[77] The EFDI's membership stands at 67 institutions, of which 54 are full members – deposit guarantee schemes – and 13 are associate members – investor compensation schemes and other entities.

[78] The IADI has 87 members, 9 associates and 14 partners. In 2019, five deposit guarantee schemes and an associate in Europe left IADI after a rise in annual fees.

[79] EDDIES became operational in January 2017 and the FGDB has been a member since 2018.

[80] For one affiliated credit institution which operates branches in another European Union member state.

[81] In the case of the branches in Romania of credit institutions based in other European Union member countries (totalling seven at the end of 2019).

3

Deposit Guarantee

EVOLUTION OF DEPOSITS IN 2019[82]

On 31 December 2019, deposits at credit institutions affiliated to the guarantee scheme posted a 7.7 percent rise as to the end of 2018 totalling 372.7 billion lei, of which 323.9 billion lei in FGDB-guaranteed deposits (eligible deposits) held by residents (313.9 billion lei) and non-residents (10 billion lei). Around two thirds of the 11.4 percent annual growth of eligible deposits – of which 85 percent was recorded in the second half of 2019 – were accounted for by the rise in household deposits.

Eligible deposits moved up in 2019 mainly on the back of the upswing in leu-denominated deposits held by residents[83], which, in its turn, was triggered by both natural and legal persons' propensity to save in the national currency rather than in foreign currencies. The boost in eligible deposits was an outcome of the upward moves of all components – natural and legal persons' leu- and foreign currency-denominated eligible deposits, deposits below and above the guarantee ceiling.

At the end of 2019, eligible deposits in the national currency held at member credit institutions amounted to 204.7 billion lei, having gone up 10 percent year on year. Eligible deposits in foreign currencies advanced by 13.8 percent, standing at the leu equivalent of 119.2 billion on 31 December 2019, with the bulk of the total (86.5 percent) accounted for by euro-denominated deposits (the leu equivalent of 103 billion).

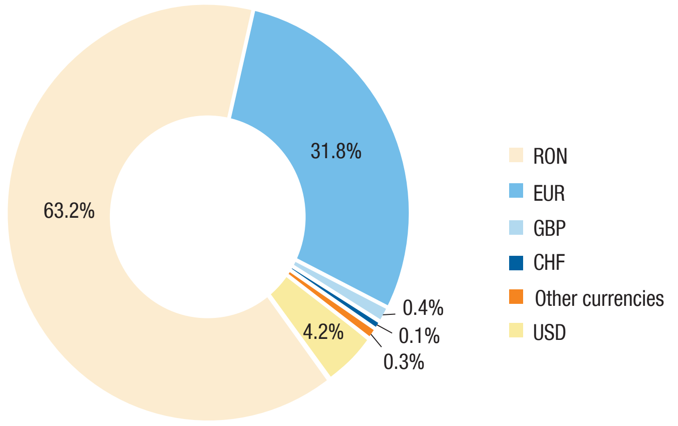
100%
Under the conditions and within the limits laid down in legislation, the FGDB's guarantee scope includes the deposits of all depositors, natural persons.

At end-2019, eligible deposits accounted for
86.9%
of total deposits at participating credit institutions.

On 31 December 2019, **97.2%**
of depositors, legal entities – that is, small- and medium-sized enterprises, companies and other similar entities – held deposits within the FGDB's guarantee scope.

At end-2019, eligible deposits in the national currency accounted for
63.2%
of total eligible deposits.

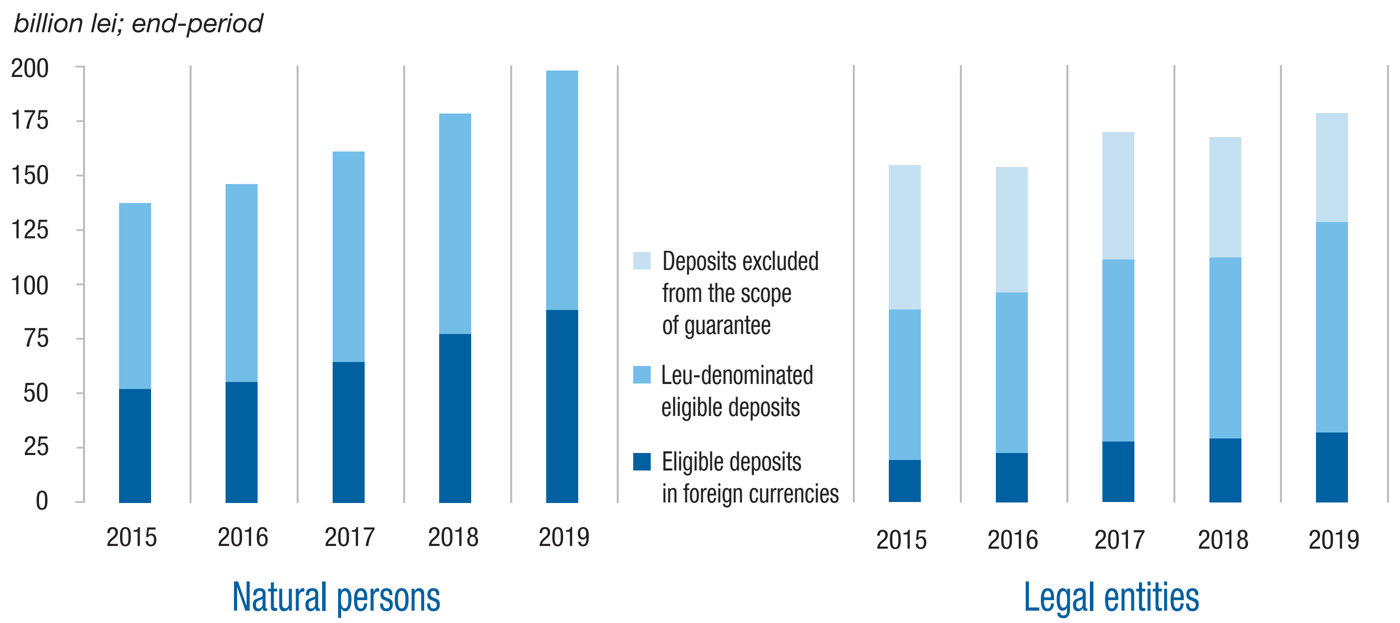
Structure of Eligible Deposits by Currency on 31 December 2019



[82] A statement of deposits with affiliated credit institutions as at 31 December 2019 is given in *Annex no. 3*.

[83] Just as in 2018, there were withdrawals of funds by non-residents falling into the category of legal entities excluded from the scope of guarantee which includes credit institutions, financial institutions, investment firms, insurance and/or reinsurance companies, collective investment undertakings, pension funds, central, local and regional public authorities.

Deposits at affiliated credit institutions



15,227,922
guaranteed depositors, natural and legal persons, on 31 December 2019

99%
of the total number of guaranteed depositors were resident natural and legal persons and their deposits at member credit institutions amounted to 313.9 billion lei (or 96.9 percent of the overall value of eligible deposits) at the end of 2019.

Deposits covered by the FGDB accounted for
65%
of total eligible deposits at end- 2019, that is 210.7 billion lei, the highest level of recent years.

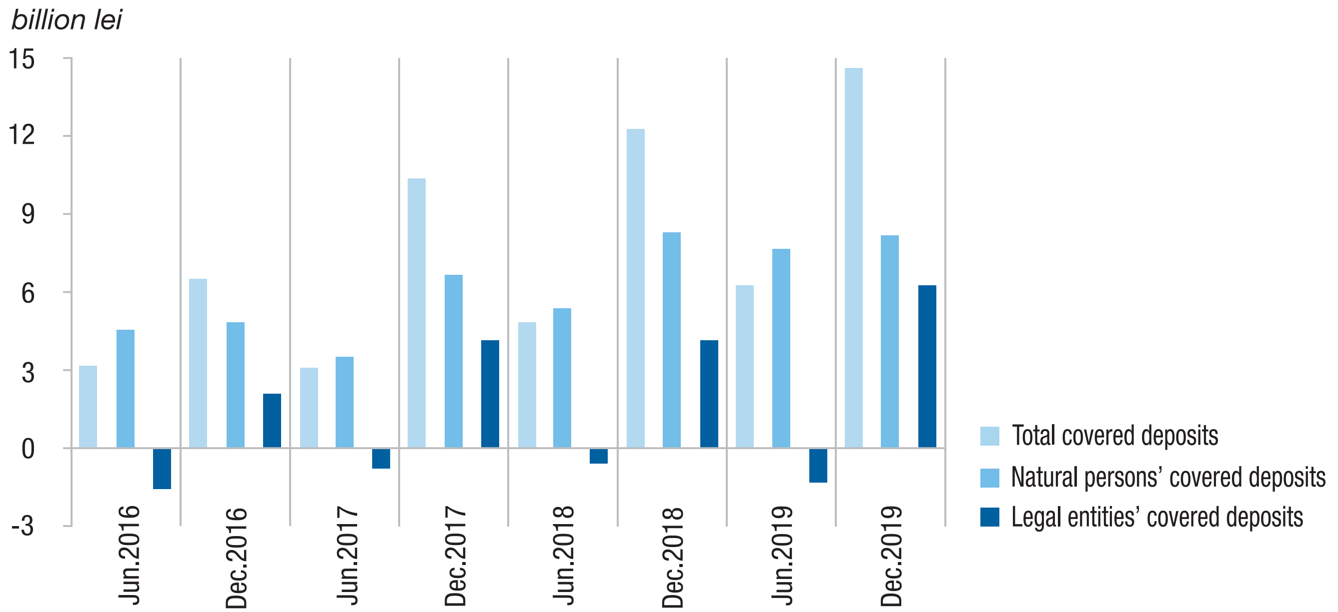
The increase in leu- and foreign currency-denominated household deposits of values below the guarantee ceiling was the source of about two thirds of the annual rise in total covered deposits.

Covered deposits in 2019 went up by 21.1 billion lei (an annual variation of +11.1 percent), with around 70 percent of the respective growth having been registered in the second half of the year.

Deposits below or equal to the guarantee threshold of 100,000 euros[84] accounted for 84.3 percent of total FGDB-covered deposits on 31 December 2019, their evolution being mainly the trigger for the year-on-year growth of this category of deposits. Most of the eligible household deposits were within the coverage limit and their rise had the strongest impact on the climb in covered deposits.

[84] On 31 December 2019, the 100,000-euro guarantee ceiling was the equivalent of 477,930 lei.

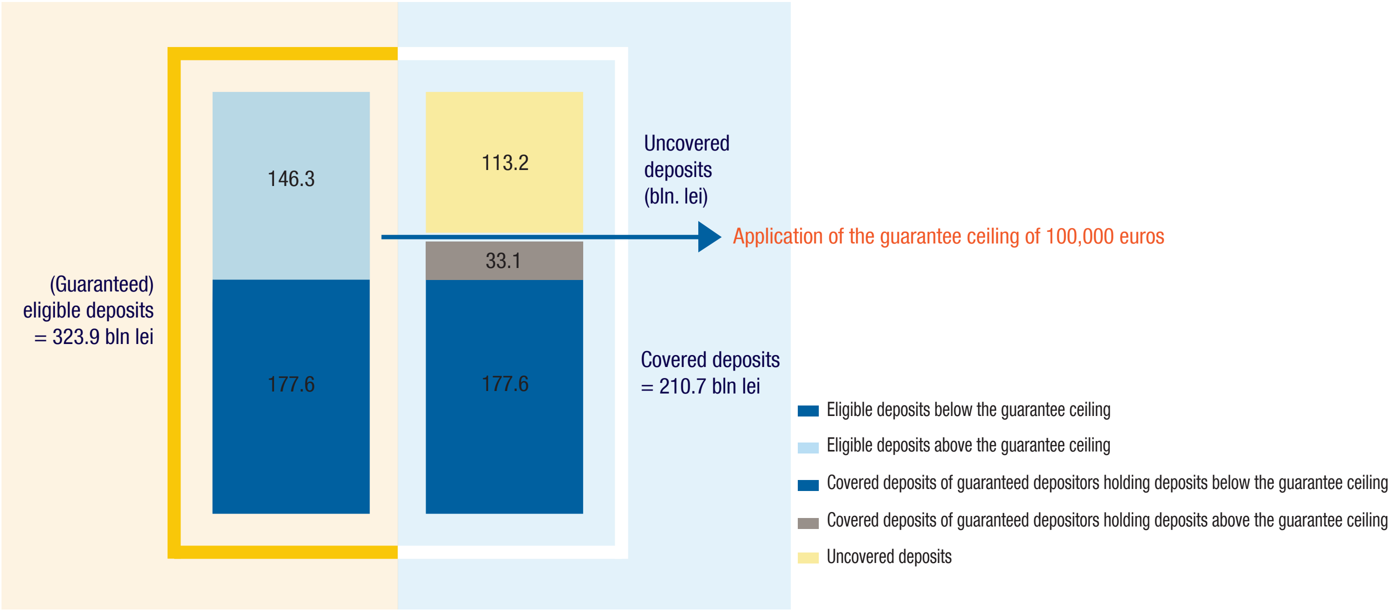
Half-yearly Variations of Total Covered Deposits by Categories of Depositors



At the end of 2019, holders of deposits falling within the FGDB's full coverage numbered 15,158,720 natural and legal persons, accounting for 99.5 percent of the total number of guaranteed depositors. Their deposits amounted to 177.6 billion lei, 10.3 percent up from 31 December 2018.

Deposits equal to or above the leu equivalent of the guarantee threshold of 100,000 euros totalled 146.3 billion lei on 31 December 2019 (posting a 12.8 percent year-on-year growth), of which 77.4 percent, or 113.2 billion lei, in uncovered deposits.

Positioning of Eligible Deposits in Relation to the 100,000-euro Guarantee Ceiling on 31 December 2019



NATURAL PERSONS' ELIGIBLE DEPOSITS

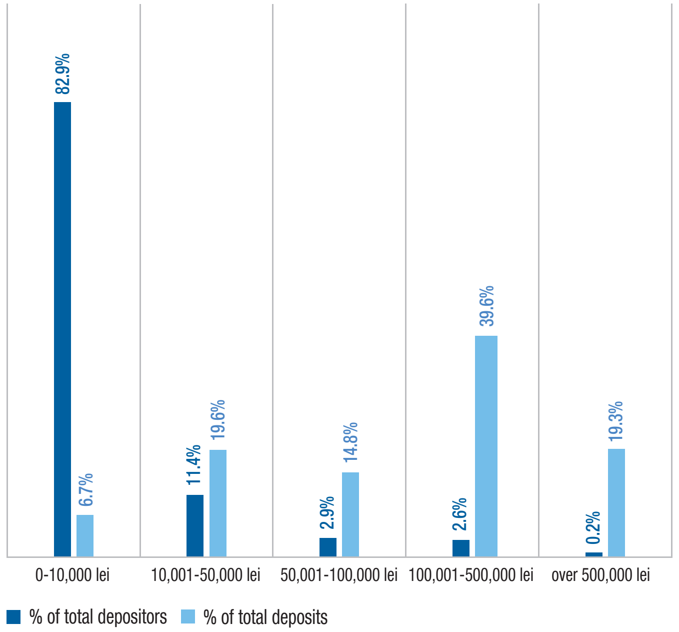
55.4%

is the share of deposits denominated in the national currency, which stood at 108.5 billion lei on 31 December 2019, in natural persons' total eligible deposits.

39%

of natural persons' eligible deposits on 31 December 2019 were held by deposits in euros, worth a total 76 billion in the leu equivalent.

Distribution of Deposits by Value Ranges



On 31 December 2019, falling within the FGDB's scope of guarantee were natural persons' deposits worth 195.7 billion lei, 10.8 percent more than at the end of the previous year, of which 189 billion in residents' deposits and 6.7 billion in deposits held by non-residents. The upswing was primarily a result of the upward trend in leu- and foreign currency-denominated deposits of values below the guarantee ceiling.

Leu-denominated eligible household deposits headed 7.8 percent higher to reach 108.5 billion lei at the end of 2019, while deposits in foreign currency, though soaring by 14.8 percent, amounted to the leu equivalent of 87.2 billion.

Natural persons' deposits advanced throughout 2019 mostly on the strength of higher household disposable incomes as Romania registered one of the fastest rates of increase in wages across the European Union[85]. At end-2019, the average net nominal wage amounted to 3,340 lei, up 13 percent from December 2018. As compared to the year-ago period, the real wage index stood at 108.6 percent[86], while unemployment stayed low, at an end-period rate of 3.9 percent.

In comparison with the previous year[87], average monthly pension in 2019 pushed 10.2 percent higher to 1,292 lei. Furthermore, 2019 remittances from Romanians working abroad[88] once again reinforced the upward trend in household deposits.

An analysis of the 31 December 2019 data contained in the member credit institutions' reports to the FGDB showed an inversely proportional relationship between the distribution of depositors, natural persons, and the distribution of their deposits.

[85] https://op.europa.eu/ro/publication-detail/-/publication/d90d0bb6-8851-11e9-9369-01aa75ed71a1/language-ro/format-PDF/source-122042400

[86] As Press Release no. 35/11 February 2020 of the National Institute of Statistics showed, in December 2019, the average net nominal wage jumped 5.1 percent from the previous month. Its rise as to November 2019 in most sectors of the economy was mainly a result of the payment of annual and holidays bonuses, payments in kind and of allowances, cash profit sharing or sharing of other funds, bonuses for improvements in production or bigger receipts (depending on contracts/projects), as well as layoffs in several sectors where wages were below average.

