Annual report 2017

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

ANNUAL REPORT
Financial Year 2017

CONTENTS

FOREWORD

The sound performance of the French banking and financial sector during and since the crisis was confirmed once again in 2017. Together with the market authorities banks and their customers, the Fonds de Garantie des Dépôts et de Résolution (FGDR) is delighted with this very positive situation.

However, it cannot remain inactive.

For the FGDR, 2017 was marked by strong mobilisation. Letting these good times - however long they may last - pass by without attempting to constantly strengthen our intervention and protection mechanisms to ensure financial stability, in accordance with our very purpose, is obviously out of the question. Our mobilisation has therefore been comprehensive, within the Fund of course, but also and to a large extent externally.

Mobilisation with regard to depositors, first and foremost. The FGDR stepped up its efforts in terms of both its own and banks' communication with depositors. With respect to banks, the FGDR attempted to refine and better coordinate the presentation and content of information regarding the deposit guarantee scheme that all financial institutions send to their customers. The FGDR took steps to respond to the growing number of calls resulting from this new communication both externally, with the help of a specialist service provider, and internally, by mobilising its teams and implementing an interactive voice server. The institutional website was also updated to make it more convenient and easy to use.

Mobilisation of the now-mature ecosystem of our external service providers. Deployment of the multi-year programme of crisis simulations set out by the FGDR under the European guidelines continued. More elements of this network are gradually being added to it so as to verify at all times the operational efficiency of the intervention mechanisms: expansion of the call centre, simulations for processing operators, operational capacity of printing, digitisation and IT service providers, responsiveness of crisis communication, liquidity of the portfolios, etc.

Mobilisation of the banking sector, in particular. The FGDR, which was one of the first deposit guarantee funds in the European Union to comply immediately with the standards defined by the European regulations, particularly in terms of resources, obtained and negotiated a standby credit line of 1.4 billion euros with seven leading French institutions. This enables it to have approximately 5 billion euros in resources at any time, equivalent to 0.5% of its members' covered deposits. The commitment made by French banks to this project is worth highlighting, as is the spirit of effective partnership in which it came about.

Lastly, mobilisation in liaison with our foreign partners. As Chairman of the European Forum of Deposit Insurers (EFDI) since late 2016, the FGDR has worked to help this association develop its full potential through a revision of its statutes, the raising of new resources and the recruitment of a Secretary General, soon to become active. The EFDI should therefore be able to better fulfil its role of facilitating the exchange of experiences among European deposit guarantee scheme practitioners and acting as the key point of contact of the Union's authorities on the technical standards of the deposit guarantee scheme: compensation standards, operational arrangements regarding the feasibility of the Banking Union, technical cooperation agreements for cross-border compensation, etc.

Among the many other activities and events to which the above recap cannot do justice, one is worth mentioning in conclusion: the departure of François de Lacoste Lareymondie, Vice-Chairman of the FGDR Executive Board, and his replacement by Vincent Gros in the middle of the year. François supported the FGDR for nearly eight rich and intense years during which the FGDR underwent a complete transformation in the new context created by the financial crisis. He knows how deeply grateful the teams are to him. Meanwhile, Vincent has enthusiastically taken up the challenge at full speed and will undoubtedly strive to make even further progress.

Regardless of the circumstances, the FGDR teams remain constantly mobilised. For us, there is no other way to view our mission as crisis operator in support of responsible finance.

Thierry DISSAUX
Chairman of the Board

Vincent GROS
Member of the Board

1. FRENCH AND FOREIGN LEGISLATIVE AND REGULATORY FRAMEWORK

> 1.1.
The FGDR's legal framework

Order N°. 2015-1024 of 20 August 2015 containing various provisions for adapting legislation to European Union financial law transposed both Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes ("DGSD2") and Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 on the resolution of credit institutions ("BRRD"). Enhancements were made to the deposit guarantee scheme in the same year through a series of five implementing decrees, all dated 27 October 2015. The substance of these decrees was described at length in the 2015 Annual Report of the Fonds de Garantie des Dépôts et de Résolution (FGDR), to which reference is made.

In 2016, the implementing provisions of the aforementioned order and relating to the Supervisory Board of the FGDR were subject to a decree dated 16 March 2016, published in the Official Journal on 25 March. This decree established the procedure for appointing the entitled members and for electing the elected members, the conditions for appointing their representatives to the Supervisory Board and the calculation method for each member's voting rights for (see FGDR Annual Report 2016).

1.1.1. Accounting and tax system of the FGDR - Law n°. 2016-1918 of 29 December 2016

Pursuant to the provisions prevailing until then, Article 92 of amending finance law No. 2016-1918 of 29 December 2016 for 2016 ("LFR") stipulated that a provision for intervention risk had to be set up for each mechanism or scheme in the FGDR's accounting system. This provision is equal to all excess income, including income resulting from the conversion of certificates and guarantee deposits into contributions in case of an intervention, and the sums collected following an intervention, relative to all the expenses for the year, including intervention expenses. It is added to the FGDR's reserves and is reversed in case of an intervention by the FGDR under the conditions set out in Article L. 317-7 of the French Monetary and Financial Code.

Concerning the tax system, this same article of the law added an Article 39 quinquies GE to the General Tax Code stipulating that this provision for intervention risk must be tax-exempt.

All in all, these legislative provisions re-established the FGDR's accounting and tax system on a new basis, subsequent to the transposition of the aforementioned "DGSD2" directive. This framework was of course used in 2017 for the closing of the 2016 accounts and is being used once again this year for the closing of the 2017 accounts.

1.1.2. The FGDR's financial resources - decree of 13 April 2017

This decree sets out the terms under which the decree of 27 October 2015 on the FGDR's financial resources is applicable to the contributions of the Fund's members under the investor compensation scheme and the performance bonds guarantee scheme.

In particular, it sets out the legal characteristics of the member's certificates and the certificates of membership for these schemes and the method of assigning any losses, as well as the conditions and limits within which a portion of the contributions may not need to be paid to the FGDR if payment commitments and guarantee deposits in an equal amount are given to the FGDR.

1.1.3. Internal regulation of 29 March 2017 approved by ministerial decree of 28 April 2017

Order no. 2015-1024 of 20 August 2015 containing various provisions for adapting legislation to European Union financial law and transposing the "DGSD2" and "BRRD" directives substantially changed the rules relating to the guarantee mechanisms managed by the FGDR. It appeared necessary to revise the FGDR's internal regulations, the previous version of which dated back to 2008. Indeed, the FGDR is peculiar from a legal standpoint in that it does not have statutes in the usual sense of the term. Pursuant to Article L.312-10 of the French Monetary and Financial Code, for provisions that are covered neither by law nor by implementing decrees, the internal regulations apply. In addition to a preamble outlining the legal framework of the FGDR, the internal regulations contain five sections relating to the Supervisory Board, the Management Board, the rules regarding the use of funds, the accounting rules and various and temporary provisions. This new regulation includes provisions relating to the FGDR's new accounting and tax system resulting from the amending finance law of 29 December 2016.

1.1.4. Market undertakings - order no. 2017-1107 of 22 June 2017 on markets in financial instruments

The order transposing Directive 2014/65/EU ("MIF 2") regarding markets in financial instruments authorises market undertakings "to provide the investment services referred to in sections 8 and 9 of Article L.321-1" of the French Monetary and Financial Code but, in return, requires them to join the FGDR's investor compensation scheme.

A market undertaking operating in France was therefore approved by the *Autorité des Marchés Financiers* (AMF) at the end of 2017 and became a new member of the scheme. Others could follow from the beginning of the 2018 financial year since the authorisation for market undertakings to manage trading facilities ("SMN/MTF" or "SON/OTF") is effective from 3 January 2018 when the MIF 2 Directive comes into force.

1.1.5. The FGDR's borrowing capacity - law 2018-32 of 22 January 2018 on public finance planning

At the end of 2016, the FGDR was statistically reclassified by the national (INSEE) and European (Eurostat) statistics bodies as a "public administration". Pursuant to French domestic law, this reclassification placed the FGDR in the category of "Central Administration Bodies" which therefore subjects it to the provisions of Article 12 of Law 2010-1645 of 28 December 2010 on public finance planning, which governs its borrowing capacities. In particular, the FGDR is prohibited from obtaining new loans of more than one year and is also required to shorten the maturity of the guarantee deposits collected to 364 days.

Article 25 of the Public Finance Planning Act for 2018-2022, approved by Parliament at the end of 2017 and enacted in early 2018, lifted this prohibition, while making the conditions and limits within which the FGDR may obtain a loan with a term of more than twelve months subject to a decree from the Minister for the Economy. This provision shall therefore be the subject of an additional decree in 2018.

> 1.2.
International regulatory changes and developments

Regulatory developments also include those at the international level, where the FGDR plays an active role both when the regulation is developed and at the time of its individual and collective operational implementation.

