



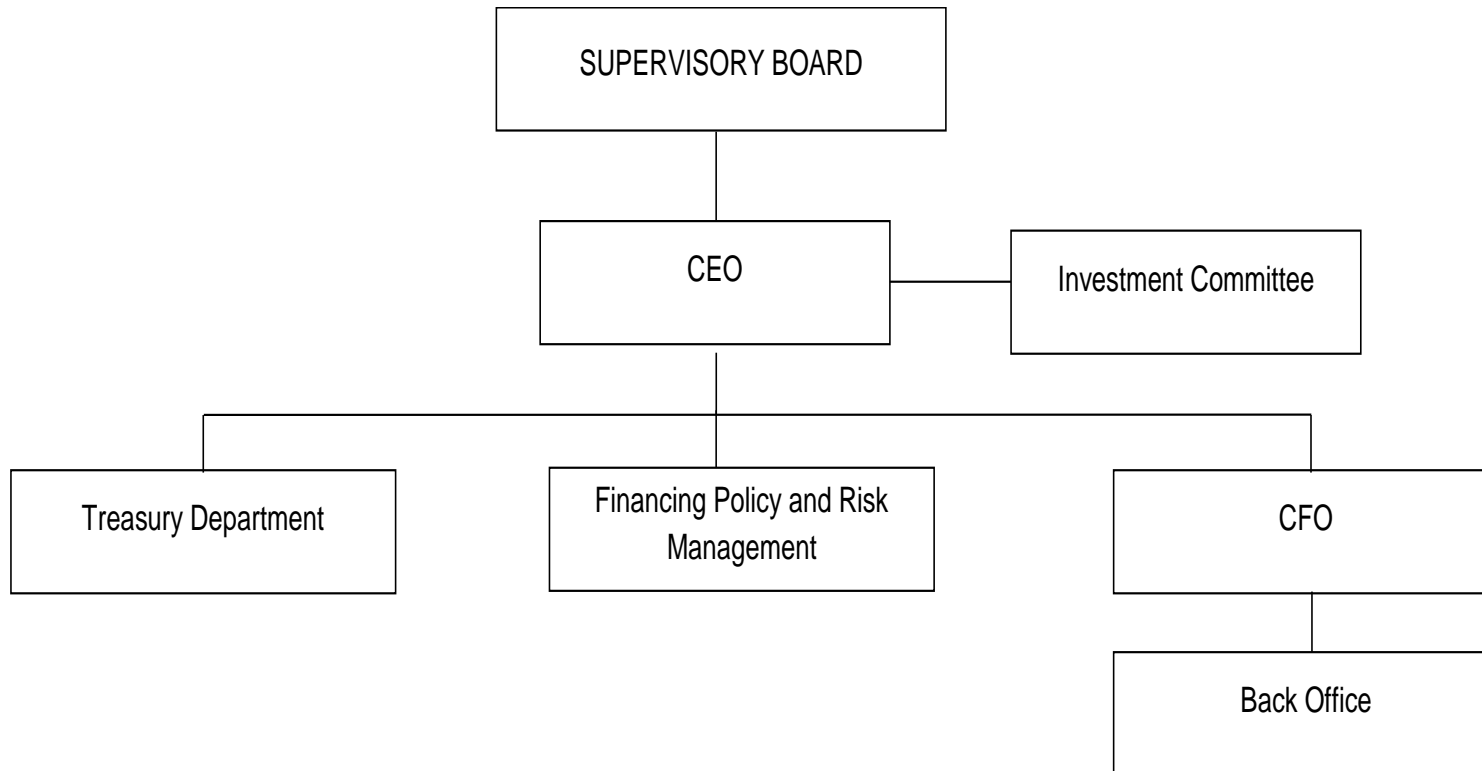
Investment management
The Romanian Experience

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FGDB

**Seminar on Investment Policies and Strategies
for Deposit Insurance Agencies**
Bogota, 12-14 November

1. Investment- Management & Process
2. Legal Framework
3. Investment Strategy
4. FGDB's resources
5. Investment of resources
6. Structure of investments
7. Results
8. Future challenges- New DGS Responsibilities
9. Overview Romanian Banking System