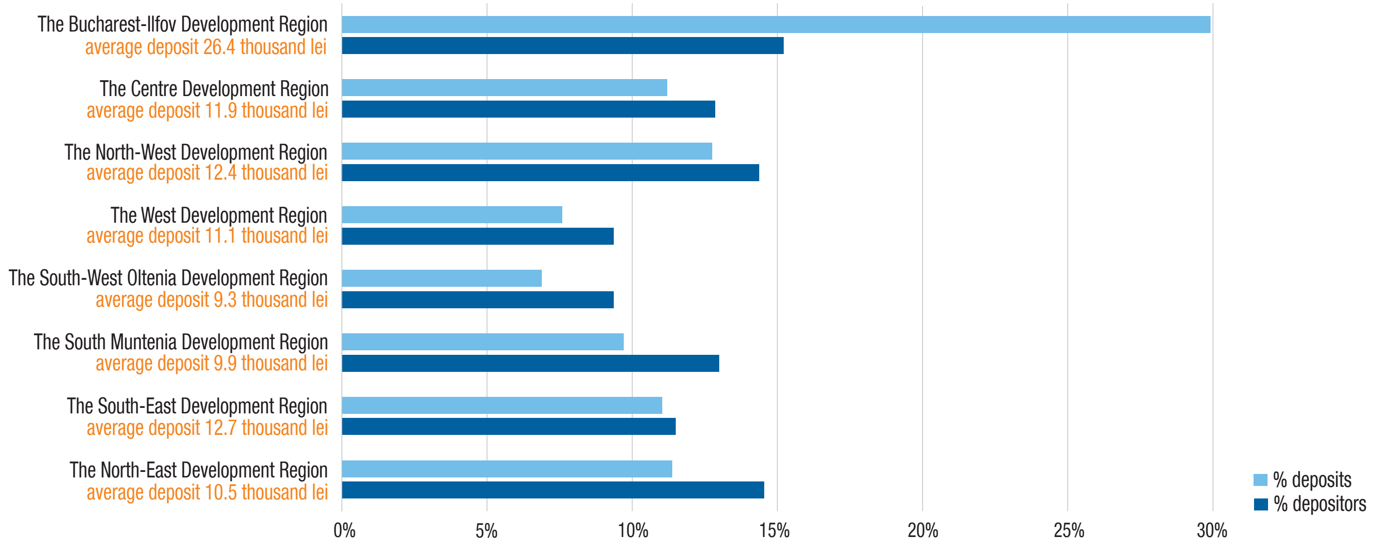
[87] Press Release no.83/30 March 2020 of the National Institute of Statistics.

[88] https://www.knomad.org/publication/migration-and-remittance-data-update-remittances-low-and-middle-income-countries-track

Hence, the first segment groups the largest number of depositors (82.9 percent of the total depositors included in this analysis) holding deposits of 10 thousand lei or less and accounting for a mere 6.7 percent of the total deposits. The average value of a deposit is 1.1 thousand lei. The next two segments include 14.3 percent of the total number of depositors holding deposits ranging from over 10 thousand lei to 50 thousand lei, and, respectively, from over 50 thousand lei to 100 thousand lei, and accounting for 34.4 percent of total deposits. The average value of a deposit is 23.1 thousand lei, and, respectively, 69.9 thousand lei.

Depositors with more than 100 thousand lei and up to 500 thousand lei in their accounts take the largest share of total deposits (39.6 percent) and account for a scant 2.6 percent of total depositors. The average value of a deposit in this segment is 201.4 thousand lei. Of the total number of depositors, only 0.2 percent hold deposits of more than 500 thousand lei, accounting for 19.3 percent of total deposits. The average value of a deposit is 1,190.5 thousand lei.

Distribution of deposits and depositors by regions*



* *these development regions, which were created in 1998, do not have an administrative status, their main functions being to coordinate regional development projects and the allocation of European Union funds to the counties they comprise.*

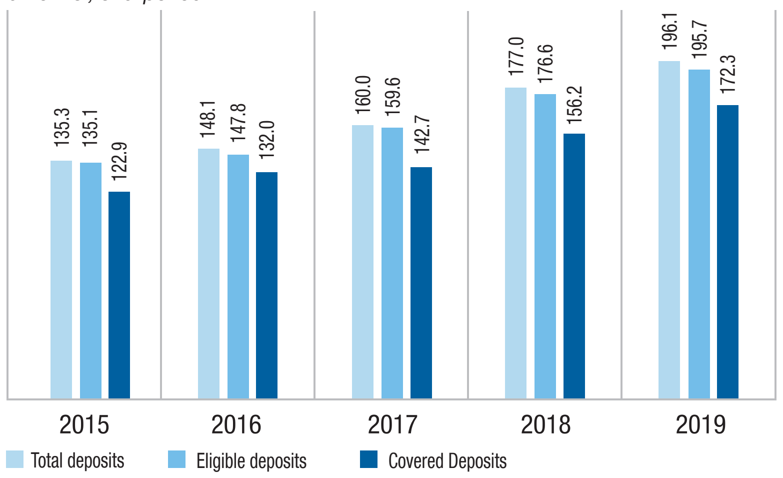
The Bucharest-Ilfov Development Region, which is well ahead of the other regions in terms of average deposit value (26.4 thousand lei), concentrates almost one third of deposits held by the natural persons included in this analysis; in 2019, deposits in this region increased by 4.5 billion lei in absolute terms. Just as in previous years, the South-West Oltenia Development Region is at the opposite end, with the lowest value of an average deposit (9.3 thousand lei)

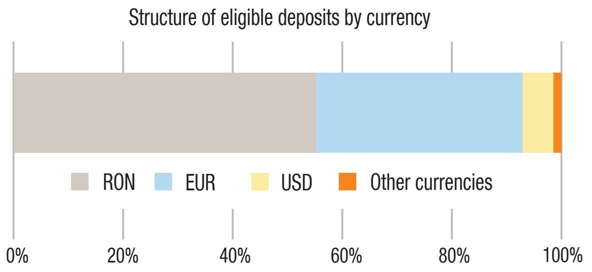
The biggest percentage gain (of 13.3 percent) of an average deposit occurred in the West Development Region, while the North-East Development Region registered the smallest increase in the average deposit (7.1 percent).

On 31 December 2019, residents' deposits amounted to 189 billion lei, having gained 11 percent from end-2018, and accounted for 96.5 percent of total eligible household deposits at credit institutions participating in the FGDB-managed guarantee scheme.

Household Deposits at Affiliated Credit Institutions

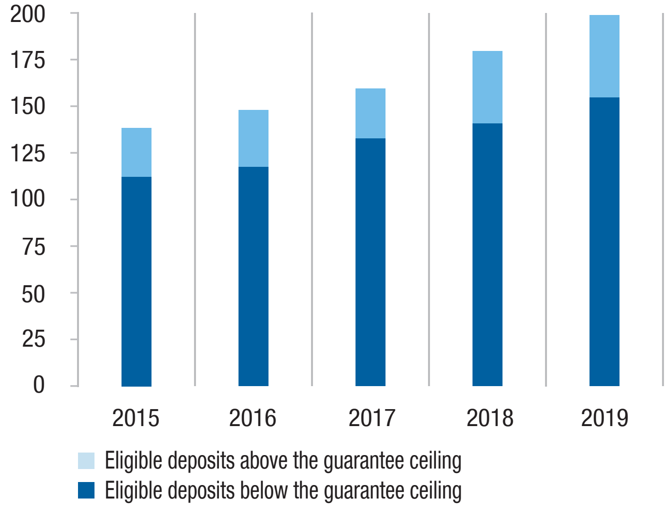
billion lei; end-period





Positioning of Eligible Household Deposits in Relation to the Guarantee Ceiling

billion lei; end-period



14,181,449

guaranteed depositors, natural persons, on 31 December 2019, of which residents account for 99 percent.

99.7%

of the guaranteed depositors held deposits below the guarantee ceiling at the end of 2019, therefore enjoying full FGDB coverage.

88%

of natural persons' eligible deposits on 31 December 2019 were covered deposits, the majority of them at most equal to 100,000 euros.

At the end of 2019, covered household deposits amounted to 172.3 billion lei, 10.3 percent above the end-2018 level and accounting for the bulk of total FGDB-covered deposits (81.8 percent).

The rise in deposits below or equal to the coverage limit of 100,000 euros in its leu equivalent accounts for 83.5 percent of the annual growth of natural persons' covered deposits by roughly 16 billion lei. At the end of 2019, natural persons' deposits within the coverage threshold stood at 153.2 billion lei (an annual variation of +9.6 percent) and accounted for 78.3 percent of overall eligible household deposits.

The average value of a covered deposit held by a natural person on 31 December 2019 amounted to 12.1 thousand lei, nine percent more than on the same date the previous year.

LEGAL PERSONS' ELIGIBLE DEPOSITS

On 31 December 2019, guaranteed depositors, legal persons, held 128.2 billion lei in deposits with affiliated credit institutions, 12.3 percent more than at end-2018. Of that amount, 125 billion lei were in residents' deposits and 3.2 billion lei in deposits held by non-residents.

The boost in the deposits of guaranteed legal entities (all enterprises, irrespective of size) was triggered by sharper increases in the second half of 2019 when deposits added more than 17 billion lei (a half-yearly variation of +16 percent), offsetting the decrease by 3.6 billion lei recorded in the first six months of the year.

Legal persons' deposits in foreign currencies spiralled up 11.3 percent against the end of the previous year to stand at the leu equivalent of 32 billion, mainly on the strength of deposits in euros which, on 31 December 2019, accounted for 83.5 percent (or 26.7 billion in the leu equivalent) of total foreign currency-denominated eligible deposits held by the category of depositors analysed herein.

Throughout 2019, deposits in the national currency continued to account for the bulk of legal persons' total eligible deposits – that is, 75 percent – being followed by deposits in euros – 20.8 percent – and in U.S. dollars – 3.3 percent.

Legal entities' deposits climbed in 2019 on the strength of favourable developments in the economy, where almost all sectors contributed to the annual growth of gross domestic product, which was higher than throughout 2018. Nevertheless, businesses remained cautious in making investment decisions.

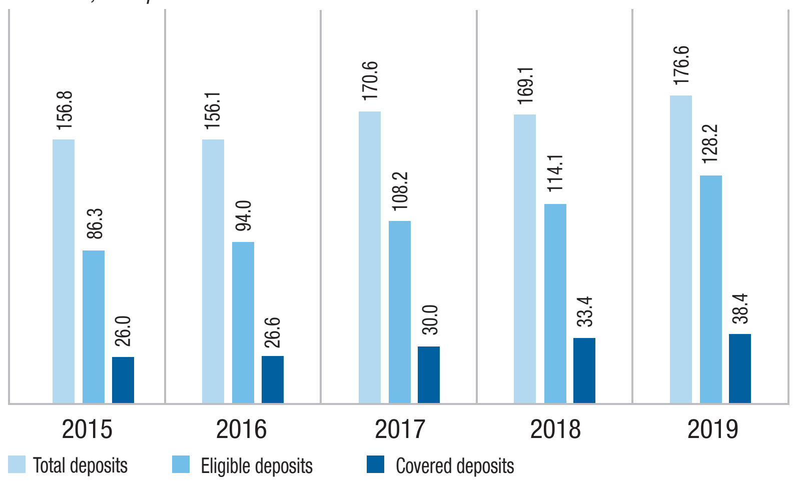
12.7%

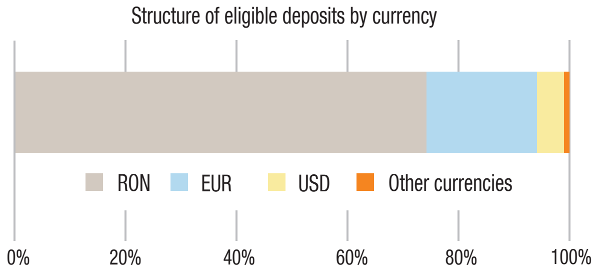
is the 2019 growth rate of legal persons' leu-denominated guaranteed deposits which amounted to 96.2 billion lei on 31 December.

Contributing to the 2019 increase in legal entitites' deposits were deposits in the national currency above the coverage limit of 100,000 euros.

Legal Entities' Deposits at Affiliated Credit Institutions

billion lei; end-period

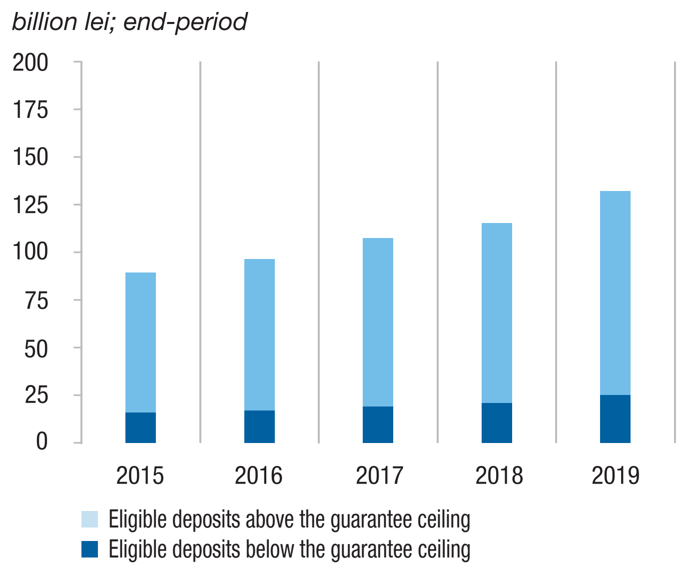




By 31 December 2019, deposits held by resident legal persons had shot up by 12.3 percent year on year totalling 125 billion lei and accounting for 97.5 percent of the overall value of legal entities' eligible deposits. That percentage remained static at the previous year's level.

Legal persons' covered deposits accounted for about 30 percent of total eligible deposits held by depositors in this category and stood at 38.4 billion lei at the end of 2019, having moved up 15.1 percent from the year-ago period. Unlike natural persons, legal entities mainly held deposits above the coverage threshold.

Positioning of Legal Persons' Eligible Deposits in Relation to the Coverage Limit



At end-2019, in terms of average value, an eligible deposit below the coverage limit amounted to 24 thousand lei (an annual variation of +10.1 percent), while an eligible deposit above the limit stood at 3,541.2 thousand lei (an annual variation of -1.5 percent). A covered deposit in the segment including guaranteed legal entities was worth 36.7 thousand lei on average at the end of 2019, having bounced up by 10.2 percent year on year.

1,046,473
guaranteed depositors, legal persons, on 31 December 2019, with residents accounting for 99.7 percent.

97.2%
of the guaranteed depositors, legal entities, held deposits within the coverage limit at end-2019.

On 31 December 2019, deposits larger than the leu equivalent of the coverage level of 100,000 euros accounted for

81%
of legal persons' total eligible deposits, that is 103.8 billion lei.

PAYOUT PROCESS

In line with deposit guarantee legislation, the FGDB has an obligation to disburse payouts to guaranteed depositors within at most seven working days of the date deposits have become unavailable.

The FGDB's commitment to the shortest repayment period set out in the *European Union's Directive on deposit guarantee schemes* evidences its permanent concern to provide all the necessary conditions for the effective run of the disbursement process.

The absence of bank failures and of instances of deposit unavailability in Romania for more than a decade notwithstanding, the FGDB has constantly focused its attention on ensuring a permanently operational payout system.

To this aim and in consideration of provisions laid down in legislation on FGDB activities which stipulate that guaranteed depositors must be reimbursed through credit institutions mandated as agent banks, by the end of February of each year the FGDB's Supervisory Board, with the approval of the Board of Directors of the National Bank of Romania, selects[89] the credit institutions to be mandated over the following 12 months to make compensation payments in the event that deposits become unavailable at one or several member credit institutions.

As in recent years fewer credit institutions showed interest in acting as mandated agent banks for the FGDB and in consideration of the risks associated with this trend since, under current legislation, this is the sole method of repaying depositors, the need emerged to impart some flexibility to the payout process in light of new guidelines across Europe and of developments in information technology. Against this background, the FGDB initiated a project in 2019, which is ongoing, to implement alternative repayment methods and concomitantly amend legislation so as to allow such methods.

In the more than 23 years of operation, the FGDB made compensation payments worth 512.2 million lei to holders of guaranteed deposits at seven banks that failed over 1999 – 2006.

Payout processes ran within the legal timeframe and without incident and the last payout was completed in January 2010.

Specifically, the project looks both into options likely to work as alternative payment methods[90] in Romania's market conditions and into the requirements to be imposed on payment service providers (other than credit institutions) authorised in line with the revised *Directive (EU) 2015/2366 on payment services in the internal market (PSD2)* in order to be accepted as paying agents for the FGDB in an attempt to underpin endeavours to render the current legal framework more flexible.

In 2019, the FGDB also issued *Procedure for communication with guaranteed depositors during payouts* intended to formalise one more component of its operational framework.

[89] The selection of credit institutions to be mandated is based on conditions and criteria laid down in the FGDB's Regulation no.3/2018; for illustrative purposes, here are some of the criteria credit institutions must meet: their volume of eligible deposits; their placing among the first 10 affiliated credit institutions; the size of their network of units nationwide; the absence of disputes with the FGDB; they must not be under early intervention or resolution procedures; they must have an IT system adapted to specific FGDB requirements as well as a dedicated call-centre service.