1.2.1. "European Deposit Insurance Scheme – EDIS" project

In November 2015, the European Commission unveiled its proposal to create a single European deposit insurance scheme ("EDIS"). This initiative aims to complete the Banking Union by organising a euro-area wide system of reinsurance/coinsurance among the national funds ("third pillar"). It fulfils the desire to de-link sovereign risk and banking risk and responds to concerns that the guarantee schemes of some countries may be unable to deal with a local bank crisis if the failed institutions whose compensation they would need to pay became too large in size.

In late 2016, Mrs Esther de Lange, Rapporteur of the European Parliament on this matter, presented an alternative "EDIS" project that places more emphasis on reducing risks and is built around a phase of liquidity sharing among European funds, followed by a reinsurance phase for excess loss. The proposal would keep one half of the resources to be mobilised at the local level.

In substance, the "BRRD" directive and the "SRM" (Single Resolution Mechanism) regulation introduced powerful Europe-wide bank crisis resolution instruments, particularly for systemic crises. Under this new framework, excluding residual participation in the financing of extreme bank crisis resolution, deposit guarantee schemes today have greater resources than they had previously, and only to deal with non-systemic local crises.

While the "DGSD2" directive made great strides towards harmonisation at the European level, the "EDIS" project would add full sharing of the costs of the deposit guarantee scheme among all banks in the euro zone. This would therefore imply complete harmonisation of the national deposit guarantee schemes, particularly in terms of defining covered deposits and coverage rules, as well as the costs borne by each national system.

Moreover, once common rules are adopted, it will be important for the European principle of subsidiarity to prevail: local operators, in which depositors place their trust, must be the players on the ground that implement the deposit guarantee scheme at an operational level. They must therefore have immediate access to resources. In fact, the activity of a deposit guarantee scheme is rooted in national and local realities: the failure is local, as are the banking products concerned, the applicable law, particularly bankruptcy law, civil law and consumer law, the use of language and direct contact with the depositor.

Consistently and independently of the political options that would involve varying degrees of solidarity among Member States of the euro zone, the FGDR is endeavouring to send a more technical message:

- to ensure depositors' trust, the deposit guarantee scheme may be European, but must, at the same time, remain local in its application;
- even before sharing of the financial burden, the most important thing for a deposit guarantee scheme is access to liquidity;
- lastly, a more effective system, as the EDIS must be, is also a system that must be less expensive than the existing one and, in any case, must avoid adding more expenses to the banking system

The work started in Brussels on this draft text is still under way between the Council, the Parliament and the Commission. It includes an important component aimed at reducing the risks of the national banking sectors as a precondition for partially or totally collective financing.

1.2.2. Guidelines of the European Banking Authority (EBA)

With the conclusion in May 2014 of the main constituent provisions of the Banking Union, and particularly the Directive on European Union deposit guarantee schemes ("DGSD2"), the European Banking Authority (EBA) was tasked with developing extensive secondary regulations relating to deposit guarantee schemes.

These regulations take the form of "guidelines", which are the subject of prior consultations with the relevant public and then decisions of the Authority's competent college before being proposed to the Member States based on a "comply or explain" procedure. Although these regulations are therefore not directly binding, they have *de facto* the full scope of a legal rule because of the manner in which they are developed and the general discipline of the States.

The EBA has recently published four guidelines concerning the deposit guarantee scheme and relating to the following fields:

- general rules for calculating contributions to deposit guarantee schemes;
- characteristics of the "collateralised payment commitments" by which institutions may fulfil up to 30% of their contribution-related obligations;
- stress tests that must be conducted by deposit guarantee schemes to assess the degree of preparation and resistance of their intervention systems;
- definition of the cooperation agreements among the Union's deposit guarantee schemes to allow the arrangement of cross-border compensation, as well as any loans and transfers of contributions between funds.

The last two guidelines are more recent, dating back to 2016. The FGDR's activity was already compliant with these guidelines, but 2017 was also an opportunity to further implement the FGDR's objectives corresponding to these guidelines, particularly in terms of stress tests. In the first half of 2017, the FGDR presented its multi-year 2017-2019 stress tests programme to the EBA. In 2019, the EBA will conduct a general evaluation of the stress tests of the European Union's deposit guarantee schemes, in which the FGDR will obviously take part.

1.2.3. Activities of the European Forum of Deposit Insurers – EFDI

The European Forum of Deposit Insurers brings together all European funds (deposit guarantee and investor compensation schemes), and not only the countries of the European Union, to facilitate the exchange of experiences among deposit insurance practitioners and share their thoughts on the European legal framework for their activities.

Following substantial changes to its statutes, in 2017 the EFDI adopted an ambitious and demanding roadmap.

The EFDI thought long and hard about the revision of its statutes. This revision, which began three and a half years ago in parallel with the association's planning process and was relaunched at the end of 2016, was submitted to the community of 57 European member guarantee schemes and eventually approved almost unanimously at an extraordinary general meeting held in Brussels in May 2017.

The changes to the statutes, which sought to preserve the association's genetic code (exchanges among practitioners, priority given to the technical approach, consensus building, lightweight operation), resulted in an operating framework characterised mainly by the following elements:

- redefinition of the missions so as to encompass resolution activities;
- the ability to issue "non-binding guidance" to members;
- better integration of members and issues relating to "investor compensation schemes";
- enhanced governance for the "EU Committee", the centre of the EFDI's activities, through an independent "EU Management Executive" responsible for coordinating the work regarding the European Union's schemes;
- a maximum level of contributions increased to €10,000;
- less onerous quorum rules and more stringent proxy rules. .

In order to facilitate its operation and increase the scope of the services provided to its members while remaining lightweight, the association decided to adopt a permanent structure, with its own Secretary General. This Secretary General will be responsible for assisting the Chairman and the Board of the EFDI in managing the organisation and its contacts with the European authorities. In the process of being finalised in early 2018, the recruitment for this position will give new momentum to the association's activities.

This will greatly help the EFDI to achieve the roadmap that the association has adopted for the coming years. This roadmap covers various objectives, particularly in terms of scheduling and conducting stress tests ("Stress Test Working Group"), the relationship of the deposit guarantee schemes with the public ("Public Relations and Communication Committee"), research ("Research Working Group" - risk-based contributions systems, changes in covered deposits, etc.), cooperation among investor compensation schemes ("ICS Working Group"), and of course a specific programme for the European Union's deposit guarantee schemes.

Thus, within the "EU Committee" and under the guidance of the "EU Management Executive", various important work priorities have been outlined for the practice and collective consideration of the Union's deposit insurers:

- the "D2I" ("DGSD Implementation Initiative"), which is working on a complete review of the implementation of the 2014 "DGSD2" directive by the Union's schemes so as to assess the difficulties encountered and solutions developed by each in fulfilling the European regulation's objectives;
- the "Banking Union Working Group", which is examining the feasibility and technical procedures for applying the objectives of the Banking Union, and particularly the "EDIS" project;
- the "Cross Border Working Group", which is responsible for harmonising the working methods of the European schemes in terms of cross-border cooperation and compensation.

Through the election of its Chairman as head of the EFDI and with the collective support of its teams, the FGDR has proudly taken on the challenging responsibility of managing this association since September 2016, giving it a greater role than ever in the European and international dimension of deposit guarantee schemes.

1.2.4. Activities of the International Association of Deposit Insurers (IADI)

At the end of 2014, the International Association of Deposit Insurers (IADI) issued a revised set of "Core Principles" (fundamental deposit insurance principles). The Core Principles constitute the fundamental doctrine of all deposit insurers around the world, as well as the standard used by the International Monetary Fund as the basis for the periodic assessments of the financial and financial regulation sectors that it conducts in all Member States ("FSAP – Financial Sector Assessment Program").

The new set of Core Principles provided a more solid and more rigorous structure to the previous version and attempted to address the issues of moral hazard and resolution and define increasingly stringent action principles. It includes, in particular, a seven-day target repayment period, the shortest possible compensation initiation times, and rules related to funding and management and monitoring or elimination of conflicts of interest.

In accordance with these Core Principles, the IADI has subsequently finalised another key element of the standards for the deposit guarantee scheme, the "Assessor Handbook". This handbook provides a detailed explanation of the Core Principles for "FSAP" assessors and clearly defines the content of the standards applicable to deposit insurers.

In the absence of significant new regulations in terms of guidance or research, in 2017 the International Association of Deposit Insurers continued to implement its strategic priorities, which aim, in particular, to ensure the dissemination of deposit insurance principles worldwide, provide technical cooperation and expertise in this regard to jurisdictions that express a need for this and produce analysis and research related to deposit guarantee schemes.

In 2017, the IADI also largely finalised the change of governance that some of its members wanted to implement. For the sake of effectiveness, the new governance has resulted in tighter operation around the elected members of the association's Board and its Chairman, as well as the more frequent use of majority votes rather than the longer and more demanding search for consensus.

In 2018, the IADI plans to assess the implementation of the first phase of its strategic plan, before deciding to move on to the second phase, with the strengthening of the technostructure that may result.