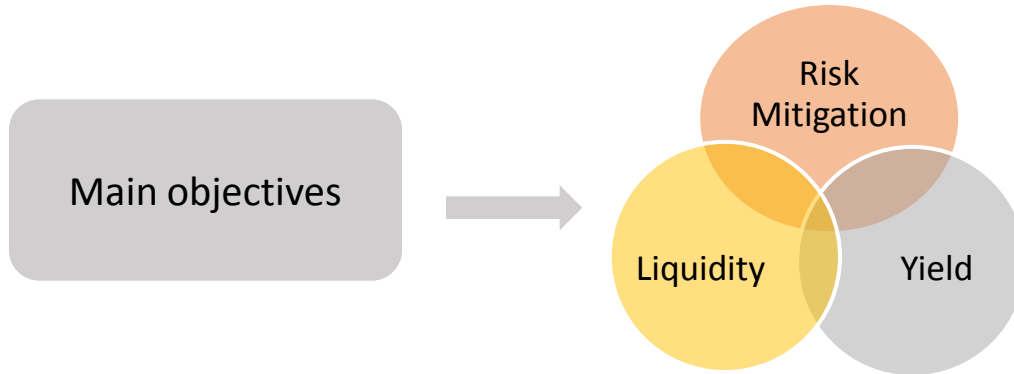
BANK DEPOSIT GUARANTEE FUND - ORGANIZATIONAL CHART



Internal Regulatory Framework

- Investment Strategy (approved by the Central Bank)
- Procedures relating to the Investment Activity
- Procedures relating to the activity of the Investment Committee
- Procedures relating to Risk Management

- Government Ordinance No 39/1996 regarding the setting up and the operation of the Bank Deposit Guarantee Fund
- Government Emergency Ordinance No 131/2010 amending and supplementing Government Ordinance No 39/1996
- Statute of the Deposit Guarantee Fund



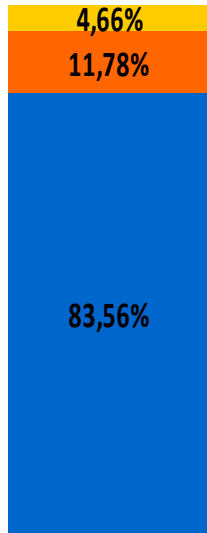
- Max. exposure quota per bank set by Investment Strategy
- Monthly liquidity - *between 10-20% in line with market conditions*
- Balanced portfolio - *between short and long term*
- Maturity profile - *up to 5 years for Guarantee Fund*
- *up to 1 year for Resolution Fund*
- HTM bond's portfolio
- Domestic currency

FGDB's resources

**Deposit Guarantee Fund
EUR 930 million**

as of 30.06.2014

**Bank Resolution Fund
EUR 80 million**



**EUR
1 billion**



- Distributed profit
- The banks' annual contributions on 2014
- Available funds on December 31, 2013

- Distributed profit
- The banks' annual fees on 2014
- Available funds on December 31, 2013

$$\frac{\text{Own funds}}{\text{Guaranteed (eligible) deposits}} \times 100 = 2,6 \%$$