[90] Bank transfer after obtaining information on the payment account held by the user through an online banking interface (the bank's own interface or an interface provided by an outsourcer) and postal services operators. The possible use of cards for compensation payments was discussed with the credit institution that was granted the repayment mandate in 2019, but whether or not this is a viable solution has yet to be confirmed.

Payout Process

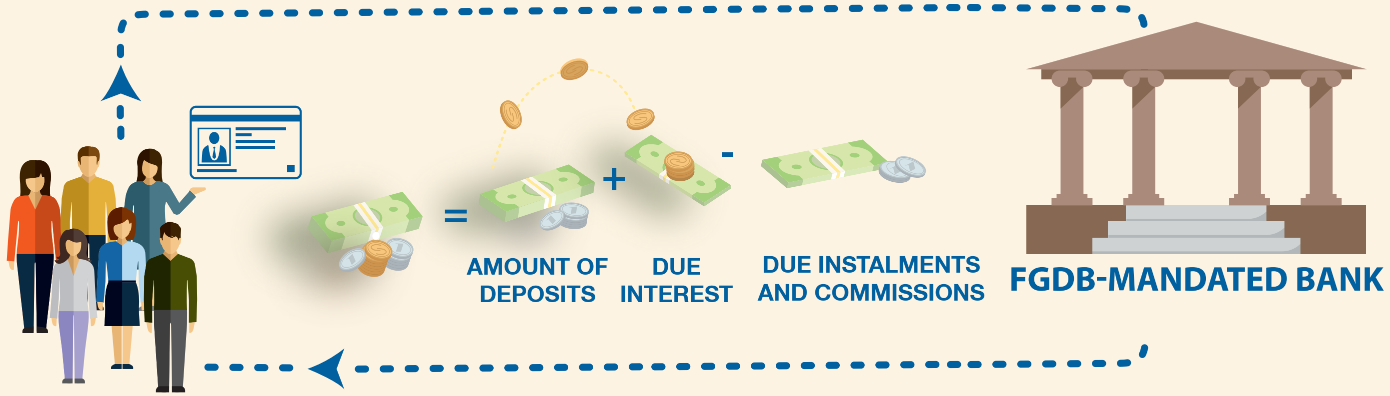
Day 0 Deposit unavailability

Day 1 Payout List

Day 7

MAXIMUM DEADLINE The payout process starts

The FGDB repays guaranteed depositors through mandated bank/banks



FGDB

The FGDB has an obligation to:

- check the payout list
- prepare the final payout list
- publish the information depositors need to get their due compensation

€ 100,000 **COVERAGE LIMIT**

NATURAL AND LEGAL PERSONS
PER DEPOSITOR, PER BANK

€ 100,000 **HIGHER COVERAGE LIMIT**

NATURAL PERSONS
PER DEPOSITOR, PER BANK

For a period of 12 months after the amount has been credited to an account for deposits for certain special deposit categories

FGDB MEMBERSHIP

The FGDB guarantees deposits held at all credit institutions authorised by the National Bank of Romania[91], including the deposits taken by their branches abroad. On 31 December 2019, 27 institutions, of which 24 credit institutions, two savings and loan institutions and a cooperative credit organisation (central body and affiliated cooperatives)[92] contributed to the deposit guarantee scheme.

Every year, the FGDB conducts inspection visits at the headquarters of all affiliated credit institutions to verify their reports on the deposits they hold, as well as the procedures they follow to inform depositors about deposit guarantee. The main goal of these checks is that both the FGDB and the institutions in its membership work to put conditions in place for an effective run of the repayment process, the appropriate classification of deposits in terms of FGDB coverage and the dissemination of reliable information about the protection the FGDB affords to depositors.

The 2019 controls concentrated on:

i. the accuracy of the data participating credit institutions reported ahead of the calculation of the 2019 annual contributions to the deposit guarantee fund,

ii. the accuracy of the data which member credit institutions included in the *Payout List* prepared for 30 June 2019,

iii. the accuracy of the data sent to the FGDB during an exercise that tested the capability of nine credit institutions to prepare and deliver the *Payout List* at a date other than the last day of the first semester of 2019,

as well as on compliance with legal provisions in regard to the information of depositors.

The inspection visits carried out in 2019 at the headquarters of the 27 affiliated institutions revealed a considerable improvement in the quality of reported data and identified fewer inaccuracies in terms of entries into the *Payout List.*

The way in which depositors were provided with information was verified at 50 units of member credit institutions in Bucharest and Cluj-Napoca, with focus on:

- information of depositors about the deposit guarantee scheme and about exclusions from coverage;
- records containing the information depositors receive in relation to deposit guarantee and to the method of calculating due compensation before they sign a deposit contract;
- fulfilment of the 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.

Where inaccuracies were found, measures and deadlines were set for their correction, with the FGDB closely monitoring both the way in which identified shortcomings are overcome and compliance with legal provisions.

In consonance with the FGDB's *2018-2020 Action Plan* which aims to promote its public image and raise the level of public awareness of its role in maintaining financial stability, in 2019 the FGDB conducted a second supplementary inspection visit to assess depositor information procedures at units of its member credit institutions in the central and western part of Romania[93].

During this second supplementary inspection, the FGDB evaluated the methods whereby credit institutions provide existing and potential depositors with information on the deposit guarantee scheme and on the categories of deposits excluded from coverage, as well as the availability of the FGDB poster and of the *List of Deposits Excluded from Coverage* inside the units of credit institutions nationwide.

As many as 84 units (branches, agencies, second business locations) of 20 credit institutions in 13 localities situated in seven counties (Gorj, Hunedoara, Bihor, Arad, Timiș, Vâlcea and Argeș) were verified. Deficiencies were identified in 15 of the 84 units checked and some of them were remedied on the spot. In most cases, they had to do either with the absence of information on deposit guarantee or with information in need of updating.

On the upside, more than half the units visited during the supplementary inspection (55 to be more precise) offered depositors more deposit-guarantee-related information than the applicable legislation requires.

[91] The branches in Romania of credit institutions based in other member states are affiliated to the deposit guarantee schemes in their home countries.

[92] The List of FGDB-Member Credit Institutions as at 31 December 2019 can be found in *Annex no. 4.*

[93] The first such verification was carried out in 2018 in the central and eastern part of Romania.

4

FGDB-Managed Financial Resources

In 2019, the FGDB's *Funding Policy*, approved by the National Bank of Romania, followed a cautious approach aiming to reach a level of 3.0 percent to 3.3 percent of covered deposits on the one hand and, on the other hand, to sustain a balance between maintaining an adequate amount of financial resources and keeping the total contributions from member credit institutions within reasonable limits.

Throughout 2019, the bulk of the FGDB's financial resources came from the contributions of the credit institutions affiliated to the deposit guarantee fund[94] and the bank resolution fund[95] and also from the reinvested profit resulting from investments of available resources in line with the annual strategy for the investment of financial resources[96].

On 31 December 2019, the financial resources of the deposit guarantee fund and of the bank resolution fund totalled 7,625.8 million lei[97], having added 751.5 million lei to the end-2018 level (an annual average growth of roughly 11 percent) and continuing their move upwards with a favourable impact on the FGDB's capability to fund legally stipulated measures providing for depositor protection and the maintenance of financial stability.

Both funds have an *ex ante* funding mechanism in which member credit institutions pay risk-adjusted contributions and both have gradually accumulated financial means thanks to the absence of events requiring the use of their resources[98]. Such circumstances allowed the deposit guarantee fund to exceed the minimum target level set under European Union regulations. Consequently, on 31 December 2019, the FGDB boasted one of the highest coverage levels registered in the European Union – that is, three percent – which is significantly higher (by almost four times) than the 0.8-percent target level the Union's deposit guarantee schemes must reach by 2024.

Similarly, the bank resolution fund followed an upward path in the four years of operation, reaching a level of 0.7 percent of covered deposits on 31 December 2019 (the target level for all EU states was set at one percent, with a 2024 deadline).

Operations related to building up, investing and using financial resources in order to guarantee deposits and to fund bank resolution measures are registered as distinct entries in the FGDB's accounting records. Both the financing sources of the two funds and the use of their financial resources are firmly established by law. In its capacity as deposit guarantee scheme and administrator of the bank resolution fund, the FGDB covers its operating expenses exclusively from revenues arising from investments of the available financial resources of the two funds, which makes it financially independent.

[94] Deposit guarantee fund resources are used to compensate guaranteed depositors and to fund resolution measures which, once applied, grant depositors' continuous access to the money they keep with credit institutions under resolution.

[95] The bank resolution fund was set up on 14 December 2015, when Law no.312/2015 came into effect, by taking over the financial resources of the bank restructuring fund which ceased operation.

The bank restructuring fund had been created in January 2012 to compensate persons adversely affected by restructuring measures applied during special administration procedures or following stabilisation measures decided by the National Bank of Romania and to finance the stabilisation measures. Its initial resources were the financial means that had accumulated in the special compensation fund, set up at the end of 2010 to compensate persons negatively affected by measures proposed and implemented during special administration proceedings. Eventually, the bank restructuring fund was financed by the annual fees of member credit institutions calculated as not more than 0.1 percent of the non-guaranteed liabilities as at 31 December of the year immediately preceding the year in which payment was due.

[96] In 2019, there were no inflows from recovered claims for payouts to depositors of failed banks or from the FGDB's fees as court-appointed liquidator.

[97] Including the amount of the profit made in fiscal year 2019 which went to each of the two funds, according to legal provisions.

[98] Last time the financial resources of the deposit guarantee fund were used for reimbursements was in 2007 when a bank filed for bankruptcy. As for the bank resolution fund, there were no instances demanding its intervention since its creation in 2015.

Funds Administered by the FGDB

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

- 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, covers the shortage offering a loan within five working days at the most of the date of the FGDB's request.

- **annual contributions from credit institutions**
- **revenues from investments of accumulated financial resources**
- **extraordinary contributions from credit institutions**

- 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

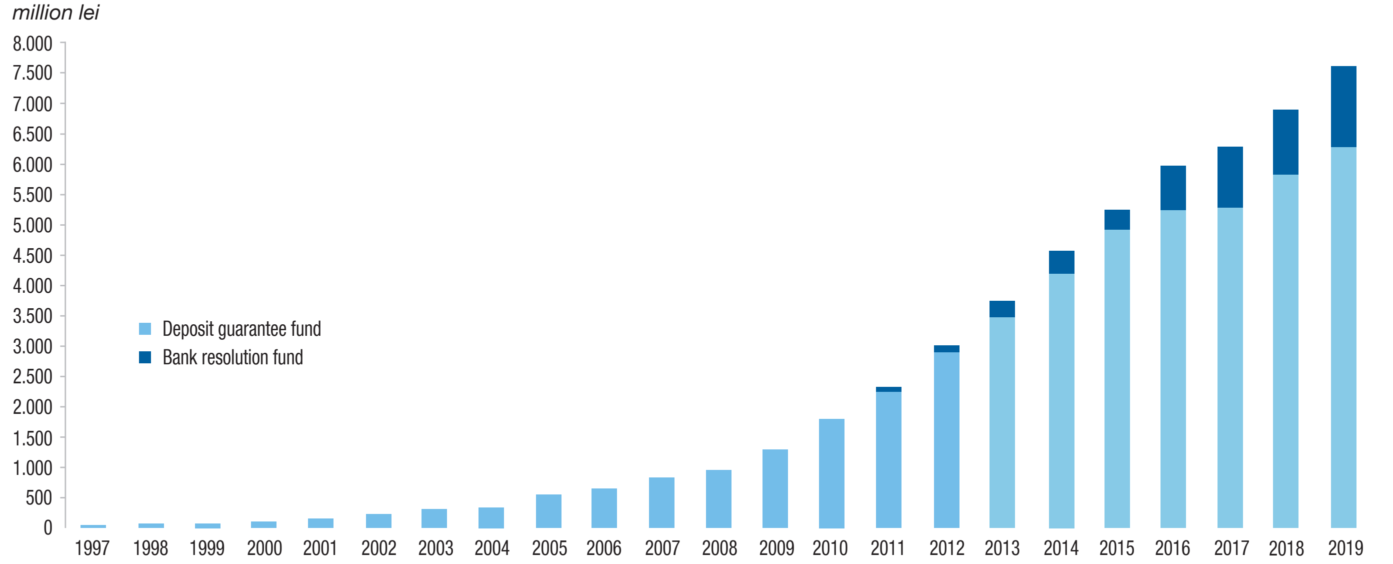
The Deposit Guarantee Fund

- payouts to guaranteed depositors
- funding of the resolution measures applied to FGDB-member credit institutions, in line with decisions reached by the National Bank of Romania in its capacity as the resolution authority
- loans to other deposit guarantee schemes

The Bank Resolution Fund

- funding of resolution measures to be applied to credit institutions, in compliance with legislation and according to decisions made by the National Bank of Romania in its capacity as the resolution authority
- loans to other resolution funding mechanisms within the European Union

Resources Administered by the FGDB Since Its Creation to 31 December 2019



In order to fulfil the responsibilities assumed under the law, the FGDB may resort to internal resources, but then also to external[99]/alternative funding sources, such as loans from credit institutions, financial institutions, other deposit guarantee schemes or from the Government[100], or, in the case of resolution measures, from other resolution funding mechanisms within the European Union.

In 2019, the FGDB's financial resources and the total value of covered deposits increased at a rather similar pace (an annual variation of +11 percent and of +11.1 percent respectively).

In 2019, affiliated credit institutions paid contributions to the two FGDB-managed funds totalling 536.4 million lei, to which added were inflows worth 214.9 million lei resulting from the FGDB's profit from investments of financial resources, which was distributed in compliance with the law.

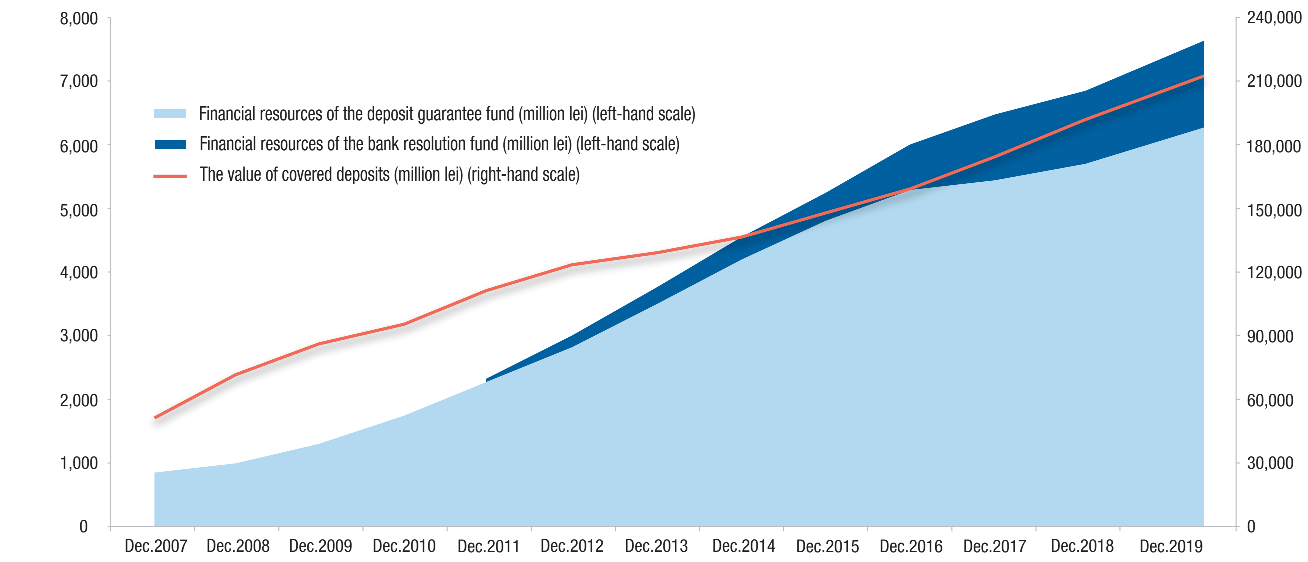
In 2019, in compliance with the applicable legislation and the FGDB's annual strategy for the investment of financial resources, which was approved by the National Bank of Romania, financial means were invested in consideration of the need to mitigate risk, diversify investments and ensure liquidity, with focus also on yields, but as a complementary goal.

The FGDB managed the available financial resources cautiously in 2019, maintaining a low-risk profile by keeping to the two basic characteristics of the investment portfolios of the deposit guarantee scheme and of the bank resolution fund – adequate diversity and diminished risk.