2. MANAGEMENT BODIES

> 2.1.
Composition and operation of the Management Board

The composition of the Management Board changed:

Position	Name	Effective date of appointment	Expiration date of current term
Chairman	**Thierry DISSAUX**	Reappointment 23 August 2014	22 August 2018
Member	**François de LACOSTE LAREYMONDIE**	Reappointment 31 December 2013	30 June 2017
Member	**Vincent GROS**	Appointment 1 July 2017	30 June 2021

Mr François de Lacoste Lareymondie retired on 1 July 2017, six months before the expiry of his term. The Supervisory Board noted this and, at the recommendation of the Nomination and Compensation committee, decided to appoint Mr Vincent Gros as Member of the Management Board and Deputy Chief Executive Officer at its meeting on 29 March 2017.

The compensation of the members of the Management Board was subject to a decision made on the same day by the Supervisory Board, at the recommendation of the Appointments and Compensation Committee.

The status of the members of the Management Board was set by the Supervisory Board at its meeting on 8 December 2010.

> 2.2.
Composition and operation of the Supervisory Board

Pursuant to Article L. 312-10 of the French Monetary and Financial Code, the seven banking groups that are the largest contributors to the deposit guarantee scheme are entitled members of the Supervisory Board. The others are elected as follows: two members for the deposit guarantee scheme; two members for the investor compensation scheme; one member for the performance bonds guarantee scheme.

The seven largest contributors to the deposit guarantee scheme are: the Crédit Agricole group, the BPCE group, the Crédit Mutuel group, the Société Générale group, the BNPP group, Banque Postale and HSBC France. They have appointed their permanent representative to the FGDR's Supervisory Board.

The other members of the Supervisory Board were elected by the members of each mechanism, it being stipulated that:

- only credit institutions not represented by the entitled members may elect members for the two seats to be filled for the deposit guarantee scheme;
- only members of the investor compensation scheme that are not credit institutions (for all practical purposes, investment firms) may elect members for the two seats to be filled for the investor compensation scheme;
- only members of the performance bonds guarantee scheme that are not credit institutions (for all practical purposes, financing companies) may elect the member for the seat to be filled for the performance bonds guarantee scheme;
- elected for the deposit guarantee scheme were: Groupama Banque represented by Mr Bernard Pouy and Banque Martin Maurel represented by Mrs Lucie Maurel-Aubert;
- elected for the investor compensation scheme were Exane represented by Mr Benoît Catherine and Prado Épargne represented by Mr Jean-Michel Foucque;
- Crédit Logement, represented by Mr Jean-Marc Vilon, was elected for the performance bonds guarantee scheme.

The representative of Groupama Banque, which has since become Orange Bank, has been Mrs Delphine d'Amarzit since the end of 2016. The composition of the Supervisory Board for 2017 was as follows:

Chairman	
Nicolas DUHAMEL Advisor to the Chairman of the Management Board in charge of public affairs - BPCE group	
Members	
Laurent GOUTARD (Vice-Chairman) Director Retail Banking - SOCIÉTÉ GÉNÉRALE	**Jérôme GRIVET** Deputy Chief Executive Officer - CRÉDIT AGRICOLE S.A
Delphine d'AMARZIT Deputy Chief Executive Officer - ORANGE BANK	**Gilles LE NOC** Deputy Chief Executive Officer - CNCM et CCM
Jean BEUNARDEAU Chief Executive Officer - HSBC France	**Florence LUSTMAN** Chief Financial Officer - LA BANQUE POSTALE
Benoît CATHERINE Deputy Managing Director - EXANE	**Lucie MAUREL-AUBERT** Member of the Management Board BANQUE MARTIN MAUREL
Jean-Michel FOUCQUE Chief Executive Officer - PRADO ÉPARGNE **Jean-Marc VILON** Chief Executive Officer - CRÉDIT LOGEMENT	**Jean-Jacques SANTINI** Director Institutional Affairs - BNP Paribas
Non-voting member appointed by the Minister for the Economy	
Antoine SAINTOYANT replaced by **Jérôme REBOUL** from August 2017 Assistant Director Banking and General-Interest Financing (Treasury Directorate)	

The members of the Supervisory Board are elected for four years. Their term of office ends after the Board meeting to approve the financial statements for the fourth financial year of the term. The Supervisory Board also appointed the FGDR's legal director as secretary.

It formed two specialised committees:

AUDIT COMMITTEE	
Chairman	
Jean-Jacques SANTINI	
Members	
Laurent GOUTARD	**Gilles LE NOC**

NOMINATION AND COMPENSATION COMMITTEE	
Chairman	
Nicolas DUHAMEL	
Members	
Delphine d'AMARZIT	**Jean BEUNARDEAU**

The FGDR's Supervisory Board held four meetings in 2017, during which detailed updates were routinely given on cash management (performance and outlook), on issues being discussed with the authorities and on international developments.

With regards to the main topics covered during the four Supervisory Board meetings:

• **Meeting of 29 March 2017:** meeting dedicated to the approval of the 2016 financial statements and the FGDR management report. During its meeting, the Board also approved the FGDR's internal regulations which were subject to approval by a dated 28 April 2018 decree by the Minister of Finances.

• **Meeting of 20 June 2017:** during this meeting, the FGDR presented its 2016 internal control report. The Board also approved the negotiation of a credit line with a banking "*club deal*" comprised of seven French banks. This line is intended for the deposit guarantee scheme.

• **Meeting of 4 October 2017:** meeting largely dedicated to the FGDR's resources (2017 calls for contributions and credit line for the deposit guarantee scheme). The FGDR also presented an assessment of the impact of the General Data Protection Regulation (GDPR). During this meeting, the Board approved the term sheet for the credit line and authorised the Board to enter into the contract on this basis.

• **Meeting of 19 December 2017:** dedicated to the FGDR's budget (2018 income forecasts and budget) and a review of the regular controls carried out by the FGDR among its deposit guarantee scheme members. During this meeting the Internal Control Officer presented the FGDR's new risk mapping and the associated action plan.

The breakdown of votes on the FGDR's Supervisory Board at 31 December 2017 was as follows:

Group or Member name	Represented by	Breakdown of votes deposit guarantee		Breakdown of votes investor compensation		Breakdown of votes performance bonds guarantee		Breakdown of votes all guarantees	
		Number	%	Number	%	Number	%	Number	%
CREDIT AGRICOLE GROUP	Mr Jérôme GRIVET	1,196,760,458	**32.79**	29,791,142	**19.38**	5,554,835	**14.48**	1,232,106,435	**32.07**
BPCE GROUP	Mr Nicolas DUHAMEL	820,170,828	**22.47**	19,655,708	**12.79**	5,083,751	**13.25**	844,910,287	**21.99**
CREDIT MUTUEL GROUP	Mr Gilles LE NOC	557,936,867	**15.29**	12,555,204	**8.17**	3,254,434	**8.48**	573,746,505	**14.94**
SOCIETE GENERALE GROUP	Mr Laurent GOUTARD	341,981,089	**9.37**	22,150,116	**14.41**	8,741,597	**22.78**	372,872,802	**9.71**
BNP-PARIBAS GROUP	Mr Jean-Jacques SANTINI	288,695,307	**7.91**	36,142,303	**23.51**	8,942,333	**23.30**	333,779,943	**8.69**
LA BANQUE POSTALE GROUP	Mrs Florence LUSTMAN	295,048,337	**8.08**	4,115,343	**2.68**	54,818	**0.14**	299,218,499	**7.79**
HSBC GROUP FRANCE	Mr Jean BEUNARDEAU	43,619,632	**1.20**	4,880,888	**3.18**	817,251	**2.13**	49,317,771	**1.28**
ORANGE BANK	Mrs Delphine d'AMARZIT	71,630,797	**1.96**	250,696	**0.16**	49,589	**0.13**	71,931,081	**1.87**
BANQUE MARTIN MAUREL	Mrs Lucie MAUREL-AUBERT	33,610,979	**0.92**	415,157	**0.27**	27,409	**0.07**	34,053,545	**0.89**
EXANE	Mr Benoît CATHERINE	–	–	16,691,653	**10.86**	–	–	16,691,653	**0.43**
PRADO EPARGNE	Mr Jean-Michel FOUCQUE	–	–	7,071,739	**4.60**	–	–	7,071,739	**0.18**
CREDIT LOGEMENT	Mr Jean-Marc VILON	–	–	–	–	5,848,546	**15.24**	5,848,546	**0.15**
Total		3,649,454,293	100	153,719,949	100	38,374,564	100	3,841,548,806	100

3. DAY-TO-DAY MANAGEMENT

> 3.1.
Members firms

At 31 December 2017, the Fonds de Garantie des Dépôts et de Résolution had 480 members, many of whom participate in several schemes. Taken separately, each mechanism has:
- for the deposit guarantee scheme: 362 members;
- for the investor compensation scheme: 306 members;
- for the performance bonds guarantee scheme: 311 members;
- for the National Resolution Fund: 80 members.