$$\frac{\text{Own funds}}{\text{Covered deposits}} \times 100 = 3,2 \%$$



Investment of Resources

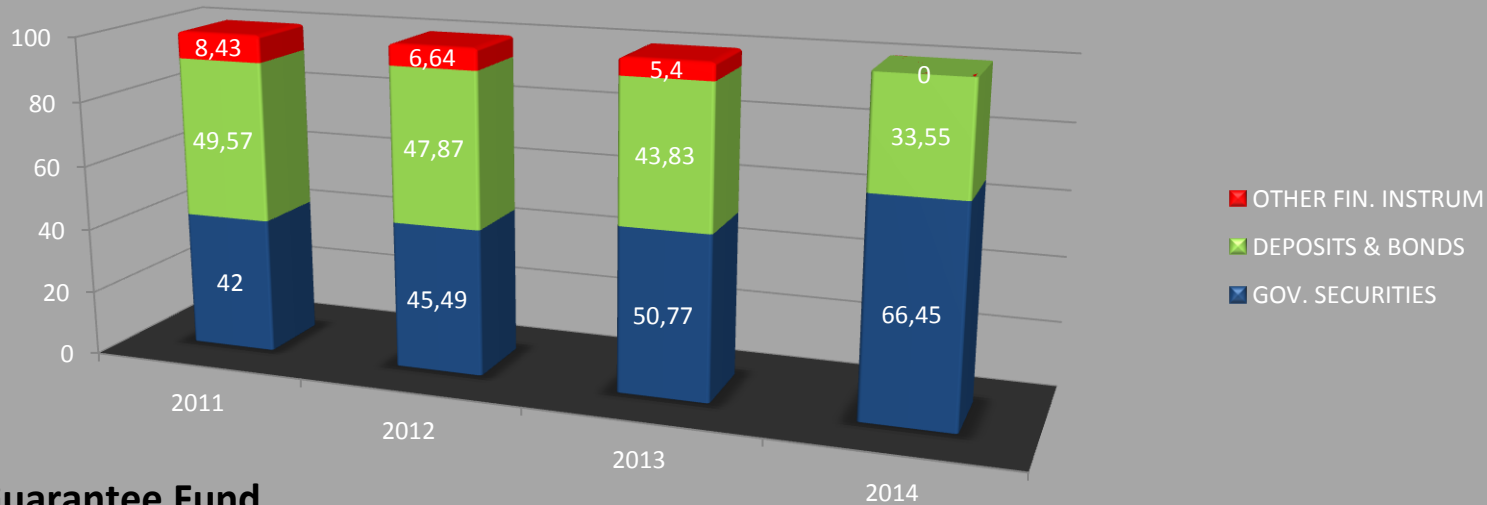
Eligible instruments:

- Romanian Government Securities, other sovereign securities.
- Term deposits and other financial instruments of the credit institutions.
- Government Securities issued by the EU Governments and US T-bills.

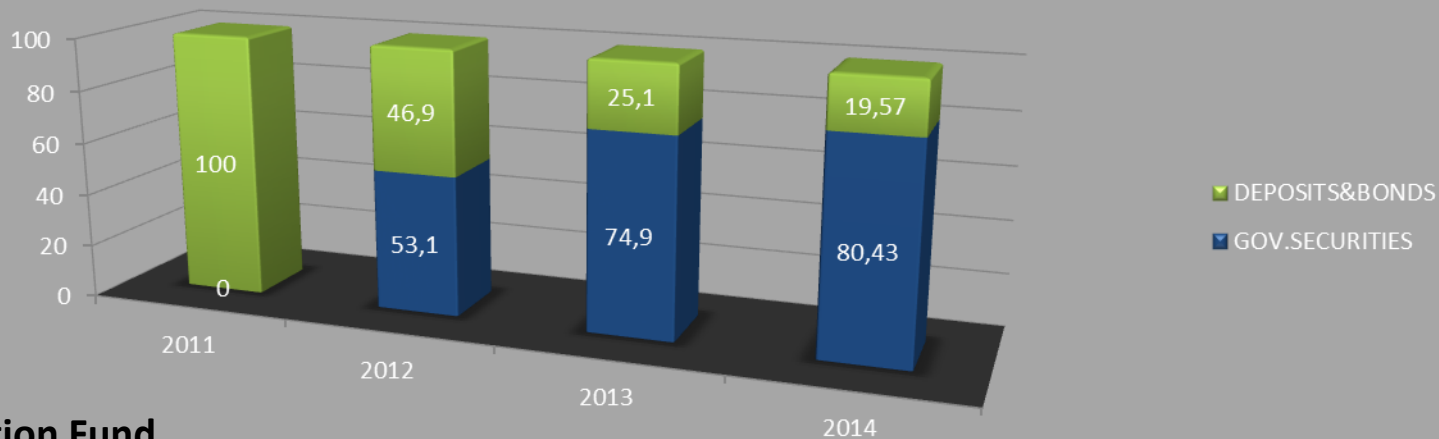
Investments:

- FGDB's placements are made according to the Investment Strategy and are decided by the Investment Committee.
- Romanian Banking System is made up of 31 banks, members of DGS and 9 foreign credit institution branches.
- FGDB cooperates with banks members and 2 non-members based on market ratio and index of Capital Asset Management, Profitability and Liquidity.