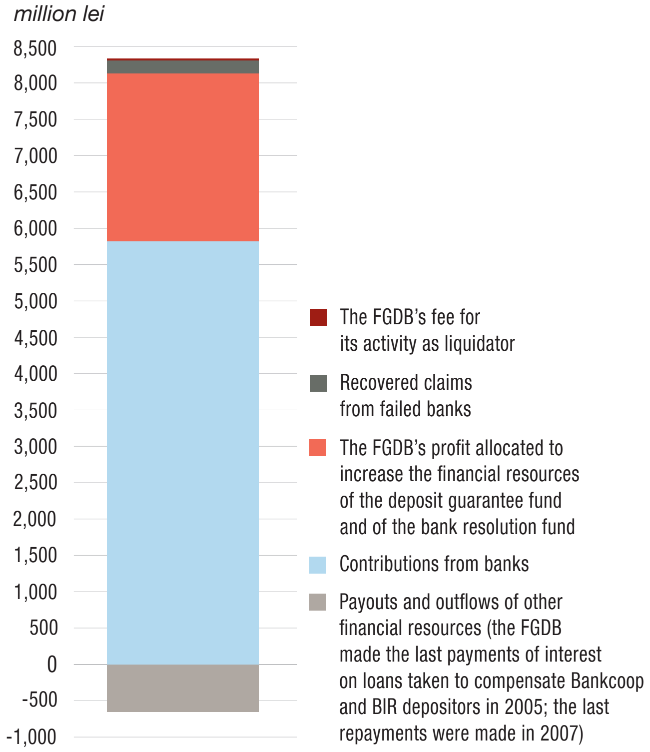
[99] Starting with the early years of operation, the FGDB had to repay guaranteed depositors and therefore had to resort to loans from the National Bank of Romania, in compliance with legislation in force at that time, to ease the shortage of internal resources and fund payouts to depositors of Bankcoop and Banca Internațională a Religiilor after both banks had filed for bankruptcy in the first half of 2000. By 2005, the FGDB had paid back those loans.

[100] According to Law no. 311/2015, in exceptional circumstances when: (i) the available financial resources of the FGDB, as a deposit guarantee scheme, are insufficient to fund either payouts or resolution measures or (ii) the financial resources of the FGDB-administered bank resolution fund are not sufficient to finance measures for the resolution of credit institutions, in line with applicable legislation, the Government, through the Ministry of Public Finance, lends the FGDB the amount it needs within at most five business days of the date of the request. As the first chapter of this report pointed out, actions for the conclusion of a Protocol on Funding between the Ministry of Public Finance and the FGDB are about to be finalised. The protocol will establish a framework for action to access Government loans or Government-backed guarantees, in keeping with legislation in force.

FGDB-Managed Financial Resources and the Value of Covered Deposits



The FGDB's Total Funds and Liabilities Since Its Creation to 31 December 2019



To be able to keep liquidity at an adequate level, the FGDB permanently maintained a monthly liquidity reserve of 10-20 percent of the available financial resources of both the deposit guarantee scheme and the bank resolution fund. Liquidity management was optimised by increasing the share of financial instruments classified as trading securities to around 13 percent at end-2019, so as to attain a safe level of liquid financial resources. Furthermore, investment decisions were based also on considerations that had to do with the impact of the marking to market of these financial instruments.

In 2019, the FGDB further diversified the structure of its investments of the financial resources of the two funds it manages with the aim of achieving the highest possible granularity, to which end it pursued a strategy intended to identify new eligible counterparties and instruments. Accordingly, bonds issued by international financial institutions, other foreign institutions and foreign credit institutions meeting the eligibility criteria laid down in the annual investment strategy gained ground against bank deposits. The resulting investment structure showed in the FGDB's significantly lower exposure to member credit institutions on the one hand and in a smaller direct impact on the internal market on the other hand.

Moreover, the FGDB resorted to repeated adjustments of the structure of its exposures – by counterparties, types of investments and maturities – depending on actual market conditions and the results of internal risk assessments and in compliance with the guidelines set under its annual strategy for the investment of financial resources.

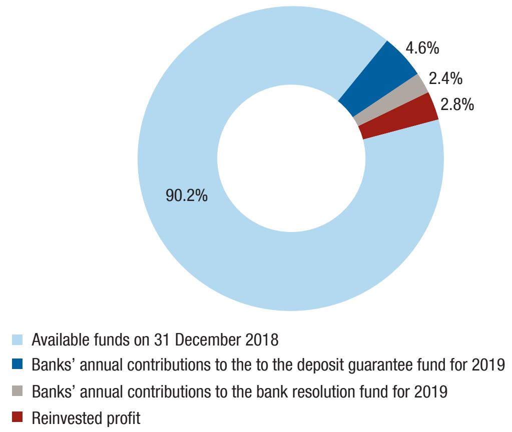
In monitoring counterparty risk in the case of credit institutions authorised by the National Bank of Romania, the FGDB uses an updated assessment methodology which includes the adjustments made by the National Bank of Romania as part of the *Supervisory Review and Evaluation Process (SREP)* and assumes a large number of the indicators that are being used when calculating annual contributions to the deposit guarantee scheme. Such risk assessments are prepared every three months based on the data that credit institutions report to the central bank. The FGDB has access to those data under its Cooperation Agreement with the National Bank of Romania.

Additionally, in order to manage counterparty risk the FGDB monitors the credit ratings assigned by international credit rating agencies (S&P, Moody's, Fitch) to the foreign credit institutions, international financial institutions and other financial institutions to which it is exposed to ensure compliance with the provisions of the investment strategy currently in effect.

The use of these monitoring tools allowed the FGDB to assume an active management of the two portfolios and to adjust the structure of its investments depending on the risk ratings it had determined for credit institutions in Romania and on the ratings assigned by international rating agencies to the other categories of counterparties so that they would stay within the maximum acceptable levels of risk.

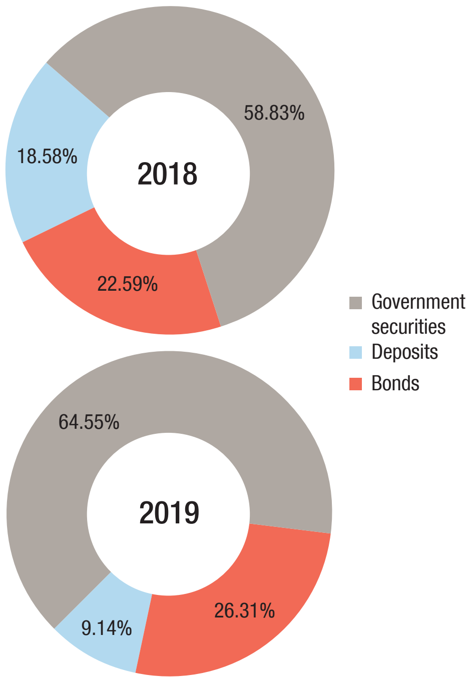
For each of the two portfolios, the annual investment strategy provides for a system of exposure limits set by types of issuers/counterparties, financial instruments, maturities and currencies. From a tactical point of view, the application of provisions under the FGDB's strategy for the investment of financial resources was based on its decisions intended to maintain a balanced structure of the investment portfolio – in the case of both the deposit guarantee scheme and the bank resolution fund – adjusted to developments in the financial-banking market.

The FGDB's Financial Resources in 2019 (percentages by categories)



By mitigating the risk of exposure to credit institutions participating in the guarantee scheme, in keeping with the targets laid down in the strategy for the investment of financial resources, the FGDB lowered the level of exposure to those institutions to almost half, from 18.58 percent at the end of 2018 to 9.14 percent on 31 December 2019. During 2019, the average invested capital amounted to 7,356.1 million lei, that is 8.6 percent higher than in 2018.

Structure of the FGDB's Overall Investments



THE DEPOSIT GUARANTEE FUND

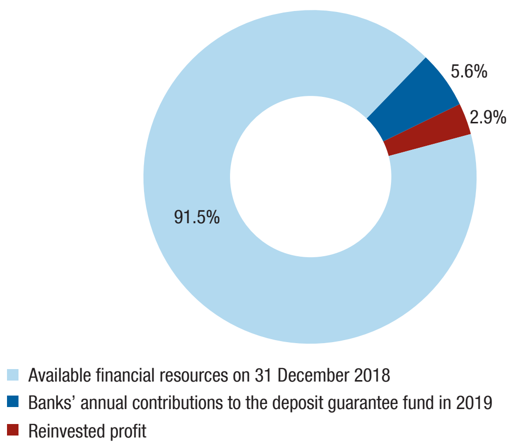
The financial resources of the deposit guarantee fund (which include the reinvested 2019 profit worth 177.8 million lei) amounted to 6,233.1 million on 31 December 2019, having added 8.4 percent (or 523.2 million lei) to the year-ago level.

The FGDB has planned to collect total annual contributions to the deposit guarantee fund worth 569.9 million lei over the period 2018 - 2020, setting yearly target levels. The targeted amount scheduled for 2018 worth 104.4 million lei was reached, while the level planned for 2019 amounting to 348.9 million lei was exceeded by 0.7 million lei. The remaining 116.6 million is to be collected in 2020. In breaking down these targets, a countercyclical approach was applied, with higher contributions to be paid when circumstances in the banking system in Romania were favourable. On an aggregate basis, such an approach helps to maintain an adequate coverage level.

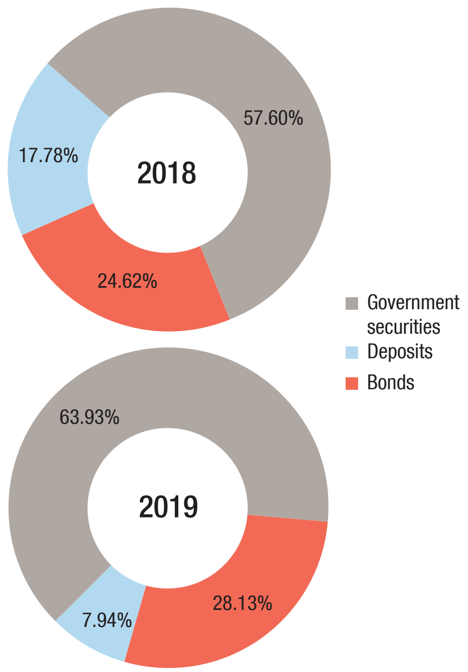
The sliding scale method, which has made the basis of the calculation of risk-adjusted contributions to guarantee schemes since 2017, was reviewed in 2019, with a number of indicators renamed in line with the terminology of the EU relevant legislation. The reviewed version of the calculation method is in consonance with the *European Banking Authority's guidelines on risk-based contributions to deposit guarantee schemes* and was approved by the National Bank of Romania, according to legal provisions in force[101].

On 31 December 2019, the FGDB registered a deposit coverage level of three percent, which secures it a leading standing among its peers. The respective percentage corresponds to financial resources worth six billion lei or so which could cover payouts to depositors of any of the affiliated credit institutions that does not fall within what the National Bank of Romania identifies as "*other systemically important institutions (O-SIIs)*"[102].

Financial Resources of the Deposit Guarantee Fund in 2019 (percentages by categories)



Structure of the FGDB's Investments of Deposit Guarantee Fund Resources



[101] The reviewed version was transposed into Regulation no. 1/2019 amending Regulation no. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund.

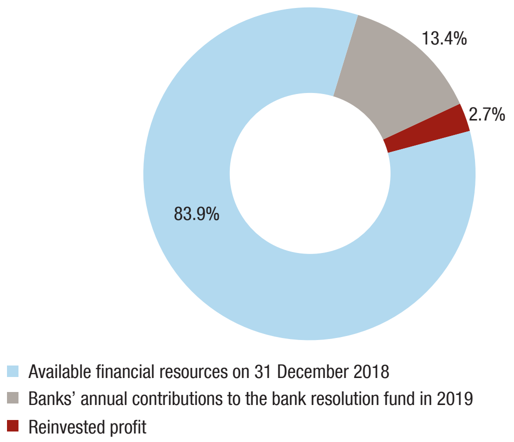
[102] See footnote 76 to Chapter 2 – *The 2019 Background and Regulatory Framework.*

THE BANK RESOLUTION FUND

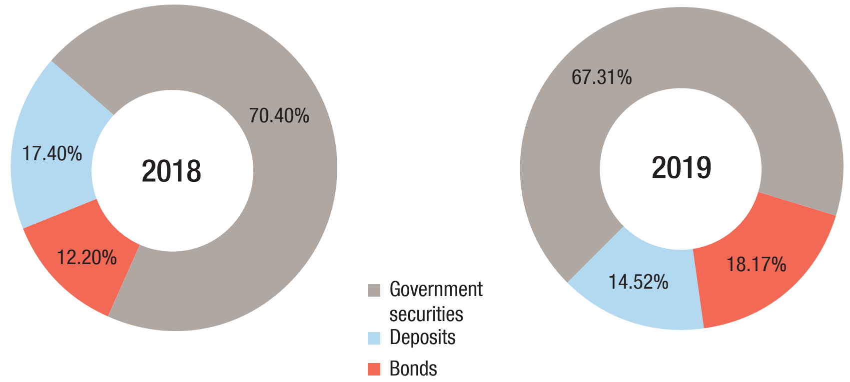
The financial resources of the bank resolution fund (which include the reinvested 2019 profit worth 37.2 million lei) stood at 1,392.7 million on 31 December 2019, soaring 19.6 percent (228.3 million lei) from end-2018; the financial resources of the bank resolution fund reached 0.7 percent[103] of covered deposits at the end of 2019, slightly higher than the year-ago level.

The National Bank of Romania, as the resolution authority, sets the level of annual contributions to the bank resolution fund for each credit institution according to its risk profile. In 2019, the FGDB collected contributions totalling 186.8 million lei.

Financial Resources of the Bank Resolution Fund in 2019 (percentages by categories)



Structure of the FGDB's Investments of Bank Resolution Fund Resources



[103] The EU Directive on bank recovery and resolution stipulates that a target level of one percent shall be attained in all member states by 2024.

5

Liquidation of Failed Banks

RESULTS OF THE LIQUIDATION PROCESS AT BANKS WHERE THE FGDB IS CREDITOR OR LIQUIDATOR

In implementing its statutory mandate, the FGDB compensated depositors of banks that failed over 1999 – 2006, namely Banca Comercială "Albina" S.A., Bankcoop S.A., Banca Internațională a Religiilor S.A., Banca Română de Scont S.A. (*BRS*), Banca Turco Română S.A. (*BTR*), Banca "Columna" S.A. and Nova Bank S.A.[104] and eventually joined the body of creditors of these institutions being subrogated to the rights of the repaid depositors.

In 2002, while fulfilling an extended mandate granted under the legislation in effect at that time, the FGDB became the liquidator of *BRS* and *BTR* under a court appointment and it will continue to play that role until ongoing bankruptcy proceedings for the two banks are completed[105].

At the end of 2019, the FGDB was still monitoring five failed banks in its capacity as creditor[106] of three of them and as liquidator[107] of the other two.

The FGDB as Creditor

- *Bankcoop S.A. – The bankruptcy process, initiated on 8 February 2000, lasted until 5 November 2019,* when the court of first instance (syndic judge) ordered the closure of the proceedings. The FGDB and the General Directorate for the Administration of Large Taxpayers filed appeals against the closure of the Bankcoop S.A. bankruptcy procedure, which are now pending at the Bucharest Court of Appeal (it should be pointed out that the syndic judge's decision on the closure of the Bankcoop S.A. bankruptcy process is final and enforceable and the filing of the appeals does not stay it).
- *Banca Internațională a Religiilor S.A. (BIR) - bankruptcy proceedings, which opened on 10 July 2000,* are expected to end in about two years
- *Banca "Columna" S.A. - bankruptcy procedures opened on 18 March 2003* - the FGDB has a small unsecured claim and holds no assurance of payment given the existence of a budgetary claim of very high value which has priority.

The FGDB as Liquidator

- *Banca Română de Scont S.A. (BRS) - the bankruptcy process started on 16 April 2002* - after almost 12 years of litigations, a court final judgement of 22 March 2018 was enforced in 2019 ordering compensation for damage caused by bank embezzlement which pushed it into bankruptcy
- *Banca Turco Română S.A. (BTR) - went bankrupt on 3 July 2002 - a case reminding of BRS*; after 10 years of litigations, a final judgement was handed down on 25 May 2012 whereby the court ordered five former administrators to pay civil damages for the bankruptcy; at the end of 2019, operations to recover that claim were under way abroad

[104] Nova Bank S.A was the only credit institutions to go into administrative liquidation. On 22 August 2006, the National Bank of Romania decided its dissolution followed by liquidation and on 4 September 2006 appointed the FGDB as sole liquidator. The FGDB's sole liquidator mandate was short-lived as the bank was forced into bankruptcy on 9 November 2006.

[105] Following amendments to governing legislation on 14 December 2015, the FGDB may no longer act as court-appointed liquidator.

[106] Banca Comercială "Albina" S.A. bankruptcy proceedings ended in 2012.

[107] The FGDB ceased to be a creditor of Nova Bank in 2007, following an assignment of claim agreement with another creditor, as well as of the banks where it had acted as liquidator since it had recovered its claims in full (in 2004 from *BRS* and in 2011 from *BTR*).

Cumulative Data on Claims Against the Failed Banks

Total claims (body of creditors) 1,001 million lei	Total recovered claims 331 million lei
The FGDB's claims = 513 million lei	Claims recovered by the FGDB = 176 million lei (a claim recovery ratio of 34.31% of total claims)
Other creditors' claims = 488 million lei	Claims recovered by other creditors = 155 million lei (a claim recovery ratio of 31.77% of total claims)

In 2019, most of the overall receipts of the failed banks where the FGDB is either creditor or liquidator resulted from sales of immovable property (more than 59 percent), while the bulk of expenses went to personnel wages (58 percent of total spending).

At the current stage of procedures, assets left behind at the failed banks are generally difficult to sell, while the claims are hard to recover as they are too old and/or litigation-related. As chances of recovering claims and realising assets had lessened, none of the failed banks distributed funds to its creditors in 2019.