> 3.2.
Resources and contributions to the different mechanisms

The FGDR's resources come from the contributions paid by its members.

To supplement its available resources, in January 2018 the FGDR took out a renewable stand-by credit line in the amount of one billion four hundred million euros maturing in January 2019 with two options to extend it for one year.

Thanks to this credit line, from 2018 the FGDR will have available resources of more than €5 billion, i.e. 0.5 % of bank deposits covered by its guarantee in France. This amount lies within the targets for 2024 that the European regulations have set with regard to deposit guarantee schemes' resources. The FGDR is supported by seven French banks in the form of a "club deal" to bring this operation to a successful conclusion.

The procedures for collecting contributions for the various guarantee mechanisms have remained largely unchanged since 2016. The contributions are broken down into two categories:
- the first – and largest – part is intended to provide the FGDR with the resources needed for a possible intervention.
- the second – and smaller – part is intended to finance the FGDR's operating expenses.

The FGDR is also responsible for collecting contributions on behalf of the Single Resolution Fund (SRF) and transferring them to that fund after receipt. It also collects the contributions to the National Resolution Fund (NRF) which it manages.

The net contributions collected by the FGDR for its own account totalled €284.5 million (including €276.8 million for the deposit guarantee scheme) based on the following breakdown:
- €14.3 million in premiums, including €9.0 million to finance the FGDR's operating expenses;
- €180.9 million in member's certificates;
- €89.3 million in guarantee deposits.

a) Review of the framework of powers

Except for contributions to the two resolution funds for which different procedures exist, the new Articles L. 312-8-1 and L. 312-10 of the French Monetary and Financial Code resulting from Order 2015-1024 of 20 August 2015 applicable from the collection of 2015 contributions provide that:
- the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) determines the contribution calculation rules, after obtaining the opinion of the FGDR's Supervisory Board. These calculation rules mainly cover the risk factors and other adjustment factors to be applied to the base determined by the covered deposits, their weighting and their impact in terms of increasing or decreasing the contributions, which must reflect the guidelines issued by the European Banking Authority (EBA);
- the Supervisory Board sets the amount or rate and the nature of the contributions levied each year, at the recommendation of the Board and after obtaining the assent of the ACPR. The Supervisory Board has a choice of two methods. Either it sets the amount of an overall contribution to be allocated among the members, or it sets the rate to be applied to the base weighted by each member's risks and adjustment factors to determine its individual contribution. It also determines the possible legal forms of the contributions (premiums, member's certificate, cer-

tificate of membership and payment commitment backed by a guarantee deposit in an equal amount given to the FGDR);
- lastly, the ACPR continues to calculate the individual contributions and notifies the members and the FGDR. The FGDR is still responsible for collecting the contributions, as it previously was.

b) Decision-making process

Pursuant to the decrees of 27 October 2015 and since the calculation methods for the three mechanisms are now established, contributions for the three guarantee mechanisms are set based on the following sequence:
- transmission to the ACPR of a proposal for discussion by the FGDR's Supervisory Board of the amount or rate and the nature of the contributions to be levied for a given year for each of the mechanisms;
- opinion of the ACPR's *Collège de Supervision* regarding this proposal;
- final decision of the Supervisory Board on this basis, in compliance with the opinion of the ACPR. If the decision does not comply with the opinion of the ACPR, the procedure begins again on an urgent basis (eight days) based on a draft decision prepared by the ACPR. If the non-compliance persists, a finding of non-compliance is issued by the ACPR whereby its opinion becomes the decision.

It should be noted that, for contributions to be levied for the investor compensation scheme, the opinion of the *Autorité des Marchés Financiers* (AMF) must also be obtained before each decision is taken.

c) Amount and form of contributions to the deposit guarantee scheme

The ACPR has notified all institutions regarding the calculation of the individual annual contribution target. This individual annual target is equal to the difference between the expected stock of contributions at the end of 2017, calculated by applying the rate set by the Supervisory Board to the individual base of covered deposits, and the stock of contributions at 31 December 2016. If the individual annual target is positive, i.e. if the institution must pay a contribution, it is then weighted by the risk factors specific to it. The result of the calculation after risk weighting determines the amount actually levied on each member for 2017. If the institution's stock is higher than its individual target, the difference results in a refund, which is not weighted.

All financial institutions have the same breakdown by instrument of the individual stocks of net contributions.

Finally, a €7.5 million contribution to finance operating expenses was levied.

d) Contributions to the investor compensation and performance bonds guarantee schemes and to the National Resolution Fund

The contribution to the performance bonds guarantee scheme is comprised of:
- payment commitments in the amount of €11.05 million, backed by guarantee deposits of less than one year in the same amount, to offset the repayment in the same amount of expiring guarantee deposits; and
- a €350,000 contribution to maintain own funds.

The contribution to the investor compensation scheme is comprised of:
- payment commitments in the amount of €22.3 million, backed by guarantee deposits of less than one year in the same amount, to offset the repayment in the same amount of expiring guarantee deposits; and
- a €1.1 million contribution to maintain own funds.

In accordance with the European "BRRD" directive and the provisions of the order of 20 August 2015, the National Resolution Fund is managed by the FGDR. The amount of the contributions levied in 2017 for this mechanism was €3.8 million.

> 3.3. The compensation system for the deposit guarantee scheme

In 2017, the work relating to the compensation system for the deposit guarantee scheme mainly involved:
- the end of the implementation of the changes resulting from the European "DGSD2" directive (April 2014) and its transposition into French law (order of 20 August 2015 and decrees of 27 October 2015);
- the development of two new partnerships with banks in the Pacific zone: the Banque de Nouvelle Calédonie and the Banque de Tahiti;
- the medium stress tests program;
- ensuring the compliance of the Compensation and Communication System (CCS) with the General Data Protection Regulation (GDPR).

3.3.1. Implementation of the changes resulting from the European "DGSD2" directive (April 2014) and its transposition into French law (order of 20 August 2015 and decrees of 27 October 2015)

The main project focused on finalising the development of the scheme for the exchange of payment files between the FGDR and the European guarantee schemes to compensate customers of European branches of an institution based in another country in the European Economic Area (EEA).

In Europe, each country's deposit guarantee scheme covers banks that have their registered office in that country and branches of those banks in another European country. The "DGSD2" directive requires that, in the case of European branches, the deposit guarantee scheme of the host country is the channel for compensating the customers of those branches. This scheme applies to a total of 31 countries of the EEA.

Each European deposit guarantee scheme must therefore have the following capability:

- as the home deposit guarantee scheme ("Home"): to send to the host scheme payment instructions regarding the depositors of the branches and the corresponding resources;
- as the host deposit guarantee scheme ("Host"): to receive from the home scheme payment instructions for customers of a foreign bank that has a branch in its territory and the corresponding resources and then, on that basis, arrange for the compensation of the local depositors.

The FGDR is therefore involved in this type of bilateral relationship with 20 countries of the EEA.

Thanks to the work initiated in 2016, the functions necessary for the FGDR to assume a "Host" position vis-à-vis the other European Deposit Guarantee Schemes (DGS) in terms of exchanging payment files have been put in place.

In February 2017, the process was finalised with the implementation of the functions required for its "Home" position.

In June 2017, the FGDR successfully tested its payment platform, under both "Home" and "Host" relationship types, with three other European schemes: Great Britain, Ireland and Sweden.

Furthermore, in order to finalise the alignment of our schemes with the latest regulatory developments of October 2015, in late 2017 functional changes were made to the IT system to allow:

- the automated compensation of holders of temporary high balances;
- faster management of depositors subject to account seizure orders;
- the compensation for recipients of bank cheques;
- reports for the Treasury Directorate and the liquidator;
- the transfer of information and assets of inactive accounts within the meaning of the Eckert law to the *Caisse des Dépôts et Consignations* (CDC).

The CCS is therefore fully aligned with the "DGSD2" regulation and its transposition into French law.

3.3.2. Development of two new partnerships with banks in the Pacific zone

The decree of 16 November 2015 relating to the implementation of the deposit guarantee scheme, the compensation ceiling and the rules for the application of Article L. 312-4-1 of the French Monetary and Financial Code sets out:

Article 1: scope of application II. - It also applies to credit institutions with their registered office in: 1 French Polynesia; 2 New Caledonia; 3 the Wallis and Futuna Islands.

Section 4: Terms and conditions of compensation Article 10: settlement currency.

II. - The compensation of depositors of the credit institutions referred to in Article 1, II is paid in CFP Francs.

From its inception, the CCS has been able to compensate in currencies other than the Euro and particularly in CFP Francs. The FGDR now needed to enter into agreements with a bank working in this currency in each of the two territorial collectivities of the Pacific zone where member banks of the FGDR's deposit guarantee scheme are located.

The FGDR chose the Banque de Nouvelle Calédonie to pay compensation to depositors residing in the territories of New Caledonia and Wallis and Futuna (five banks) and the Banque de Tahiti for depositors residing in the collectivity of French Polynesia (three banks). The contracts and operations protocols were finalised with these two institutions at the end of 2017, the technical connections have been operational since February 2018 and the first payment tests will be carried out in April 2018.