Investment of Resources (as of 30.06.2014)



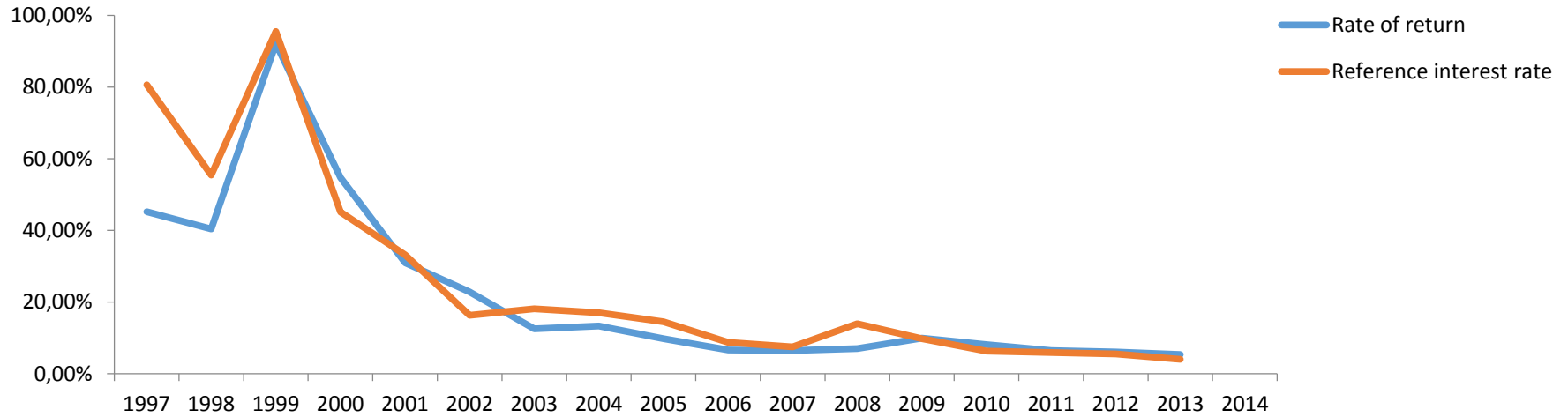
Deposit Guarantee Fund



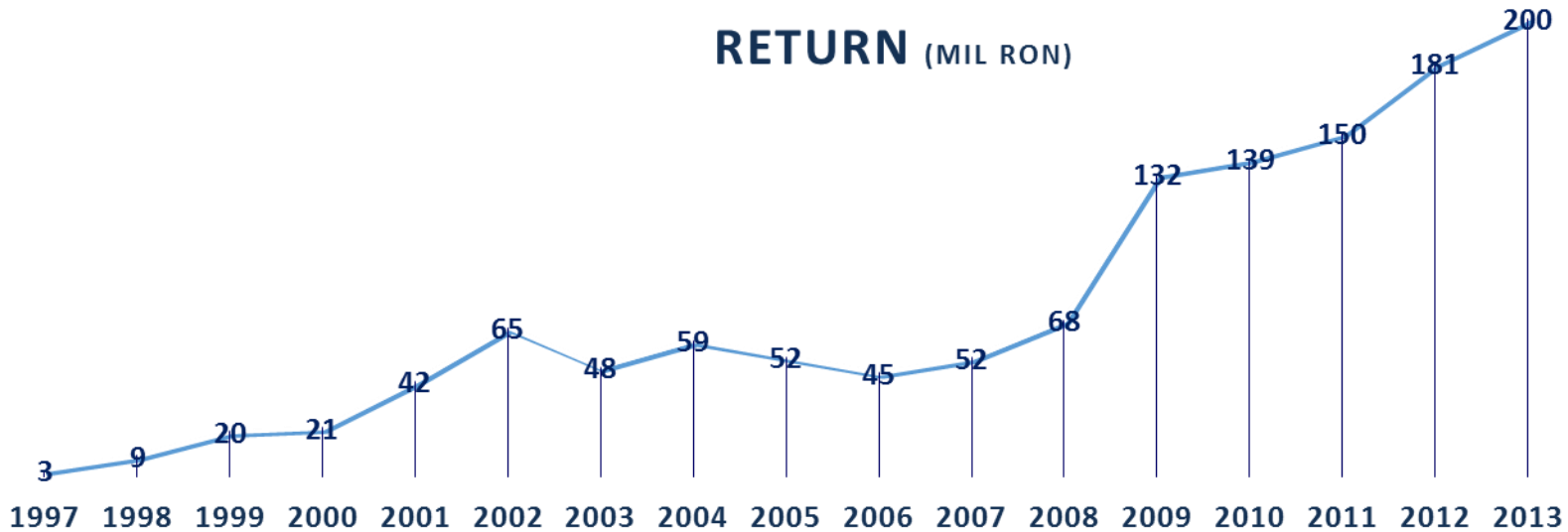
Bank Resolution Fund



Results (as of 31.12.2013)




RETURN (MIL RON)



Future challenges -New DGS Responsibilities

Alternative measures of financing

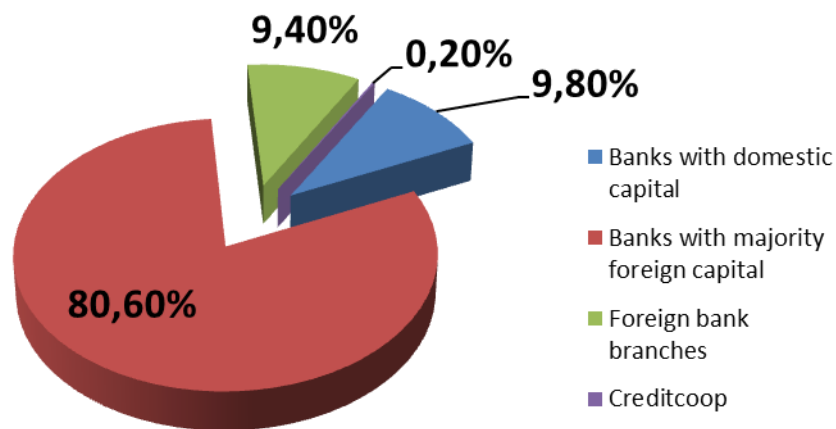
- Loans from Ministry of Finance (according to the Law)
- Collect extraordinary contributions (according to the Law)
- Repo agreements with partner banks (on going)
- Borrowing between DGSs 

Changes brought by the Directives (DGS and BRRD)

- Coverage ratio for Deposit Fund = 0,8% of covered deposits
- Coverage ratio for Resolution Fund = 1% of covered deposits
- Risk based contribution
- Investment instruments compliant with Regulation (EU)No. 575/2013 of the European Parliament and of the Council of 26 June 2013:
 - ✓ Debt securities which would receive a 0% risk weight under the Standardised Approach for credit risk.
 - ✓ Debt securities which would receive a 20% or 50% risk weight under the Standardised Approach for credit risk and other qualifying items.
 - ✓ ... and other assets that are considered as liquid and safe by the Central Bank



Overview Romanian Banking System



Significant changes in 2013:

- Assets portfolio transfers: retail&corporate (e.g. Citibank, RBS)
- NPL portfolio sales
- The change of organisation status from subsidiary into branch (RBS)

Overview Romanian Banking System(cont.)

Indicators/Year	2011	2012	2013	2014 (30.06)
Total net assets (mil. RON)	353.910	365.618	362.259	352.425
Capital Adequacy Ratio($\geq 8\%$)	14,87	14,94	15,46	16,95
Leverage Ratio(%)	8,07	8,02	7,96	7,87
Return on Assets(%)	-0,23	-0,64	0,01	0,12
Return on Equity(%)	-2,56	-5,92	0,13	1,10
Operating Income(%)	147,53	170,31	176,85	178,98
Loan to Deposit Ratio(%)	116,65	117,37	104,59	103,56
Credit Risk Ratio(%)	23,28	29,91	32,14	-
Non-performing Loans Ratio(%)	14,33	18,24	21,87	-



**Thank you for your
attention!**

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