> The claim recovery ratio – as a percentage of total outstanding claims worth 1,001 million lei – stood at 33.07 percent.

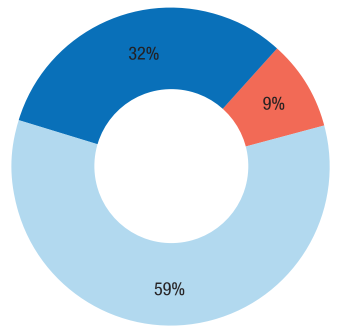
Total 2019 Receipts and Expenses of Failed Banks

Failed bank	Total receipts (thousand lei)	Total expenses (thousand lei)
1. Bankcoop*	1	35
2. BIR	398	288
3. *BRS*	27	619
4. *BTR*	203	425
5. Banca "Columna"	856	96
TOTAL	**1,485**	**1,463**

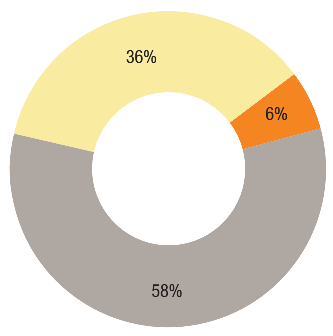
As in previous years, the failed banks where the FGDB acts as creditor or liquidator stayed focused on trimming down their debtor portfolios. However, by 31 December 2019, the number of debtors in the records of the failed banks had decreased only modestly (by five percent) to 105 from 111 at the end of the previous year.

* data until 30 September 2019, according to the updated final report on the closure of the bankruptcy proceeding

Structure of Failed Banks' Receipts



Structure of Failed Banks' Expenses



Evolution of the Number of Failed Banks' Debtors

Failed bank	Total number of debtors on bankruptcy filing date	Total number of debtors removed from accounting records	Total number of debtors ** on 31 December 2019
1	*2*	*3*	*4 = 3-2*
1. Bankcoop*	14,716	14,704	12
2. BIR	22,416	22,339	77
3. *BRS*	232	220	12
4. *BTR*	1,286	1,282	4
TOTAL	**38,650**	**38,545**	**105**

* data until 30 September 2019, according to the updated final report on the closure of the bankruptcy proceeding.

** in the case of Banca "Columna" S.A., the only available data on debtors refer to their number – namely, seven – on 31 December 2019.

Total receipts, expenses and funds for distribution to creditors as at 31 December 2019:

Failed bank	Total claims to recover on the date of bankruptcy (thousand lei)	Total liquidation-related receipts[1] (thousand lei)		of which:							Total liquidation-related expenses (thousand lei)		Total funds allotted for distribution (thousand lei)
				recovered claims			assets sales		other receipts				
		on 31.12. 2019	of which, in 2019	value (thousand lei)	*% of total claims to recover*	*% of total receipts*	value (thousand lei)	*% of total receipts*	value (thousand lei)	*% of total receipts*	on 31.12. 2019	of which, in 2019	
1.Bankcoop[2]	250,050	155,462	1	92,008	*36.80*	*59.18*	57,496	*36.98*	5,958	*3.84*	62,686	35	98,047
2. BIR	213,982	175,186	398	138,121	*64.55*	*78.84*	23,559	*13.45*	13,506	*7.71*	81,943	288	95,635
3. *BRS*	37,750	38,674	27	17,958	*47.57*	*46.43*	16,423	*42.47*	4,293	*11.10*	19,115	619	18,130
4. *BTR*	227,480	66,148	203	13,993	*6.15*	*21.16*	31,899	*48.23*	20,256	*30.62*	18,165	425	45,506
5. Banca "Columna"[3]	..	..	856	..	..	..	..	..	..	..	..	96	50,298
TOTAL[4]	**729,262**	**435,470**	**1,485**	**262,080**	*35.94*	*60.18*	**129,377**	*29.71*	**44,013**	*10.11*	**181,909**	**1,463**	**307,616**

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

[2] Liquidation-related data until 30 September 2019, as supplied by the liquidator of Bankcoop S.A. in the updated final report on the closure of the bankruptcy proceeding (Note – Under *Decision no. 6174 of 5 November 2019, the syndic judge approved the updated final report prepared by the liquidator and closed the Bankcoop S.A. bankruptcy case, ordering its deregistration from the Trade Register Office of the Bucharest Court*).

[3] Cumulative data on the receipts and expenses of Banca "Columna" are not available.

[4] Total liquidation-related receipts, including Banca Comercială "Albina" S.A. and Nova Bank S.A., amount to 470,784 thousand lei (recovered claims worth 278,926 thousand lei, asset sales totalling 142,482 thousand lei and other receipts worth 49,376 thousand lei), overall expenses stand at 192,859 thousand lei, and the funds allotted for distribution total 331,024 thousand lei.

Banca Română de Scont (BRS)

Despite the 2,051 thousand lei in hand and at bank on 31 December 2019, *BRS* was unable to distribute any funds to its creditors as its assets remained under precautionary seizure[108].

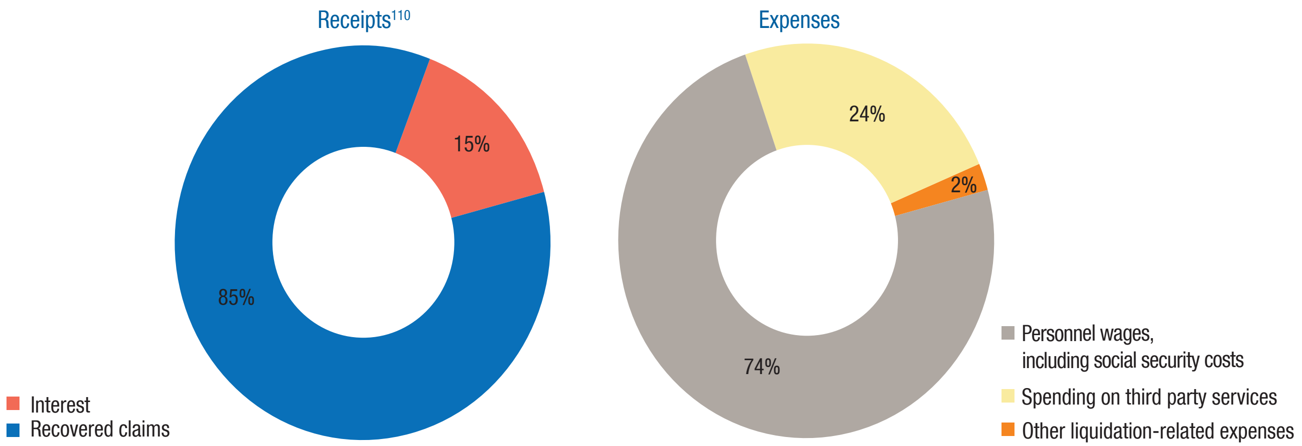
Since the maintenance of the precautionary seizure, which actually blocks sales of the banks' assets as part of liquidation proceedings, fails to comply with special legal regulations and the principles of insolvency legislation, in January 2020, the *BRS* petitioned the Bucharest Tribunal for an injunction lifting the precautionary seizure and allowing sales of seized assets, with the proceeds from the sales deposited into the *BRS*'s account and available to the court (with the exception of amounts intended to cover spending related to the bankruptcy proceeding). A hearing was scheduled for 14 May 2020.

Throughout 2019, further measures were taken to satisfy the claim set out in the enforceable title obtained in March 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*[109], and their implementation is expected to have a positive impact on claim recovery actions.

By 31 December 2019, receipts from the total outstanding claims in accounting records on the date of bankruptcy (*16 April 2002*) had reached 17,958 thousand lei, accounting for a claim recovery ratio of 48 percent.

The funds distributed to *BRS*'s creditors before the application of the precautionary seizure in 2011 totalled 18,130 thousand lei, satisfying 47 percent of the body of creditors – the highest level of creditor satisfaction among failed banks.

Structure of BRS's Receipts and Expenses in 2019



[108] Assets worth around eight million lei were seized in 2011 as part of a criminal case concerning damage caused to RAFO S.A. and the seizure will be maintained pending a court ruling on the action for damages which that company brought against *BRS*. On 4 November 2014, the Bucharest Tribunal adjourned the matter until the *BRS* bankruptcy process ends.

[109] The Bucharest Court of Appeal resolved the case on 22 March 2018 when it rendered Judgement no. 424/A, after partially reversing the Bucharest Tribunal's Judgement no. 764 of 11 May 2015 and remanding the case for reconsideration on the merits. Under the final judgement, *BRS* obtained the requested amount of civil damages for the bank's failure, that is 93,526 thousand lei (three times more than the amount awarded under the decision of the court of first instance).

[110] In 2019, *BRS*'s receipts amounted to 27 thousand lei, of which 23 thousand lei resulting from recovered claims and four thousand lei coming from investments.

Banca Turco Română SA (BTR)

From bankruptcy date (3 July 2002) to 31 December 2018, claims worth 13,993 thousand lei, accounting for six percent of total claims, were recovered. In 2017, a first tranche of 8,724 thousand lei was recouped from the bank's main debtor[111]. Claim recovery operations continued, outside the country included, and were ongoing at the end of the year covered by this Report.

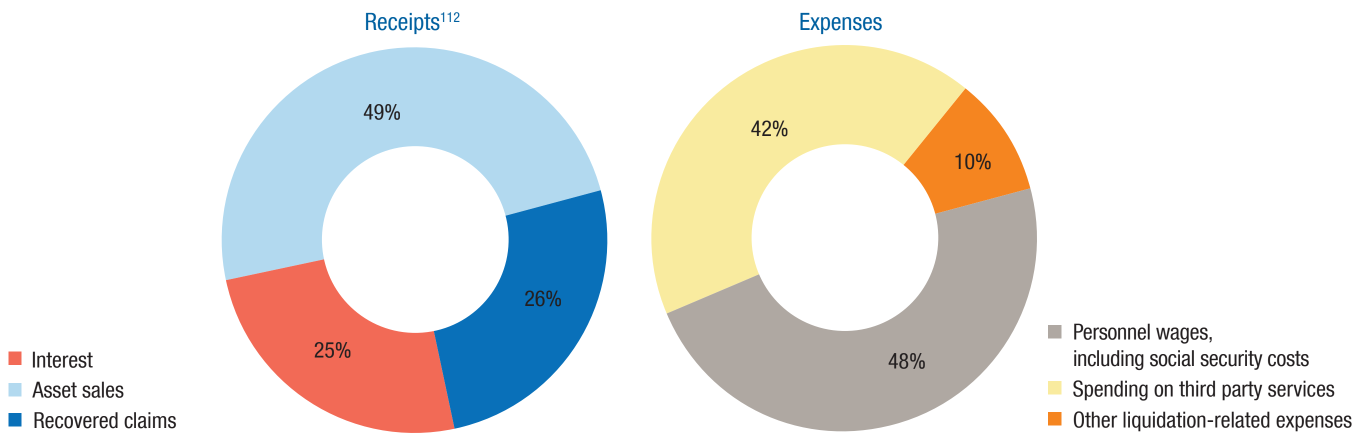
On 31 December 2019, *BTR*'s largest claim – the civil damages for the bank's failure awarded under Judgement no. 1083/R of 25 May 2012 of the Bucharest Court of Appeal – including accrued interest and outstanding recoveries – amounted to 112.1 million USD and 21.8 million EUR and accounted for more than 99 percent of the portfolio of outstanding claims.

Starting September 2012, the FGDB, as liquidator of *BTR*, initiated actions to recover that claim both at home and abroad (in consideration of the cross-border nature of the matter, given the Turkish citizenship of four of the five codebtors).

By end-2019, the BTR had recovered 29 percent of the claims in its records on the date of bankruptcy, claims against its main debtor not included.

By 31 December 2019, 45,506 thousand lei had been distributed to BTR's creditors, which accounts for a level of creditor satisfaction of 41 percent.

Structure of BTR's Receipts and Expenses in 2019



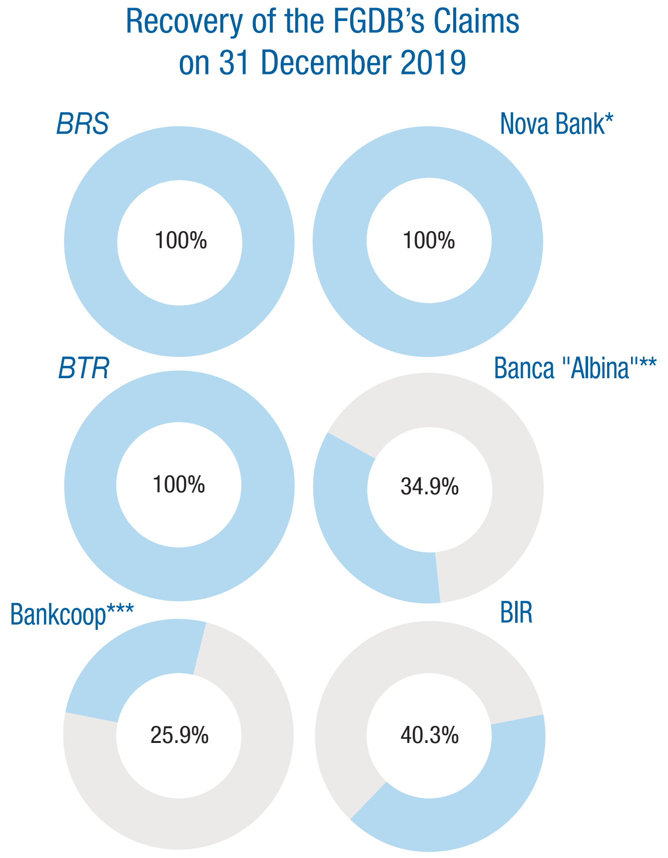
[111] According to *BTR*'s accounting records, taken over from the liquidator when the bankruptcy process opened, its main debtor was Bayindir Insaat Turizm Ticaret ve Sanayi AS, a company whose accrued debt amounted to 52.9 million USD and 10.2 million EUR, accounting for 92.08 percent of total claims on 3 July 2002. The *BTR* brought a civil action against the five former administrators of the bank, as part of the criminal case for the fraudulent transfer of *BTR*'s funds to banks abroad to serve as guarantee/collateral for the benefit of the aforesaid company. In 2012, it obtained a final judgement ordering the five administrators to pay civil damages for the *BTR*'s failure amounting to 59.4 million USD and 11.3 million EUR plus legal interest. The decision on enforceable title served by the court 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.

[112] In 2019, *BTR*'s receipts stood at 203 thousand lei, of which 100 thousand lei from asset sales, 52 thousand lei from recovered claims and 51 thousand lei from interest on investments.

The highlight of relentless work in Switzerland over October 2013-November 2016 was the recovery by *BTR* of 2.06 million CHF[113] in the first quarter of 2017.

Based on a litigation funding arrangement valid since October 2016, *BTR* benefits from a strategy for identifying and recovering assets held directly and indirectly by the said codebtors which relies on a multijurisdictional approach, the matter having been referred to courts in the United Kingdom, Switzerland and the United States of America.

RECOVERY OF THE FGDB'S CLAIMS



The FGDB is the major creditor of BIR (78.90 percent of the body of creditors) and one of the unsecured creditors of Banca "Columna" where it holds an insignificant stake of the body of creditors (0.04 percent)[114]. The FGDB ceased to be a creditor of four failed banks following either the recovery of its claims in full through distributions (from *BRS* in 2004 and *BTR* in 2011), or the assignment of its claim (in the case of Nova Bank in 2007) or the closing of the bankruptcy proceeding (in the case of Banca Comercială "Albina" in 2012).

In 2019, the FGDB recovered no part of its claims against the failed banks.

The FGDB's recovered claims stood at 175,959 thousand lei on 31 December 2019, of which 174,978 thousand lei for its payouts to guaranteed depositors and 981 thousand lei for contributions owed to the FGDB and unpaid by Bankcoop, *BTR* and Nova Bank S.A. before filing for bankruptcy.

The FGDB recovered 34.3 percent of its total claims against all failed banks. The dissimilarity of claim recovery ratios between the failed banks is a result of the FGDB's different ranking on the creditor priority lists, in line with legislation applicable in each bankruptcy case[115].

* The FGDB ceased to be a creditor of Nova Bank in 2007 following an assignment of claim agreement with another creditor.

** Banca Comercială "Albina" S.A. bankruptcy proceeding closed in 2012.

*** Bankcoop S.A. bankruptcy process ended on 5 November 2019.

[113] The USD equivalent of 2.03 million or 8.7 million lei, accounting for around four percent of *BTR*'s claim on bankruptcy date.

[114] As an unsecured creditor with a claim of 92 thousand lei, FGDB will not recover any amount from distributions until budgetary claims, which have priority, are covered in full. Hence, the FGDB's chance to recoup that claim is virtually nil.

[115] The FGDB was initially ranked as creditor, legal entity, its claims, resulting from payouts, having low priority. In October 2001, the FGDB's claims moved into fourth place as far as the order of payment of claims was concerned, along with budgetary claims. At present, in compliance with provisions of Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings, the FGDB's claims, arising from depositor repayments, fall into the second class, ranking ahead of budgetary claims, which stay on the fourth position on the priority list.