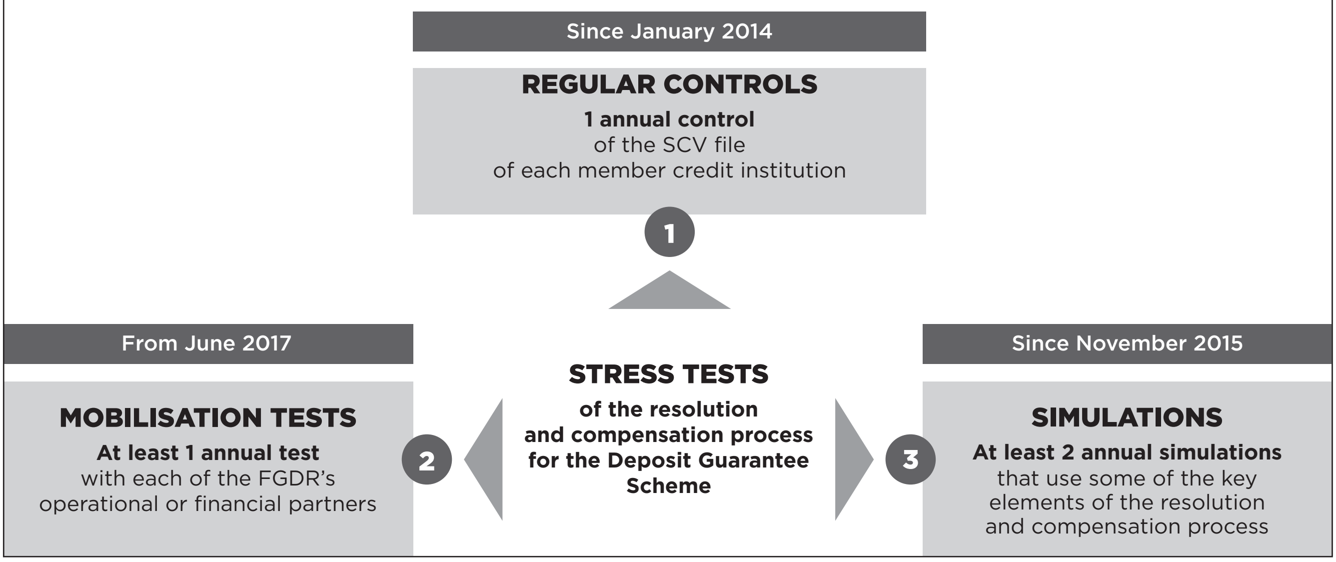
Following this final project, the CCS process will be complete in terms of the partners and service providers needed to support the FGDR in case of compensation.

3.3.3. Continued deployment of the stress tests plan

In 2017, the FGDR continued the roadmap for its 2015-2019 stress tests plan for depositor compensation.

This programme is built on three pillars:
1 - “regular controls” » of the SCV (Single Customer View) files produced by each member institution of the deposit guarantee scheme;
2 - “mobilisation tests” with the FGDR’s service provider partners;
3 - « **simulations** » that test the key elements of the compensation system.

The 3 pillars of the stress tests



3.3.3.1. Pillar N°. 1 - Regular controls of the SCV file

To ensure that compensation takes place under the best conditions, the FGDR has set up a protocol for the exchange of a standardised “SCV” (Single Customer View) file. This file contains the information necessary to compensate customers of the failed bank under the deposit guarantee scheme and pursuant to the provisions of the “DGSD2” directive.

Since 1 April 2014, all banking institutions must be able to send a SCV file to the FGDR in accordance with the rules defined in the functional requirements. The proper compensation of customers within seven working days depends on the quality of this file.

The 2016-2017 regular control campaign was completed in April 2017 (the 2017-2018 campaign started in September 2017 and will be completed in June 2018).

Of the 362 institutions that are members of the deposit guarantee scheme:
- 279 collect deposits or hold payable guarantee deposits and were required to submit a SCV file. In total, 2 million compensation files were subject to regular controls;
- 83 do not collect deposits and do not hold payable guarantee deposits. As is the case each year, the institution’s effective manager requested an exemption from the requirement to submit a SCV file, which was approved by the FGDR after reviewing the situation justifying it.

a) Scope of a regular control

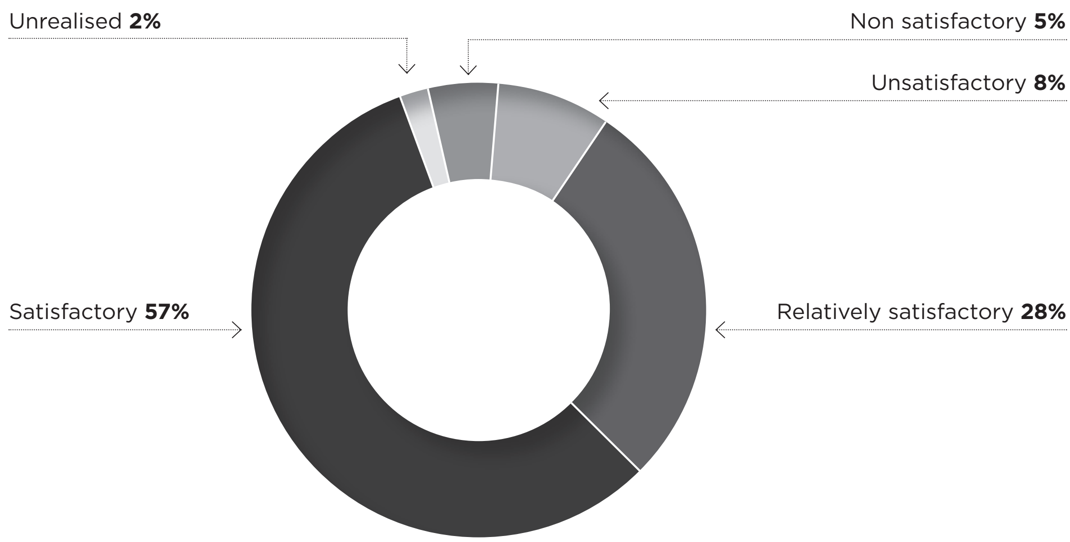
The controls are performed based on actual data comprised of information on:
- the identity and contact information of the bank’s customers;
- the customers’ accounts;
- their most recent bank account statements as of the

date of the failure, which would be sent to the customers by the bank in case of a failure.

The controls performed by the FGDR focus on the completeness and quality of the data and its compliance with the functional requirements. In this way, the FGDR ensures that it would be able to compensate the depositors of the controlled bank.

The results of the control, along with any compliance action plan drawn up by the institution, are discussed with the institution's teams and those of the FGDR. The report is sent to the bank's managers and to the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR).

b) Results of the 2016-2017 campaign for the 279 institutions subject to control



- 98% of the institutions (274) performed the control:
  - 85% of the institutions (238) had a "satisfactory" or "relatively satisfactory" conclusion.
  - for the remaining 13% of institutions (36):
    > 8% (22) had an "unsatisfactory" conclusion
    > 5% (14) had an "unacceptable" conclusion

- 2% (5) of the institutions did not perform their control, despite reminders from the FGDR.

c) Trend in the control results over three years

The percentage of "satisfactory" and "relatively satisfactory" scores has remained stable since 2014 (between 75% and 85%) despite the additions gradually made to the SCV as a result of changes in regulations and reinforcement of the controls.

After three control campaigns, the structural anomalies that prevented compensation from being sent have been virtually eradicated, which demonstrates that the institutions have a better technical understanding of the SCV file. However, there are still inaccuracies in the information submitted and the data quality controls are even more intense during the current 2017-2018 campaign.

d) Next steps in the regular control process

85% of institutions now comply with the regular control process. The common goal now is to gradually increase the level of quality and improvement of the files sent by the institutions and progressively the actual conditions of a compensation situation. From October 2018, the advance notice period will be reduced to one month and then to two days within three years. To work towards this objective, in 2018 the FGDR will organise workshops with a group of banks to find solutions that ensure compliance with regulations, while optimising, in terms of cost, quality and security, the applications developed in its own information system and those of credit institutions. The conclusions of these workshops will be available in late March 2018 for a plenary presentation to the banking community in early April 2018.

3.3.3.2. Pillar N°. 2 - Mobilisation tests with the FGDR's partners

Since 2016, the FGDR has ensured its partners' ability to mobilise their resources (human, material, financial, etc.) in accordance with the contractual and operational conditions expected by the FGDR.

In 2017, the FGDR's operational partners were regularly mobilised in these exercises, including:

- Edokial for its printing services in April and December 2017;
- Tessi for its digitisation of letters received from depositors in April and December 2017;
- Clai for its Press relations services in June 2017;
- Insign for its website administration in June 2017.

All the responses of FGDR's partners were of good quality and clarified the way in which their production would actually work. These results help to fine tune the processes so that they can be initiated under the best conditions in the event of compensation.