6

Public Information

"The medium is the message"

Marshall McLuhan[116]

This was the leitmotif of depositor information activities in 2019

Adapting a message to the communication medium it was conceived for led to a significant increase in traffic to the FGDB's website. Google Analytics, tracking website visitors' activity, showed that in 2019 more than 2,000 visitors, that is three times more than two years ago, sought information on a monthly basis. Seen from this perspective, the year 2019 may be said to have been "a year of growth" thanks to the accessible messages sent to the FGDB's target groups through comprehensible channels.

The FGDB distributed 50,000 flyers containing basic information about deposit guarantee and repayments to units of its member credit institutions across the country. These flyers, along with the FGDB poster and a video running on monitors inside banking units which, in eloquent images, walks depositors through the ins and outs of reimbursements, increased awareness of the slogan:

IT'S GOOD TO KNOW WE ARE HERE!

Along with the flyers, the FGDB sent stickers to the branches and units of member credit institutions to be placed at the entrance as a means to inform depositors that the respective bank is affiliated to the FGDB-managed deposit guarantee scheme.

By scanning the *Quick Response Code (QR code)* printed on the sticker with the aid of specific applications, any client may easily reach the FGDB's website to collect additional information.

Advertorials, seen as a fundamental channel of disseminating information, were published in widely-circulated magazines with a diverse audience in a strategic endeavour to combine text with the images and information contained in the brochures and posters distributed to credit institutions in an attempt to consolidate basic knowledge about the FGDB.

The FGDB also made use of the in-flight magazines *Insight TAROM* and *beBlueAir* to address a substantial segment of depositors at home and/or living in diaspora, as well as people less savvy about banking products whose sole connection with a credit institution is a bank account to receive either wages or pensions.

There were advertorials also in the *TVMania* magazine tackling the FGDB's role as guarantor of money held in a bank and conveying a message about safe savings and confidence in the institution's capability to contribute to the stability of the financial and banking system.

FGDB Sticker

[116] This is a phrase coined by Canadian philosopher Marshall McLuhan (1911 – 1980) and introduced in his "*Understanding Media: The Extensions of Man*", which was published in 1964. Essentially, it means that what really matters is the communication medium itself rather than the meaning or content of the message it carries. McLuhan frequently punned on the word "*message*", turning it into "*mass age*", "*mess age*" or "*massage*". The original title of one of his other works, "*The Medium is the Message*", became "*The Medium is the Massage*" by a printing error and McLuhan chose to keep it as it was.

This information campaign, carried out on several fronts, boosted the number of visitors to the FGDB's website and triggered a shift in the type of information depositors requested by phone or in writing, most of them showing interest in types of guaranteed deposits, temporary high balances, negotiated deposit rates etc.

For the first time in 2019, as part of its communication with depositors, the FGDB opened training sessions for the call-centre operators of the credit institutions mandated to make compensation payments. Though indirectly, this initiative is intended to assist depositors with the mandated credit institutions who may seek information in case of a repayment by adequately training operators so that they should be able to offer complete answers based on updated information on deposit guarantee.

In-flight magazines and TVMania- Collage

Promotion Through Education

The by now traditional FGDB-initiated *Costin Murgescu Contest for Economic Research*, which held its eighth edition in 2019, is open to Romanian students, master's students and doctoral students, contributing to the assertion of young specialists and serving as a channel to promote the institution among professionals.

The 2019 edition was dedicated to the 100th birth anniversary of Professor Costin Murgescu and enjoyed the support of the National Bank of Romania and of the Romanian Academy through the Institute for World Economy. The event paid homage to the great academician's personality and was the venue of a ceremony at which the award of the contest and two honourable mentions were presented.

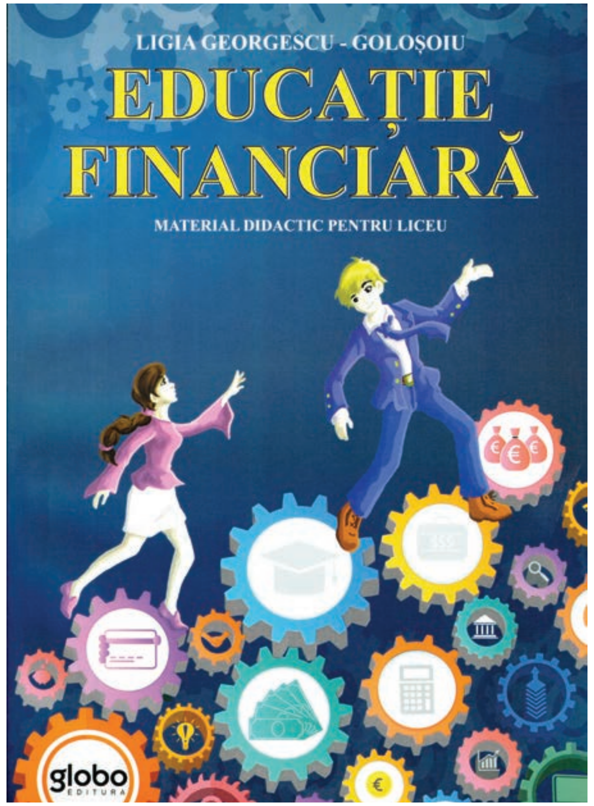
The award of the 2019 edition went to Nicu Sprâncean, a master's student in finances at the Doctoral School of Economics and Business Administration within the "Alexandru Ioan Cuza" University of Iași, for his *Cyclical Behaviour of Systemic Distress in the Banking Sector: An Empirical Investigation*, which received the jury's highest marks.

Costin Murgescu Contest for Economic Research Awarding Ceremony Bucharest, December 2019

The FGDB's flyer - Collage

The winners of the two honourable mentions were Mădălina (Avram) Zamfir, a doctoral student at the Doctoral School of Economics of the Bucharest University of Economic Studies, for her paper on *Poverty and Inequality in Romania: An Overview After a Decade of EU Membership*, and Marian-Fernando Stoica, a master's student enrolled in the DOFIN Programme of the Bucharest University of Economic Studies, for his *Modelling and Forecasting the EUR/RON & USD/RON Exchange Rates Volatility Using GARCH Family Models.*

To the FGDB, the year 2019 meant its first meeting with high school students during a publishing event marking the publication of *Financial Education Textbook for High Schools* in paper form. The textbook offers depositors of tomorrow a chapter on the FGDB's activity and role in safeguarding financial and banking stability.



Excerpt from
Financial Education Textbook for High Schools

Atunci când depozitele depuse la o anumită bancă devin indisponibile, FGDB plătește compensații deponenților (persoane fizice și juridice).

Compensația = suma depozitelor garantate + dobânda cuvenită – ratele, comisioane, alte datorii către bancă, exigibile la data indisponibilizării depozitelor

compensația = suma depozitelor + dobânda cuvenită - rate restanțe și comisioane

Plafonul general de garantare/acoperire a depozitelor este de:

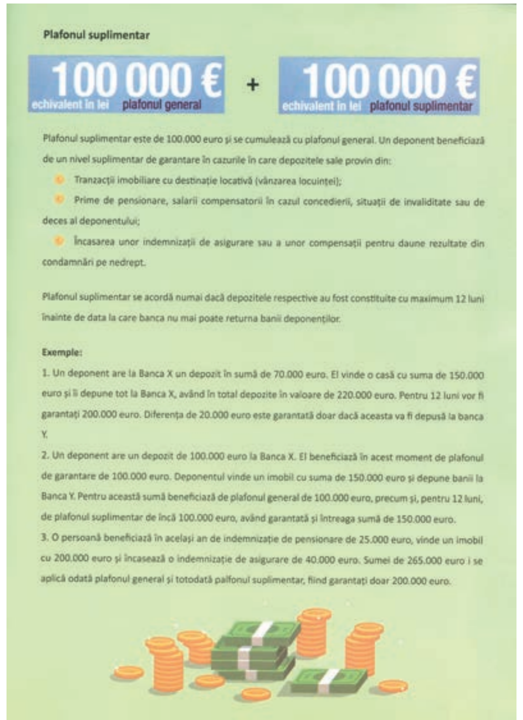
100 000 €
echivalent în lei

Compensația plătită de **FGDB** fiecărui deponent este de **maximum 100.000 euro per deponent per bancă.** Valoarea acestui plafon este aceeași în toate țările membre ale Uniunii Europene.

Compensațiile se plătesc în lei, indiferent de moneda în care au fost constituite depozitele, la cursul anunțat de Banca Națională a României în ziua în care depozitele au devenit indisponibile.

Exemple:

- Dacă un deponent deține un cont de economii în sumă de 90.000 euro și un cont curent în sumă de 20.000 euro, acesta va primi drept compensație doar echivalentul în lei al sumei de 100.000 de euro. Diferența de 10.000 euro nu este acoperită. Pentru a beneficia de garantare și pentru cei 10.000 de euro deponentul ar fi trebuit să îi plaseze la o altă bancă.
- Deținătorul unui depozit în sumă de 30.000 euro va primi echivalentul în lei al acestei sume plus dobânda aferentă.
- Pentru un depozit în sumă de 100.000 euro compensația va fi echivalentul în lei al acestei sume. În cazul acesta, deponentul nu mai primește și dobânda aferentă, deoarece depozitul în sumă de 100.000 euro + dobânda aferentă ar depăși plafonul de garantare de 100.000 euro.



Plafonul suplimentar

100 000 € echivalent în lei plafonul general + 100 000 € echivalent în lei plafonul suplimentar

Plafonul suplimentar este de 100.000 euro și se cumulează cu plafonul general. Un deponent beneficiază de un nivel suplimentar de garantare în cazurile în care depozitele sale provin din:

- Tranzacții imobiliare cu destinație locativă (vânzarea locuinței);
- Prime de pensionare, salarii compensatorii în cazul concedierii, situații de invaliditate sau de deces al deponentului;
- Încasarea unor indemnizații de asigurare sau a unor compensații pentru daune rezultate din condamnări pe nedrept.

Plafonul suplimentar se acordă numai dacă depozitele respective au fost constituite cu maximum 12 luni înainte de data la care banca nu mai poate returna banii deponenților.

Exemple:

1. Un deponent are la Banca X un depozit în sumă de 70.000 euro. El vinde o casă cu suma de 150.000 euro și îi depune tot la Banca X, având în total depozite în valoare de 220.000 euro. Pentru 12 luni vor fi garantați 200.000 euro. Diferența de 20.000 euro este garantată doar dacă aceasta va fi depusă la banca Y.
2. Un deponent are un depozit de 100.000 euro la Banca X. El beneficiază în acest moment de plafonul de garantare de 100.000 euro. Deponentul vinde un imobil cu suma de 150.000 euro și depune banii la Banca Y. Pentru această sumă beneficiază de plafonul general de 100.000 euro, precum și, pentru 12 luni, de plafonul suplimentar de încă 100.000 euro, având garantată și întreaga sumă de 150.000 euro.
3. O persoană beneficiază în același an de indemnizație de pensionare de 25.000 euro, vinde un imobil cu 200.000 euro și încasează o indemnizație de asigurare de 40.000 euro. Sumei de 265.000 euro i se aplică odată plafonul general și totodată palfonul suplimentar, fiind garantați doar 200.000 euro.

Relationship with the Media

Communication with the media was reshaped to keep up with recent developments in this area: the supremacy of online communication. The FGDB's website, which is regularly updated with the latest information, proved the best and most reliable source of information for the media. Thanks to journalists and the website, the information contained in the FGDB's news releases reached interested parties in due time.

Moreover, the FGDB maintained direct communication with media representatives and promptly answered their queries by phone or e-mail.

During the 27th edition of the "*Cristian Popișteanu*" *Annual Symposium of Banking History and Civilisation*, organised in May 2019 by the National Bank of Romania and the "Magazin Istoric" Cultural Foundation, the FGDB awarded the following prizes:

- The "George Oprescu" Prize for *Dicționarul machetatorilor mărcilor poștale românești (Dictionary of Engravers of Romanian Postage Stamps)*, author Cristian Andrei Scăiceanu
- The "Demostene Russo" Prize for *Topografia Țării Românești (The Topography of Wallachia)* (edition by Georgeta Filitti), author Constantin Caracaș
- The "Constantin C. Giurescu" Prize for *Cum s-a făcut România Mare (The Making of Greater Romania),* editors George Damian and Marius Diaconescu.

The "Magazin istoric" Cultural Foundation Prize Award Ceremony

The "Cristian Popișteanu" Annual Symposium of Banking History and Civilisation The 27th Edition, The National Bank of Romania May 2019

7

The FGDB's Financial Statements

THE FGDB'S RECEIPTS AND PAYMENTS

- The FGDB's 2019 receipts stood at 998,772 thousand lei, of which:

348.990 thousand lei - as annual contributions to the deposit guarantee fund, including difference amounts established during FGDB controls;

186.804 thousand lei - as annual contributions to the bank resolution fund;

462.058 thousand lei - as interest on investments of its financial resources;

620 thousand lei - as contributions to the deposit guarantee fund from Intesa Sanpaolo S.p.A. Torino, the Bucharest Branch;

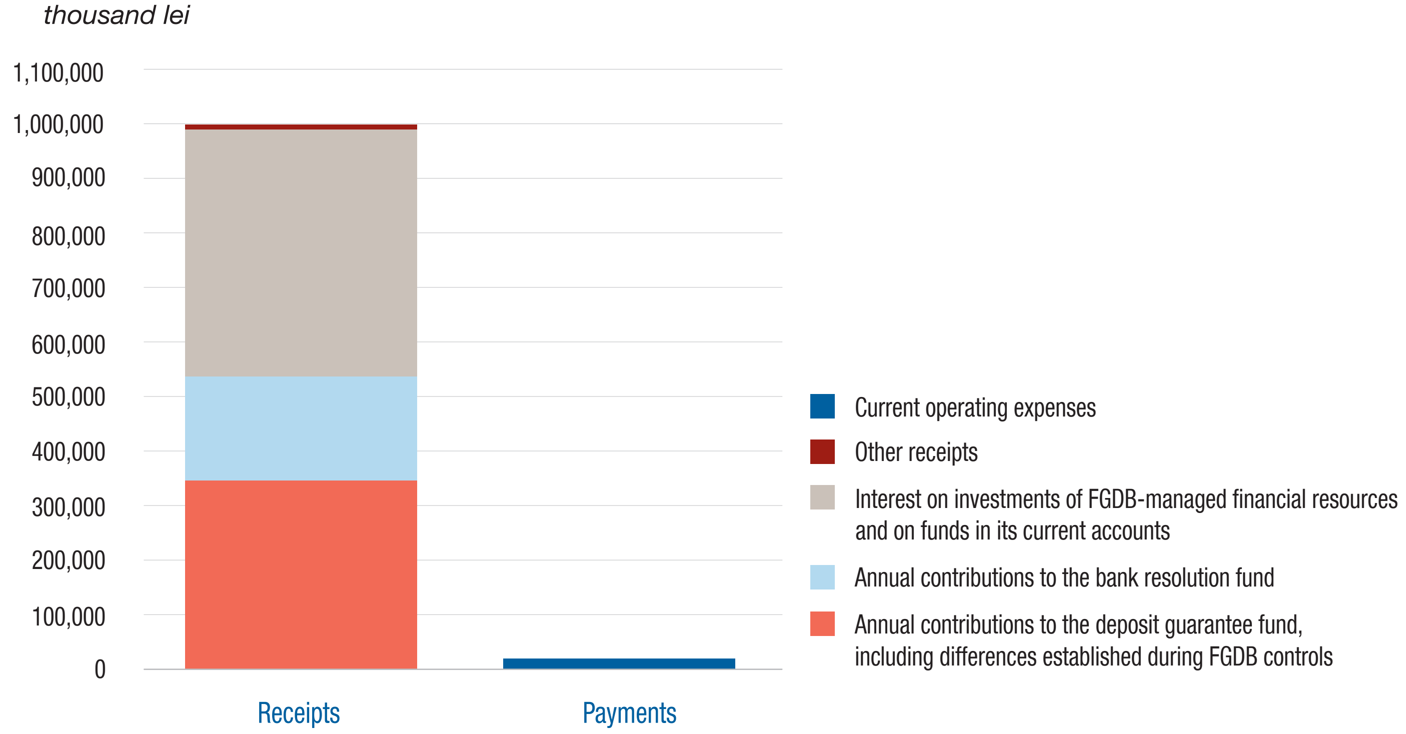
178 thousand lei - as interest on funds in the FGDB's current accounts with credit institutions;

122 thousand lei - as other receipts.

- The FGDB's payments in 2019 totalled 17,185 thousand lei and covered current operating expenses.

The FGDB's assets at the end of 2019 amounted to 7.6 billion lei, having soared by 10.14 percent from 31 December 2018, with government securities continuing to account for the bulk of total assets.

The FGDB's Receipts and Payments in 2019



The FGDB’s Balance Sheet

- lei -

Assets	31.12.2018	31.12.2019	Liabilities	31.12.2018	31.12.2019
1. Total fixed assets, of which:	**4,563,815,041**	**3,071,321,175**	**1. Total own funds, of which:**	**6,875,931,215**	**7,627,893,537**
• intangible assets	172,182	137,721	• reserves	6,720,286,221	7,410,788,225
• tangible assets	526,442	486,148	• profit for the fiscal year	155,644,994	217,105,312
• financial assets	4,563,116,417	3,070,697,306			
2. Total current assets, of which:	**2,308,764,125**	**4,544,558,529**	**2. Total debts, of which:**	**1,043,487**	**736,808**
• short-term financial investments	1,023,252,867	4,543,172,246	• debts payable within one year	1,043,487	736,808
• cash at bank and in hand	1,284,831,690	962,578			
• other claims (settlements with credit institutions)	679,568	423,705			
3. Prepaid expenses	**4,395,536**	**12,750,641**			
TOTAL ASSETS	**6,876,974,702**	**7,628,630,345**	**TOTAL LIABILITIES**	**6,876,974,702**	**7,628,630,345**

The Profit and Loss Account

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

In 2019, the FGDB earned total revenues worth 235,459 thousand lei, arising from:

- 233,785 thousand lei - due interest and coupons on investments of the its financial resources throughout 2019 (accounting for 99.29 percent of total revenues);
- 178 thousand lei - interest on funds in its current accounts at credit institutions;
- 1,496 thousand lei - other revenues.