3.3.3.3. Pillar N°. 3 - Simulations

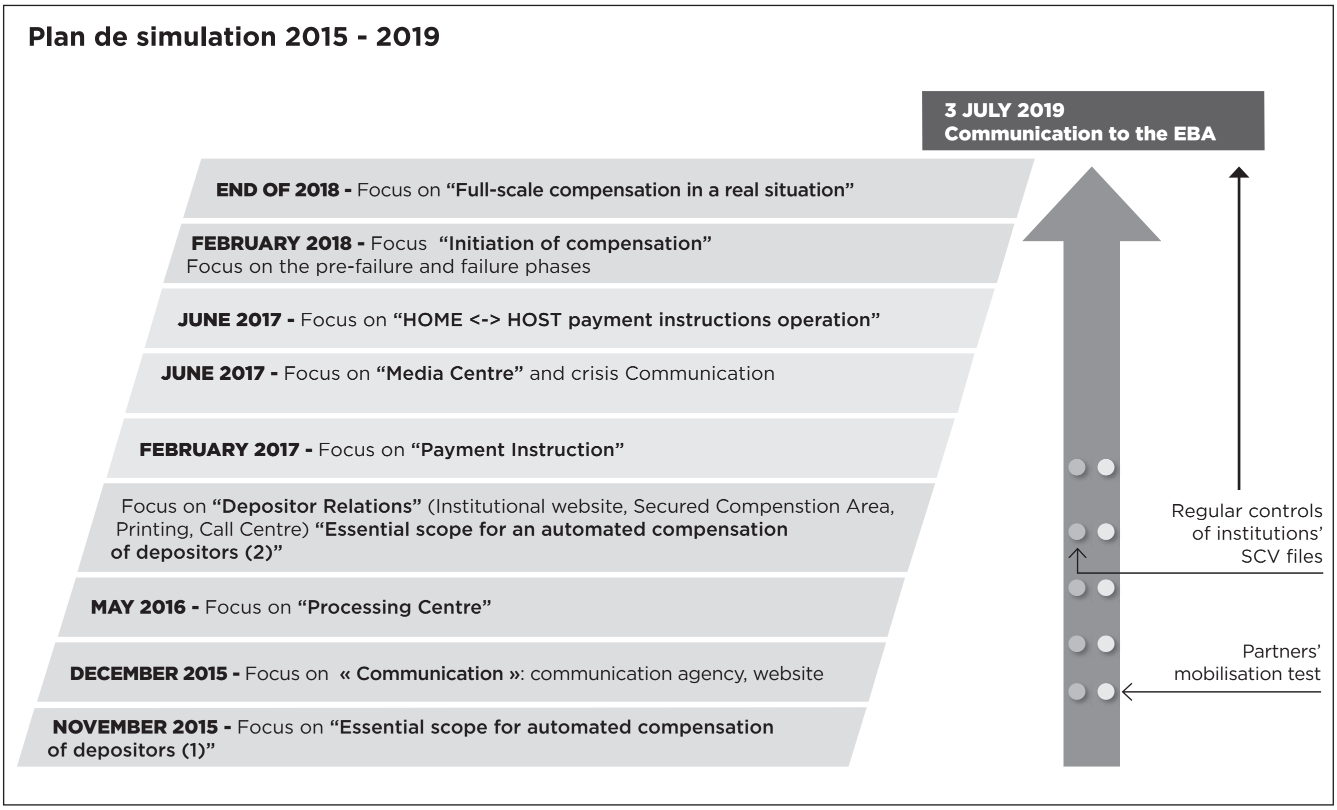
a) Construction principles and simulation programme

At the end of 2015, the FGDR developed a four-year (2015-2018) simulation plan to progressively test each of the key elements of its compensation system for the deposit guarantee scheme.

The plan is also fully compliant, in terms of content and schedule, with the stress test procedure required by the European Banking Authority (EBA) by July 2019.

The 2015-2018 simulation programme consists of ten major simulations, including three in 2017, each highlighting a key element of the Compensation and Communication System (CCS). Each simulation is performed according to a scenario with clearly defined objectives, a specific scope and a description of the expected results. Each exercise is the subject of a report that leads to an action plan aimed at improving the system.

The programme is implemented as follows:



The simulations performed in 2017 were:

1 - Focus on “Payment Instruments”: February and July 2017

- Objective: verify, under real conditions, the proper functioning of the depositor payment circuits by cheque and bank transfer.
- Partners involved: FGDR, equensWorldline (eWL) for the CCS, Edokial for cheque printing, LCL as the correspondent bank for issuing bank transfers and generating bank account statements.
- Results: The first operation in February 2017 showed:
  > the proper functioning of the cheques circuit and, in particular, the use of the FGDR’s cheque, which is easily exchanged with ten French banks;
  > the need to adjust the connection between the CCS and LCL’s systems for bank transfers and the receipt of account statements.

A second operation in July 2017 confirmed the proper functioning of the entire system.

2 - Focus on “Media Centre” Communication : July 2017

- Objective: test the FGDR’s ability to manage a media crisis using a “Media Centre”, comprised of a dedicated team for managing the media and social networks commonly used by journalists (Twitter). The aim was to test the FGDR’s ability to withstand media pressure throughout a compensation process.
- Partners involved: Agence Clai (institutional communication and press relations).
- Results: this first exercise tested the FGDR’s ability to mobilise its dedicated Press Relations team and manage the FGDR’s media communication: rumour control, official announcements, production of key messages and interviews throughout a compensation process.

3 - Focus on “Operation of Home <-> Host cross-border compensation”: June 2017

- Objective: perform a cross-border compensation simulation between the FGDR and another European deposit protection scheme by issuing/receiving payment instructions and payment instruction reports.
- Partners involved: FGDR, eWL, British, Irish and Swedish deposit guarantee schemes.
- Results: this first payment file exchange operation, which will be followed annually by other exercises of the same type, demonstrated that the FGDR was able to carry out these types of exchanges with its European partners.

Furthermore, beyond this 2015-2018 plan, bilateral exercises are performed regularly with some of our service providers. For instance, in 2017 exercises were organised:

- in June 2017, with Clai, the PR agency, a media-training exercice;
- in July 2017 with Teleperformance regarding the “Contact Centre” service: an operator training and call simulation exercise;
- in July 2017 and December 2017 with Teleperformance regarding the “Processing Centre” service: two operator training and file processing exercises.

b) To summarise

Through this comprehensive programme, which mobilises many of its resources, particularly in the operations, communications and finance departments, the FGDR regularly improves the processes and tools used to issue compensation. These exercises play an increasingly crucial role in the activity of the FGDR and its teams.

The programme is moving forward as scheduled and each operation provides greater knowledge, peace of mind and security in the ability to manage a compensation process. It is fully in line with the EBA Guidelines and will enable the FGDR to meet expectations in terms of stress test capability by July 2019.

3.3.4.4. CCS compliance with the General Data Protection Regulation (GDPR)

Adopted on 14 April 2016 by the European Union and applicable from 25 May 2018, the General Data Protection Regulation (GDPR) updates and modernises the principles of the French Data Protection Act of 6 January 1978, while increasing the level of penalties. Under the GDPR, the duties and responsibilities of all those processing personal data are increased.

In the summer of 2017, the initial analyses conducted by the FGDR confirmed that it falls within the scope of the GDPR, mainly for information processed by the Compensation and Communication System (CCS).

In September 2017, a meeting with the French data protection agency, CNIL, confirmed this analysis, but specified that some aspects of the regulation do not apply to the FGDR’s CCS in light of the missions assigned to it by law.

Therefore:

- the processing carried out by the FGDR is a “legal obligation” and it is therefore exempt from obtaining the prior consent of banks’ customers;
- the FGDR has no legal obligation to appoint a Data Protection Officer (DPO), even if this is recommended as a best practice;
- the concept of portability does not apply to the FGDR,

due to its specific characteristics and missions.
And in addition:
• the personal data processed by the CCS does not fall into the category of sensitive data as set out in Article 9 of the GDPR.

Since the legal framework is established, the FGDR has continued its work to adapt the entire operational scheme that results from it. In the end, two types of CCS processing are eligible for compliance with the regulation:
• compensation under the deposit guarantee scheme;
• the regular controls, a preparatory step for any compensation.

It should be noted that both these types of processing were already the subject to a declaration to CNIL in 2013 and that a comprehensive analysis of the processes and tools was performed, both internally at the FGDR and with all partners involved in the processing of personal data (eWL for the IT platform, Edokial for printing, Tessi for the digitisation of customer letters, Teleperformance for the Contact and Processing Centres). It is important to note that the FGDR's partners, major players in their industry and service providers for many banks, have already undertaken significant work internally to ensure alignment with the GDPR. As a result of this work, the CCS already has a very high level of protection.

Nevertheless, two additional measures will be taken in 2018 to improve the security of the system:
• the data sent by banks during regular controls will be anonymised. Therefore, if the various barriers in place were breached, any data stolen would be completely unusable;
• the encryption of sensitive data during the compensation phases to protect the FGDR from any risk of data theft and misappropriation of payments.

In 2018, the work relating to the GDPR project will be deployed according to the following schedule:
• by May 2018:
  > implementing personal data governance at the FGDR;
  > updating contracts with partners;
  > training internal and external employees using the CCS.
• by the third quarter of 2018:
  > anonymising data during regular controls.
• by the fourth quarter of 2018:
  > implementing organisational and technical procedures allowing the rights of individuals to be exercised;
  > securing "Compensation" processing by strengthening the security of data deemed most sensitive.

At the end of 2018, the FGDR's governance and CCS processing will therefore be in line with best practices in terms of personal data protection.

> 3.4. The member database project

The "member database" application is an IT solution for managing FGDR members' contributions. Used daily, it is essential to the FGDR's operation under normal circumstances, and even more so in times of crisis if contributions need to be levied by the FGDR within shorter periods.

In 2017, due to the termination of the contract by its service provider selected in 2015, the FGDR had to once again redesign this application. From the start, there were several objectives:
• a new state-of-the-art technical platform;
• open functionality to keep pace with regulatory developments and changes in the industry;
• a general improvement in security.

After analysing various tenders, the equensWorldline (eWL) company was chosen to implement this specific solution as well as its outsourcing and hosting.

The implementation schedule defines three successive lots:
• lot 1 - November 2017: management of members' information and documents, the functions allowing calls for contributions and the monitoring of call for contributions campaigns (bank reconciliation, payment and updating of the accounting system, *Business Intelligence* tool), administrative and cross-departmental functions;
• lot 2 - February 2018: management of members' licence revocations, calculation of interest and penalties;
• lot 3 - June 2018: management of the elections of Supervisory Board members, the loss assignment function in case of an intervention by the FGDR.

Thanks to a significant commitment on the part of the service provider and the FGDR's teams, the project, still in progress, has fully complied as of now with the initial requirements:
• the system was delivered on time, making it possible to collect contributions at the end of 2017 using the new application;
• the project has also stayed within the approved budget.

> 3.5.
Communication and training

The FGDR's visibility has increased over the past two years. The regulatory work, particularly as regards the transposition of the European "DGSD2" directive into French law with the enactment of the decree of 27 October 2015 on the notification of depositors regarding the deposit guarantee scheme, increased the FGDR's exposure among banks, the media and the general public. The challenge was to manage this growing exposure and strengthen the trust of the media and the public in the banking system and in the deposit protection scheme.

The regulatory requirements to notify bank customers resulted in higher demand for information from the FGDR. The annual campaigns to distribute the "regulatory information template" launched by the banking networks led to a high volume of incoming contacts. The FGDR must continue to be available and maintain a presence equal to the demands of bank customers and industry players.

Generally speaking, the FGDR's information and communication under normal circumstances is guided by the following objectives:

- progressiveness: being appropriately visible, without generating unnecessary questions or fuelling fears of a crisis;
- education: responding clearly to requests and conveying a strong message of customer protection and banking risk prevention for banks and financial establishments;
- support: being available quickly at the public's request, creating and nurturing a relationship of trust;
- consistency: being in line with the messages and information distributed by the entire industry (authorities, banking institutions, representative bodies);
- clarity: conveying a strong message in support of the financial sector regarding the significant progress made in terms of protecting customer deposits;
- adaptability: being able to immediately adopt a crisis intervention scenario.

3.5.1. Direct information for depositors - website, incoming calls and emails to the FGDR

- **Website**

Compared with 2016, traffic remained at an average of over 15,500 monthly visits with a peak of 36,368 visits in January 2017. The updates of the content included the release of two new brochures in foreign languages (Chinese and Arabic) and all the text and figures on the website.

- **Telephone calls**

To keep pace with the distribution by the banking networks of the annual information templates regarding the deposit guarantee scheme, the FGDR responded to a high volume of calls, particularly during the first half of the year. From January to mid-July 2017, calls had to be rerouted to the Teleperformance external service provider, with a total of 5,726 calls received and handled during the period, i.e. an average of 286 calls per week. The number of calls per day was as high as 180.

- **Incoming emails**

Incoming emails from the website are managed internally, with more than 50 received per week during peak periods and fewer than 30 per week at off-peak times. Most of these emails are related to the annual information templates sent by the main banking networks.

The quality of the banking networks' institutional communication is crucial insofar as it determines the volume of contacts to which the FGDR must then respond and, consequently, the related resources it must deploy. In 2017, the Communication working group led by the FGDR therefore produced, approved and distributed a best practices guide on the support needed for publication of the "annual regulatory template" and reference to the guarantees on covered account bank statements. This guide is available to all institutions so that they can follow its recommendations. While the best practices guide on depositor information distributed in May 2017 was well-received and understood, its application in the systems from 2018 is not fully assured and will be subject to follow-up.

3.5.2. The Compensation and Communication System (CCS)

Alongside the technical development of the Compensation and Communication System (CCS) launched in early 2013, work continued on developing and updating the information and customer support process in case of the failure of an institution, with the main projects being compensation letters, customer call centre, institutional website and its "crisis" mode version and the secure web platform for depositors called "Secure Compensation Area". The Compensation and Communication System (CCS), which satisfies the requirement to provide compensation within seven working days, is now almost complete.

The work carried out in 2017 in terms of communication about the Compensation and Communication System (CCS) included:

- **Compensation letters and statements**

The formats and text were revised to include the latest special circumstances that still need to be addressed based on the most recent regulations. The operations department created a management tool that is used to view each letter by automatically reconstructing the fragments of text required in each case so as to cover all compensation situations; the same applies to the descriptive compensation calculation tables provided on the back of each compensation letter.

- **The rules book on FGDR information on the final bank account statement**

A translation in English was issued for institutions with branches in European Union countries.

- **The change of the website to "crisis" mode**

The original version of the crisis mode website designed and developed in 2013 was revised substantially. The FGDR conducted an audit to identify the needs of internet users according to their profiles (general public customers, business customers, journalists) and the hierarchy of needs identified. Improvements were then made to the "crisis" home page to make it more convenient and user-friendly. It now has four banner areas than can be adapted to the content to be displayed in case of an intervention (official press release, Call Centre number, access to the Secure Compensation Area), a news feed that will provide information and advice each day and throughout the procedure, and immediate access to video tutorials explaining the procedure and which products are covered and not covered. Access to the FAQs and search engines are the last two functional areas presented in this new configuration to allow the real-time broadcast of key messages.

- **Training for Teleperformance Contact Centre operators**

The 16 lead operators at the Asnières Contact Centre were trained on the scheme in place since 2013. They were brought up to speed on handling difficult calls, knowledge of the CCS application and assisting a customer in the Secure Compensation Area. The dedicated FGDR Teleperformance team was also called upon from January to July to manage the transfer of the FGDR's telephone switchboard and for a mobilisation test in case of an intervention.

- **Teleperformance Processing Centre**

The dedicated operators were trained and tested on how to handle special cases and on the resolution of special circumstances in customer files (cf. section 3.5.6. Internal and external training).

In 2017 as in previous years, the FGDR organised plenary meetings with members on the work related to the 7-day Compensation and Communication System, with the support of the *OCBF* and the *FBF*.

3.5.3. Media and social networks management

In addition to managing the FGDR's own channels, providing compensation inevitably requires activating and supporting external channels: the media, social networks and even the channels of the failed institution itself may be called upon. Indeed, in a crisis situation, the public (customers or non-customers) may be looking for reliable information that can be verified by multiple sources. Moreover, there is always a risk that public opinion detrimental to the successful completion of the operations and the reputation of the financial protection systems can go viral and be repeated by the media and digital social networks. Acknowledging this wider ecosystem and controlling the effects of a crisis are among the FGDR's major communication challenges.

- **Press relations**

It is with this in mind that the FGDR has worked since the end of 2015 to create a link with the community of journalists specialising in the economy and finance, which has gradually grown to include representatives of the regional press and the general public. In 2017, the continuation of the press relations plan confirmed the strong performance of the past year; the message of protection on behalf of the entire industry continues to resonate positively with the economic press, whether specialised or mainstream. Meetings with the press continued to be held at a rate of one per month excluding the summer month, for a total of 11 meetings at the end of 2017. The number of articles mentioning the FGDR increased in 2017: with 45 references compared to 35 in 2016, the in-depth work of previous years also produced results this year. The 2017 articles include:

> Investir, 24-30 June 2017: *"What happens to securities held in a stock portfolio if the bank fails?"* ;
> Le Revenu, 3 August 2017: *"How is your money protected if your bank fails*? ;
> 60 millions de consommateurs, November-December 2017: *"Savings risks, don't put all your eggs in one basket"* ;
> Les Echos Week-end, 1 December 2017: *"Bank customers are better protected than they have ever been"*.