In 2019, the FGDB incurred total expenses worth 18,354 thousand lei, of which:

- 12,214 thousand lei - as personnel-related spending (taking 66.6 percent of overall expenses);
- 3,672 thousand lei - as expenses on services provided by third parties (accounting for 20 percent of total expenses);
- 2,468 thousand lei - other expenses (with a share of 13.4 percent of overall expenses).

Since the FGDB may use the financial resources of the two funds it manages exclusively for purposes laid down in legislation, namely to repay depositors and fund resolution measures, its operating expenses are covered solely from revenues sourced from investments of available financial resources.

In 2019, the ratio between the FGDB’s expenses and revenues resulting from investments of financial resources remained very low, at 1:13.

The Profit and Loss Account

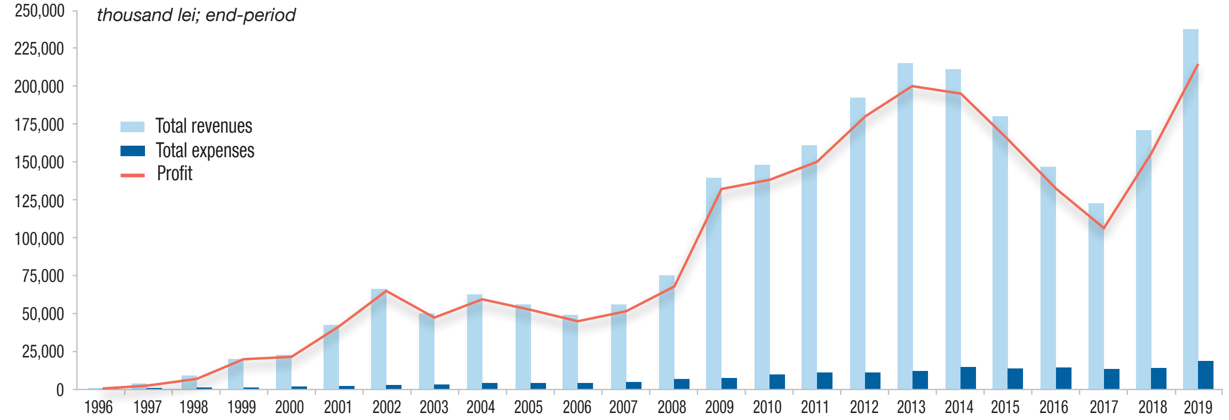
- lei -

	31.12.2018	31.12.2019	Difference
1. Total revenues	170,557,113	235,459,166	64,902,053
2. Total expenses	14,912,119	18,353,854	3,441,735
3. Result for fiscal year	**155,644,994**	**217,105,312**	**61,460,318**

Yields on the financial-banking market in 2019, which were considerably higher than during the previous year, had a favourable impact on the FGDB’s revenues, pushing them higher.

The FGDB’s fiscal-year result skyrocketed in 2019 (an annual variation of +39.5 percent) on the strength of substantially higher revenues and a moderate variation of expenses.

Evolution of the FGDB's Revenues, Expenses and Profit



The FGDB’s financial statements as at 31 December 2019 were audited by independent auditor Deloitte Audit S.R.L. In the auditor’s opinion, as expressed in the audit report, the financial statements “*give, in all material respects, a faithful view of the Fund’s financial position as at December 31, 2019 and of its financial performance and cash flows for the fiscal year then ended, according to the National Bank of Romania’s Order no. 6/2015 (“Order 6/2015”) on the approval of accounting rules in compliance with European Union Directives, with subsequent amendments and completions*”.

The FGDB’s net accounting profit for the fiscal year ended 31 December 2019 – an outcome of a cautious investment policy – amounted to 217,105 thousand lei.

In line with legal provisions, nearly all the FGDB’s profit (at least 99 percent) is channelled towards the two funds it manages to augment their available financial resources.

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INDEPENDENT AUDITOR'S REPORT

To: The Supervisory Board
of the Bank Deposit Guarantee Fund

Report on the financial statements

Opinion

1. We audited the financial statements of the Bank Deposit Guarantee Fund ("the Fund"), headquartered in Bucharest, Str. Negru Voda nr. 3, Corp A3, et. 2, sector 3, unique tax identification number RO8942496, which include the balance sheet as at 31 December 2019, the profit and loss account and the cash flows for the fiscal year then ended, as well as a summary of significant accounting policies and explanatory notes.

2. The individual financial statements as at 31 December 2019 are identified as follows:

- Total own funds: 7,410,788,225 lei
- Net profit for the fiscal year: 217,105,312 lei

3. In our opinion, the accompanying financial statements give, in all material respects, a faithful view of the Fund's financial position as at December 31, 2019 and of its financial performance and cash flows for the fiscal year then ended, according to the National Bank of Romania's Order no. 6/2015 ("Order 6/2015") on the approval of accounting rules in compliance with European Union Directives, with subsequent amendments and completions.

Basis for opinion

4. We conducted our audit according to the International Standards on Auditing (ISA), Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("Regulation"), and Law no. 162/2017 ("Law"). Our responsibilities according to these standards are detailed in the "Auditor's Responsibilities 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, including "Regulation" and "Law" and we fulfilled our ethical responsibilities in line with these requirements and with the IESBA Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

5. Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recognition of revenues arising from interest	
Nature of the matter of interest	***Procedures performed to support our discussion and conclusions***
According to Note 15 "Information on items in the profit and loss account" included in the financial statements, the Fund had revenues arising from interest on investments of available financial resources worth 233,963 thousand lei. *Revenues from interest are recognised in the profit and loss account under the accrual basis of accounting for all interest-bearing financial instruments over their entire lives. Revenues from interest also include income generated by the amortization of premiums or discounts on bonds until their maturity date.* *In consideration of the specific conditions in which revenue is recognised and of the dependency on the accuracy and quality of data related to interest-bearing financial instruments, we identified revenue recognition as a key audit matter.*	*We performed the following procedures in connection with revenue resulting from interest:* • *We assessed the preparation and implementation of key manual controls related to the recognition of revenue arising from interest;* • *We appraised the FGBD's accounting treatment of interest-derived revenues to decide whether its accounting policies comply with requirements laid down in "Order 6/2015";* • *We evaluated the extent to which data used to calculate revenue arising from interest on financial instruments are complete and accurate;* • *We assessed the mathematical formula used in revenue recognition over the entire lives of financial instruments;* • *We developed our own estimation of revenue generated by interest and compared it to the Fund's actual results.*

Other information – The Management's Report

6. The management is responsible for the preparation and presentation of other information. This other information comprises the Management's Report, but does not include the financial statements and the audit report on the financial statements.

   Our opinion on the financial statements does not cover this other information, nor the Management's Report.

   In connection with our audit of the financial statements for the fiscal year ended 31 December 2019, our responsibility is to read that other information and, in doing so, analyse whether that 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.

   As far as the Management's Report is concerned, we have read and we report whether it was prepared, in all material respects, in compliance with "Order 6/2015", points 225-228.

   Based solely on the activities that have to be performed during the audit of financial statements, in our opinion:

a) The information presented in the Management's Report for the fiscal year for which the financial statements were prepared is consistent, in all material respects, with the financial statements;

b) The Management's Report was prepared, in all material respects, in accordance with "Order 6/2015", points 225-228.

In addition, based on our knowledge and understanding of the Fund and its environment, acquired during the audit of the financial statements for the fiscal year ended 31 December 2019, we are required to report whether we have identified significant misrepresentations in the Management's Report. We have nothing to report on this issue.

Responsibilities of the management and of those charged with governance for the financial statements

7. The management is responsible for the preparation and fair presentation of the financial statements, in compliance with "Order 6/2015", 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.
8. 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.
9. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements 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 International Standards on Auditing 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 users' economic decisions taken on the basis of these financial statements.

11. As part of an audit in accordance with International Standards on Auditing, 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 the respective risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

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- 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 the 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 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.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report, except for the case in which laws or regulations prohibit public disclosure about the matter, or for the case when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because it is reasonably expected that the adverse consequences of such communication will outweigh its public interest benefits.

Report on other legal and regulatory requirements

15. We were appointed, in compliance with Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, Article 37, paragraphs (2) and (3), by the Board of Directors of the National Bank of Romania in their meeting of 19 February 2019 to audit the financial statements of the

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Bank Deposit Guarantee Fund for the fiscal year ended 31 December 2019. The total uninterrupted duration of our commitment is of 2 years, covering the fiscal years ended 31 December 2018 and 31 December 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Fund's Audit Committee, which we issued on the same date we issued this report. Also, in conducting our audit, we remained independent of the audited entity.

- We have not provided the prohibited non-audited services referred to in Article 5 paragraph (1) of the EU Regulation no. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Partner

Irina Dobre

Autoritatea Pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Dobre Irina Elena
Registru Public Electronic: AF3344

Registered in the Electronic Public Registry
of Financial Auditors and Audit Firms
under No. AF 3344

Autoritatea Pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Deloitte Audit S.R.L.
Registru Public Electronic: FA25

On behalf of:

DELOITTE AUDIT SRL
Registered in the Electronic Public Registry
of Financial Auditors and Audit Firms
under No. FA 25

Deloitte Audit S.R.L.
Clădirea The Mark Tower
Calea Griviţei nr. 82-98 Sector 1
Bucureşti , România
7 April 2020

BALANCE SHEET
as at 31 December 2019

- RON -

Indicator	Item Code	31 December 2018	31 December 2019
A	B	1	2
Cash	010	9,672	10,200
Claims over credit institutions	020	1,284,822,018	697,048,705
• sight claims	023	1,244,887	952,378
• other claims	026	1,283,577,131	696,096,327
Public instruments, bonds and other fixed income securities	040	5,586,369,284	6,917,773,225
• issued by public bodies	043	5,586,369,284	6,917,773,225
Intangible assets	050	172,182	137,721
Tangible assets	060	526,442	486,148
Other assets	070	679,568	423,705
Prepaid expenses and committed income	080	4,395,536	12,750,641
Total assets	**090**	**6,876,974,702**	**7,628,630,345**
Other liabilities	330	1,043,487	718,519
Prepaid revenues and deterred expenses	340	-	18,289
The bank deposit guarantee fund and the bank resolution fund	360	6,720,286,221	7,410,788,225
• The bank deposit guarantee fund	361	5,577,639,470	6,055,305,874
› The deposit guarantee fund consisting of credit institutions' contributions	362	3,680,637,015	4,030,246,909
› The deposit guarantee fund consisting of receipts from recovered claims	363	66,203,008	66,203,008
› The deposit guarantee fund consisting of earnings from investments of available financial resources	365	1,827,805,685	1,955,862,195
› The deposit guarantee fund consisting of other revenues as set within the law	366	2,993,762	2,993,762
• The bank resolution fund	367	1,142,646,751	1,355,482,351
Reserves	370	-	-
Result of the fiscal year – Profit	**403**	**155,644,994**	**217,105,312**
Total liabilities and own funds	**420**	**6,876,974,702**	**7,628,630,345**

PROFIT AND LOSS ACCOUNT
for the fiscal year ended 31 December 2019

- RON -

Indicator	Item Code	31 December 2018	31 December 2019
A	B	1	2
Interest receivables and similar income, of which:	010	170,540,513	233,963,273
• on public instruments, bonds and other fixed-income securities	015	128,047,615	212,665,712
Interest payable and similar expenses	020	-	3,040
Commissions	040	26,538	30,763
Net profit or loss from financial operations	050	(483,669)	633,857
Other operating income	060	15,727	76
General administrative expenses	070	13,781,580	15,886,653
• Personnel-related expenses, of which:	073	10,509,411	12,214,167
› Salaries	074	10,143,807	11,880,033
› Social security costs, of which:	075	365,604	334,134
- pension-related expenses	076	-	-
• Other administrative expenses	077	3,272,169	3,672,486
Adjustments to the book value of tangible and intangible assets	080	277,767	311,028
Other operating expenses	090	341,691	1,260,410
Result of current activity - Profit	**143**	**155,644,994**	**217,105,312**
Total revenues	180	170,557,113	235,459,166
Total expenses	190	14,912,119	18,353,854
Pre-tax result – Profit	203	155,644,994	217,105,312
Net result for the fiscal year - Profit	**223**	**155,644,994**	**217,105,312**

EXPLANATORY NOTES TO THE FGDB'S FINANCIAL STATEMENTS –EXCERPTS[117]

1. Significant Accounting Methods and Policies

Some of the significant accounting policies used in preparing these financial statements are set out below.

a) Preparation and Presentation of the Financial Statements

These financial statements were prepared in compliance with:

i. Order no. 6/2015 of the Governor of the National Bank of Romania on the approval of Accounting Rules in compliance with European Union Directives, with subsequent amendments and completions ("NRB Order no. 6/2015"), applicable to non-banking financial institutions, payment institutions granting credits related to payment services, electronic money institutions and the Bank Deposit Guarantee Fund;

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

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

These financial statements were prepared on the historical cost convention basis, with the exceptions detailed in the accounting policies below.

The financial statements were not prepared to reflect the Fund's financial position and results of operations according to accounting rules and policies accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not intended for use by entities who are unfamiliar with accounting and legal regulations in Romania, with NRB Order no. 6/2015 included.

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

The present financial statements were endorsed by the Fund's Supervisory Board on 31 March 2020 and approved by the Board of Directors of the National Bank of Romania on 10 April 2020.

i) Financial assets

Investment securities are financial assets with fixed or determinable payments and fixed maturity which the Fund has the firm intent and the ability to hold to maturity.

Securities may qualify as investment securities depending on:

- terms and characteristics of the financial asset, and
- the Fund's ability and actual intent to hold these instruments to maturity date.

The decision to classify securities as investment securities is based on the intent to hold them until maturity and shall ignore both future opportunities to make profit from the respective portfolio and bid prices offered by buyers before maturity date, irrespective of the shifts in market value.

A precondition for the designation as investment securities is the assessment of the Fund's intent and ability to hold these instruments until they mature, an assessment that shall be made not only at the time of the initial purchase but also at the end of each fiscal year.

If the institution changes its intent or no longer has the ability to hold investment securities to maturity and the designation of these instruments as investment securities is therefore no longer adequate, they shall be reclassified

[117] The explanatory notes bear the same numbers as in the original material from which they are quoted, as was the different name of the institution, that is "The Fund" instead of "the FGDB" as has been used in this Report.

as trading securities and shall be assessed in terms of the respective category.

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

This prohibition 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 fluctuations in market interest rates could not have had any significant impact on its fair value;
- occurs after a substantial part of the principal of the financial asset was redeemed through periodic payments or early repayments, or
- is attributable to an isolated, non-recurring and reasonably hard-to-predict event.

p) The Bank Deposit Guarantee Fund's specific resources

The Fund's financial resources consist of initial/annual and special/extraordinary contributions from credit institutions, recovered claims, the Fund's fee as court-appointed liquidator and other resources derived from previous years' profits. If the Fund's financial resources have been depleted, the Fund may borrow from the Ministry of Public Finance, under lending contracts, in order to cover the shortage.

The functionality of these accounts and the way they are reflected in accounting records are laid down in Government Ordinance no. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, and the NBR Order no. 6/2015, as follows:

(i) Annual contribution
The annual contribution is calculated on a yearly basis and paid by credit institutions and it is recorded using accrual accounting.

(ii) Extraordinary contributions
These are other contributions collected from credit institutions, under the law, when the Fund's financial resources are insufficient to reimburse depositors. Government Ordinance no. 39/1996 called these contributions "special contributions".

(iii) Recovered claims
They are the funds that flow in as the Fund recovers its claims over defunct banks for its payouts and collects contributions left unpaid on bankruptcy date.

The contributions already paid by credit institutions are non-refundable, including in cases where a credit institution is either liquidated under court supervision or dissolved.

(iv) Funds consisting of other revenues
Pursuant to Government Ordinance no. 39/1996, NBR Order no. 6/2015 and Law no. 311/2015, these other funds include donations, sponsorships, revenues from the Fund's financial assistance and activities as liquidator of failed banks, as well as other revenues set according to the law.

(v) Fund consisting of revenues from investments of available financial resources
These are financial means sourced from the Fund's net profit. In compliance with 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 expenses, is tax free. With the approval of the Board of Directors of the National Bank of Romania, up to one percent of the profit is channelled to an annual profit-sharing fund, while the remainder supplements the financial resources for each of the activities stipulated in Article 92, paragraphs (1) and (2) of Law no. 311/2015.

The account for financial resources is reduced by:

- the Fund's repayments to the legally guaranteed depositors of the banks where deposits have become unavailable;
- instalment and interest payments on loans taken to fund payouts;
- funds transferred to the resolution authority;
- loans to other guarantee schemes, granted within the law.

Consequently, the Fund does not record provisions for guaranteed depositors' outstanding compensation claims or for potential compensation claims that have not been notified.

q) Income tax

The Fund's profit is tax exempt in line with provisions in Article 13, paragraph (2), point e) of Law no. 227/2015 on the Fiscal Code, with subsequent amendments and completions.

t) Revenues arising from interest

Under the accrual basis of accounting, revenues arising from all interest-bearing financial instruments are recognised in the profit and loss account when they are earned. Interest income also includes revenues generated by the amortization of the discount according to the effective-interest method for assets purchased at prices lower than their maturity value, as well as of the premiums generated by debts made at costs higher than the value repayable at maturity date.

u) Revenue recognition

Revenues are earned from interest on financial assets. The present financial statements show revenues and expenses as gross totals.

2. Cash

On 31 December 2019, the Fund's cash in hand amounted to the RON equivalent of 10,200 (31 December 2018: RON 9,672).

3. Claims over credit institutions

(RON)	31 December 2018	31 December 2019
Current accounts	1,244,887	952,378
Term investments at credit institutions	1,283,577,131	696,096,327
Total	**1,284,822,018**	**697,048,705**

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

(RON)	31 December 2018	31 December 2019
Long-term securities, of which:	**4,563,116,416**	**3,070,522,598**
• Government bonds	3,383,156,565	2,577,713,339
• Corporate bonds	1,179,959,851	492,809,259
Short-term securities, of which:	**1,023,252,868**	**3,847,250,627**
• Government bonds and treasury bills	621,840,584	2,301,135,581
• Corporate bonds	401,412,284	1,546,115,046
Total	**5,586,369,284**	**6,917,773,225**

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

(RON)	31 December 2018	31 December 2019
Initial contribution –1%	6,472,230	6,472,230
Annual contribution, including increased contribution	4,139,456,213	4,489,066,107
Extraordinary contribution	61,777,997	61,777,997
Credit line fee	(14,825,698)	(14,825,698)
Deposit compensation	(512,243,727)	(512,243,727)
Total	**3,680,637,015**	**4,030,246,909**

The annual contributions of credit institutions are calculated according to the statements they send to the Fund. In 2019, the Fund raised 348,989,992 lei in annual contributions, which were determined based on the amount of covered deposits each credit institution held on 31.12.2018 (i.e. 104,417,907 lei) and the degree of risk it incurred. Total 2019 contributions were set in line with the guidelines of the funding policy of the Fund and according to the method of calculating risk-adjusted contributions – both approved by the Board of Directors of the National Bank of Romania.

If, upon the Fund's request, the Board of Directors of the National Bank of Romania considers that the Fund's financial resources are insufficient to allow it to fulfil its repayment commitments, the Fund may decide that each credit institution shall pay an extraordinary contribution equal to up to the level of the annual contribution for the respective fiscal year. Credit institutions were not required to pay extraordinary contributions either in 2019 or in 2018.

Compensation is an amount of money of up to the guarantee level which the Fund pays to each guaranteed depositor if deposits, no matter their number, have become unavailable. Just as in 2018, there were no payouts in 2019 either.

10. The Bank Resolution Fund

	(RON)
Balance as at 31 December 2017	**992,875,546**
2018 annual contribution	145,384,118
2017 capitalised profit	8,601,186
Balance as at 31 December 2018	**1,142,646,751**
2019 annual contribution	186,803,567
2018 capitalised profit	21,792,181
2019 adjustments	4,239,851
Balance as at 31 December 2019	**1,355,482,351**

The bank resolution fund is set up to provide the financial resources needed to finance bank resolution measures.

The bank resolution fund is managed by the Bank Deposit Guarantee Fund.

Pursuant to 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 institution's annual contributions to the bank resolution fund spreading payments out as uniformly as possible over time and also taking account of the phase of the business cycle and of the impact procyclical contributions may have on the financial position of contributing credit institutions.

In 2019, the Fund collected a total 186,803,567 lei in contributions, which were calculated according to a decision of the National Bank of Romania. In 2018, annual contributions going to the Fund, the levels of which were determined by the National Bank of Romania, amounted to 145,384,118 lei.

The 2018 profit worth 21,792,181 lei, arising from investments of the financial resources of the bank resolution fund, was capitalised after the financial statements as at 31 December 2018 were approved according to the law.

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

(RON)	31 December 2018	31 December 2019
Recovered claims	174,977,963	174,977,963
Interest on bank loans – NRB	(108,774,955)	(108,774,955)
Total	**66,203,008**	**66,203,008**

Recovered claims are amounts the Fund collected from failed banks as outstanding annual contributions on the date of bankruptcy and for the compensation it paid to their depositors.

In 2019, no claims were recovered from bankrupt banks.

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

(RON)	31 December 2018	31 December 2019
Fund consisting of revenues from investments of available financial resources – share of the profit	1,827,805,685	1,955,862,195

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

(RON)	31 December 2018	31 December 2019
The Fund's fees from its activities as liquidator	2,993,762	2,993,762

14. Distribution of profit

(RON)	31 December 2018	31 December 2019
Result of current activity – profit, of which:	155,644,994	217,105,312
Profit from deposit guarantee fund resources	133,632,690	179,552,958
Profit from bank resolution fund resources	22,012,304	37,552,354
Undistributed profit	**155,644,994**	**217,105,312**

The distribution of the profit for the fiscal year ended 31 December 2019 was approved by the Board of Directors of the National Bank of Romania after the financial statements have been authorised.

17. Risk management

The main risks associated with the Fund's activity are the financial and operational risks. The Fund is exposed to the following risks:

- Interest rate risk
- Market risk
- Liquidity risk
- Foreign exchange risk
- Credit risk.

a) Interest rate risk

The Fund is exposed to moves in market interest rates, which may impact its financial position and cash flows. As a result of such shifts, interest may either go up or drop, or it may trigger losses if unexpected changes occur. The Fund's management periodically monitors exposure to fluctuations in interest rates.

As at 31 December 2019, the Fund had got the following interest rates on its invested assets and on the money in its accounts:

(RON)	2018		2019	
	min	max	min	max
Claims over credit institutions	2.15%	3.45%	2.90%	3.60%
Public instruments, bonds and other fixed-income securities	1.25%	5.47%	1.98%	4.66%

b) Market risk

Romania is still a developing economy and there is considerable uncertainty about the path domestic economic policies are likely to follow. The Fund's management cannot predict either the changes to occur in Romania or the impact they may have on the Fund's financial position and on the results of its transactions.

(RON)

As at 31 December 2018	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Maturity undefined	Total
Cash	9,672	-	-	-	9,672
Current accounts at credit institutions	1,244,887	-	-	-	1,244,887
Claims over credit institutions	1,007,949,603	275,627,528	-	-	1,283,577,131
Public instruments, bonds and other fixed-income securities	821,392,659	2,594,801,557	2,170,175,068	-	5,586,369,284
Other assets	679,568	-	-	-	679,568
Prepaid expenses and committed revenues	3,657,260	738,276	-	-	4,395,536
Liquidity risk-free assets	-	-	-	698,624	698,624
Total assets	**1,834,933,649**	**2,871,167,361**	**2,170,175,068**	**698,624**	**6,876,974,702**
Other liabilities	1,043,487	-	-	-	1,043,487
The deposit guarantee fund	5,577,639,470	-	-	-	5,577,639,470
The bank resolution fund	1,142,646,751	-	-	-	1,142,646,751
Total liabilities	**6,721,329,708**	**-**	**-**	**-**	**6,721,329,708**
Liquidity surplus/(needs)	**(4,886,396,059)**	**2,871,167,361**	**2,170,175,068**	**698,624**	**155,644,994**

As at 31 December 2019	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Maturity undefined	Total
Cash	10,200	-	-	-	10,200
Current accounts at credit institutions	952,378	-	-	-	952,378
Claims over credit institutions	30,875,700	665,220,627	-	-	696,096,327
Public instruments, bonds and other fixed-income securities	1,491,315,089	2,355,760,830	3,070,697,306	-	6,917,773,225
Other assets	423,705	-	-	-	423,705
Prepaid expenses and committed revenues	866,594	11,884,047	-	-	12,750,641
Liquidity risk-free assets	-	-	-	623,869	623,869
Total assets	**1,524,443,666**	**3,032,865,504**	**3,070,697,306**	**623,869**	**7,628,630,345**
Other liabilities	736,808	-	-	-	736,808
The deposit guarantee fund	6,055,305,875	-	-	-	6,055,305,875
The bank resolution fund	1,355,482,350	-	-	-	1,355,482,350
Total liabilities	**7,411,525,033**	**-**	**-**	**-**	**7,411,525,033**
Liquidity surplus/(needs)	**(5,887,081,367)**	**3,032,865,504**	**3,070,697,306**	**623,869**	**217,105,312**

c) Foreign exchange risk

The Fund operates against an economic background of fluctuating exchange rates of widely traded currencies (EUR, USD, CHF, GBP). Under such circumstances, the risk of a decrease in the value of its RON-denominated net monetary assets is low.

On 31 December 2019, the Fund held cash in hand in EUR amounting to the equivalent of 725 RON (31 December 2018: the equivalent of RON 1,176) and in USD totalling 2,769 in the RON equivalent (31 December 2018: the equivalent of RON 2,668). The remaining monetary assets and liabilities are denominated in RON.

On 31 December 2019, the Fund held current accounts at credit institutions in EUR showing a balance of 492,365 in the RON equivalent (31 December 2018: the equivalent of RON 3,432), in USD showing a balance of 314 in the RON equivalent (31 December 2018: the RON equivalent of 0), in GBP showing a balance of 147 in the RON equivalent (31 December 2018: the RON equivalent of 136), in CHF showing a balance of 271 in the RON equivalent (31 December 2018: the RON equivalent of 23). The remaining monetary assets and liabilities are denominated in RON.

d) Liquidity risk

The most significant source of liquidity risk is the mismatch between the maturities of the Fund's assets and liabilities.

To the extent possible, the Fund's strategy seeks to keep liquidity sufficiently high so that it may meet liabilities as they come due, without incurring losses.

e) Credit risk

All through 2019, the Fund paid considerable attention to the effective investment of its available financial resources, in conditions of higher liquidity and lower risk and in compliance with its 2019 exposure strategy approved by the Board of Directors of the National Bank of Romania.

Long- and short-term securities

As at 31 December 2018	Total
Long-term securities, of which:	**4,563,116,416**
Government bonds	3,383,156,565
Corporate bonds	1,179,959,851
Short-term securities, of which:	**1,023,252,868**
Government bonds and treasury bills	621,840,584
Corporate bonds	401,412,284
Total	**5,586,369,284**

As at 31 December 2019	Total
Long-term securities, of which:	**3,070,697,306**
Government bonds	2,577,888,047
Corporate bonds	492,809,259
Short-term securities, of which:	**3,847,447,036**
Government bonds and treasury bills	2,301,331,990
Corporate bonds	1,546,115,046
Total	**6,918,144,342**
Adjustments for the depreciation of public instruments	**371,117**
Total	**6,917,773,225**

Bank deposits

As at 31 December 2018	Total
Total bank deposits	1,283,577,131
Current accounts	1,244,887
Total bank deposits and current accounts	**1,284,822,018**

As at 31 December 2019	Total
Total bank deposits	696,096,327
Current accounts	952,378
Total bank deposits and current accounts	**697,048,705**

ANNEXES

ABBREVIATIONS

BCP	Business Continuity Plan
BRRD1	Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms
BRRD2	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC
CNSM	The National Committee for Macroprudential Supervision
EBA	The European Banking Authority
EDDIES	The Central Exchange Mechanism between Deposit Guarantee Schemes in the European Union
EFDI	The European Forum of Deposit Insurers
ESRB	European Systemic Risk Board
EU	The European Union
FGDB/The Fund	The Bank Deposit Guarantee Fund
IADI	International Association of Deposit Insurers
IFRS	International Financial Reporting Standards
MFP	Ministry of Public Finance
MREL	Minimum Requirement for own funds and Eligible Liabilities
NRB	National Bank of Romania
PSD2	Directive 2015/2366/EU on payment services in the internal market
ROA	Return on Assets
ROE	Return on Equity
SCV	Single Customer View
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SRSS	European Commission’s Structural Reform Support Service
TLAC	Total Loss-Absorbing Capacity

DEFINITIONS

deposit

any amount of money a person holds in an account at a credit institution – be it a current account, a card account, a time deposit, a savings account or another similar product. As defined by the law, a deposit refers to "*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:

- 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, other than where it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed on 2 July 2014;
- its principal is not repayable at par;
- its principal is only repayable at par 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.

guaranteed depositor

the holder of an eligible deposit or, in the case of a joint account, the holders of an eligible deposit or, where appropriate, the person entitled to the funds in an eligible deposit. A natural or legal person may keep money in several credit institutions. Each credit institution 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 deposit holders, depositors who are clients of different credit institutions are recorded several times.

unavailable deposit

a deposit that is due and payable but 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 had rendered a decision opening bankruptcy proceedings at the credit institution before the National Bank of Romania could assess the situation described above.

compensation

an amount of money determined according to legal provisions, within the coverage level, which a deposit guarantee scheme pays out to each guaranteed depositor when deposits, no matter their number, become unavailable.

guarantee ceiling

the maximum compensation payable per guaranteed depositor per credit institution

BANK DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2019

Indicators	31 Dec. 2018*	31 Dec. 2019	Difference	
1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1. Total number of deposit holders, of which:	**15,183,072**	**15,304,226**	**121,154**	**0.8**
• natural persons	14,155,096	14,226,886	71,790	0.5
• legal entities	1,027,976	1,077,340	49,364	4.8
2. Total number of eligible deposit holders, of which:	15,105,294	15,227,922	**122,628**	**0.8**
• natural persons	14,107,271	14,181,449	74,178	0.5
• legal entities	998,023	1,046,473	48,450	4.9
3. Total deposits (million lei), of which:	**346,086.0**	**372,687.7**	**26,601.7**	**7.7**
• in lei	210,121.5	227,451.2	17,329.7	8.2
• in foreign currencies (leu equivalent)	135,964.5	145,236.5	9,272.0	6.8
• natural persons' deposits	177,003.8	196,128.1	19,124.3	10.8
• legal entities' deposits	169,082.2	176,559.6	7,477.4	4.4
4. Total eligible deposits (million lei), of which:	**290,755.9**	**323,948.7**	**33,192.8**	**11.4**
% of total deposits	*84.0*	*86.9*	*2.9 p.p.*	
• in lei	186,063.7	204,760.0	18,696.3	10.0
• in foreign currencies (leu equivalent)	104,692.3	119,188.7	14,496.4	13.8
5. Natural persons' eligible deposits (million lei), of which:	**176,637.6**	**195,748.6**	**19,111.0**	**10.8**
% of total eligible deposits	*60.8*	*60.4*	*-0.4 p.p.*	
• in lei	100,658.6	108,528.1	7,869.5	7.8
• in foreign currencies (leu equivalent)	75,979.0	87,220.5	11,241.5	14.8
6. Legal entities' eligible deposits (million lei), of which:	**114,118.3**	**128,200.1**	**14,081.8**	**12.3**
% of total eligible deposits	*39.2*	*39.6*	*0.4 p.p.*	
• in lei	85,405.1	96,231.9	10,826.8	12.7
• in foreign currencies (leu equivalent)	28,713.3	31,968.3	3,255.0	11.3
7. Total covered deposits (million lei), of which:	**189,565.8**	**210,678.4**	**21,112.6**	**11.1**
% of total eligible deposits	*65.2*	*65.0*	*-0.2 p.p.*	
• natural persons' covered deposits	156,209.0	172,298.7	16,089.7	10.3
• legal entities' covered deposits	33,356.8	38,379.7	5,022.9	15.1

Note: Due to rounding, totals/subtotals may differ slightly from the sum of the separate figures

* Final data which were updated after the basis for calculation of the 2019 contributions owed by credit institutions had been verified.

LIST OF FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2019

- Aedificium Banca pentru Locuințe S.A.[118]
- Alpha Bank România S.A.
- Banca Centrală Cooperatistă CREDITCOOP
- Banca Comercială Feroviara S.A.
- Banca Comercială Intesa Sanpaolo România S.A.
- Banca Comercială Română S.A.
- Banca de Export Import a României EXIMBANK S.A.
- Banca Română de Credite și Investiții S.A.
- Banca Românească S.A.[119]
- Banca Transilvania S.A.
- Bank Leumi România S.A.
- BCR Banca pentru Locuințe S.A.
- BRD - Groupe Société Générale S.A.
- CEC Bank S.A.
- Crédit Agricole Bank România S.A.
- Credit Europe Bank (România) S.A.
- First Bank S.A.
- Garanti Bank S.A.
- Idea Bank S.A.
- Libra Internet Bank S.A.
- OTP Bank România S.A.
- Patria Bank S.A.
- Porsche Bank România S.A.
- ProCredit Bank S.A.
- Raiffeisen Bank S.A.
- UniCredit Bank S.A.
- Vista Bank (România) S.A.[120]

[118] This credit institution's name prior to 25 October 2019 was Raiffeisen Banca pentru Locuințe S.A.
[119] Until 28 February 2020, this credit institution operated under the name Banca Românească S.A., a member of the National Bank of Greece Group.
[120] Until 28 May 2019, this credit institution was known as Marfin Bank (România) S.A