• **Social networks**

These digital communication tools are becoming an increasingly important part of the work of journalists and in terms of media visibility. They generate propagation phenomena that force the FGDR to integrate them preventively into its communication strategy. In 2017, the FGDR continued to take a very gradual approach in this regard. Its goal is to develop an appropriate monitoring system that can be used in case of a media crisis. That is why the FGDR's Twitter account, the preferred network of journalists, was reactivated, enabling it to subscribe to media outlets and journalists in its immediate ecosystem and follow these same contacts, financial institutions and foreign counterparts. The FGDR posts messages on a regular basis but not on a massive scale focusing on the local and international activity of Deposit Insurers.

3.5.4. The annual awareness and image survey

In accordance with international «public awareness» best practices derived from the Core Principles of the International Association of Deposit Insurers (IADI), the Harris Interactive survey on awareness and image was conducted again in May 2017 and measured the increase in the FGDR's visibility.

In addition to the general public, which was polled for the second time based on a sample of 1,028 people representative of the French population, two other groups are now included in the sample:

• 125 banking sector professionals: customer advisors, account managers and sales team managers split into the seven major French groups and other institutions using the quota method;

• 35 opinion leaders: journalists at business and financial media outlets, mainstream media business and financial section editors, saver association managers and expert "economy" bloggers on social networks.

The results show an increase in the visibility and general awareness of the deposit guarantee scheme, even if there is still some progress to be made.

For the general public

• Trust is growing

> trust in the banking system 52%; +3 percentage points;

> trust in deposit protection 44%; +4 points.

• Overall, there is greater visibility of the deposit guarantee scheme:

> deposit guarantee scheme 40%; +7 points;

> FGDR 29%; +3 points.

• However...:

> 50% of French people have still not heard that "deposits are protected when a bank fails" (compared with 57% in 2016);

> ...and 71% have never heard of the FGDR (compared with 74% in 2016).

• Perception of the protection scheme remains vague:

> the score is lower regarding the public covered, the products covered, the organisations involved (particularly among lower socio-professional categories);

> 69% had no opinion as to whether or not savings accounts guaranteed by the French government have joint coverage.

• Finally, the information sources are changing:

> media 40%; -17 points;

> bank document 23%; +12 points;

> bank website 13%; +9 points.

For banking professionals

• 77% recognise the role of reinsurance in the deposit guarantee scheme;

• Information seems to be well disseminated at their institutions:

> 91% say they are informed by the bank where they work;

> the name recognition of the deposit guarantee scheme reached 96%;

> and that of the FGDR 71%.

Opinion leaders

• They play a significant role of influencer in terms of trust:

> trust in the banking system: 80%; +28 percentage points compared with the general public;

> trust in deposit protection: 80%; +36 points compared with the general public.

• They have in-depth knowledge of the scheme:

> deposit guarantee scheme: 83%; +33 points compared with the general public;

> FGDR: 74%; +45 points compared with the general public.

While awareness of a protection system in case of a bank failure still needs to be improved, it is increasing overall:

• 41% of French people say that they are "fully protected" or "partially protected"; +6 points compared with 2016;

• 67% of banking sector professionals and 52% of opinion leaders surveyed share this view.

3.5.5. Testing of the crisis communication ecosystem, training and mobilisation tests

A crisis simulation plan was developed by the FGDR, which is in line with the guiding principles of the European Banking Authority (EBA) by the year 2020 and is being implemented over several years focusing on the 3 July 2019 deadline, the date on which a report on the subject will be submitted to the EBA. The guiding principles and methodology of stress tests developed by the FGDR to verify the operability of its Compensation and Communication System are dsescribed in the FGDR's 2017 annual report (cf. section 3.3. The compensation system for the deposit guarantee scheme).

In terms of communication, in 2017 the crisis simulation exercises became more intense and more complex. The beginning of the year focused on the assessment and the operational actions resulting from the "Depositor Relations" simulation at the end of 2016. In the last quarter, the focus was on preparing for an exercise involving the coordination of the centralised crisis unit in order to test the operational capability to mobilise the service providers during the pre-failure and initiation phase. Both these exercises involve several FGDR departments. In addition, in the middle of the year the communication team conducted an exercise on managing a media crisis.

June 2017 "Media Centre" exercise

In the (simulated) context of a compensation process for customers of a failed institution, the objective of this exercise was to assess the operational capacity of the "FGDR Media Centre": validating the media strategy to be adopted at each phase of the compensation process, defining the key messages, managing questions and answers to journalists, producing press releases and questions/answers, conveying messages via press agencies and the FGDR's channels, monitoring social networks, conducting interviews with the Board, various reports. Eighteen key actions were tested, including five with media exposure throughout the test day with the participation of the Clai agency, the FGDR's representative service provider for communication with the media. The preparation and execution took place between March and July 2017. Both the organisational and technical results were used to identify a plan of 13 operational actions, some of which were implemented in 2017 with the remainder scheduled for 2018.

3.5.6. Internal and external training

The stress tests described above are central to training employees in their job.

Furthemore at the end of 2017, a TOEIC was administered as part of the English improvement programme that began in 2016 and enabled employees to assess their knowledge.

Training courses focused on the jobs and developments in the banking sector were assigned individually according to requests and personal interests. In this respect, financial bodies such as the FBF and the OCBF regularly offer programmes with varied, high-quality and relevant content for FGDR employees.

In addition, a campaign was launched to offer all FGDR staff refresher training in Excel and VBA. More than 28 training days were offered to most of the FGDR's employees.

At the same time, the FGDR continued to prepare and coordinate training courses for the Teleperformance teams that would intervene in the event of compensation:

- **Contact Centre**
The training for the 16 specialists included familiarising them with the Secure Compensation Area and with the new regulatory information distributed by all institutions, including the problems associated with distributing this information. This enabled the Teleperformance team to be mobilised successfully and with a high level of service quality within a few hours when the FGDR's telephone switchboard was transferred at the beginning of the year.

- **Processing Centre:**
The 2017 programme entailed certifying a back-up team located in Villeneuve d'Ascq in addition to the team already in place at the Teleperformance site in Asnières. The teams at both sites are now equipped to complete the processing of claims for compensation with special circumstances. An initiation exercise was successfully completed at both sites at the same time.

3.5.7. International relations

The election of the FGDR's Chairman of the Board as Chairman of the EFDI at this Forum's general meeting in Vilnius (Lithuania) in September 2016 increased the FGDR's visibility and its recognition within the international community. One impact of this election concerned the FGDR's communications department, which took over the secretariat of the EFDI to ensure the proper administrative functioning of the association and member activities. The EFDI has 71 members from 47 countries. In 2017, the team's involvement in the EFDI included the organisation of two general meetings, one extraordinary meeting in Brussels in May 2017 to vote on the new statutes, and one ordinary annual meeting in Oslo (Norway), at which the multi-year roadmap related to the revision of the statutes was launched. Around 20 working meetings are organised throughout the year. These involved taking on day-to-day management tasks, administration of the website and information exchanges between the secretariat, the Management Committee, the working groups and members. They also entailed managing the Twitter account, composing and publishing the approximately 40-page quarterly newsletter and setting up a central member file.

Finally, eight meetings were held in Paris in 2017 in connection with the EFDI or the IADI.

In conclusion, communication activities increased in 2017 in response to the growing needs resulting from the more stringent notification requirements observed in recent years and more international work. In doing so, the FGDR pursues its goal of conveying a strong, clear message that of the banking industry regarding the mechanisms to protect customers and its role as a banking crisis operator in support of responsible finance.

> 3.6. Asset management

To help it manage the FGDR's assets, and pursuant to the provisions of the internal regulations, the Management Board is supported by an advisory committee on financial resources management. The role of this committee is to express opinions regarding asset management. It has at least five members, including a Chairman. Its members are chosen from among individuals from the member institutions and their subsidiaries who have or have had recognised experience in asset management. They are appointed by the Board, which participates in its meetings.

At 31 December 2017, the committee's composition was as follows:

ADVISORY COMMITTEE ON FINANCIAL RESOURCES MANAGEMENT	
Chair	**Members**
Isabelle REUX-BROWN Natixis	**Laurent CÔTE -** CA-CIB
	Bernard DESCREUX - EDF
	Vincent GUEGUEN - BNP Paribas
	Claudio KERNEL - BPCE
	Laurent TIGNARD - Amundi
	Members of the Board who participate in meetings

In 2017, the committee assessed management in 2016 and monitored changes in the performance of the FGDR's asset portfolios. The committee was also consulted for an opinion on:

- the selection of management companies responsible for managing money market funds;
- the incorporation of "Environmental, Social and Governance" (ESG) criteria into the FGDR's investment policy. These criteria may not only be used to select management companies but may also be tracked in specific reports;
- the consistency of asset allocation with the liquidity constraints of the FGDR's investments and market conditions.

Indicator Summary				
End 2017/year 2017	**Net asset value (€M)**	**Performance during the year (*) (€M)**	**Estimated rate of return (%)**	**Unrealised capital gains (***) (€M)**
Overall portfolio	3,974.2	+16.4	+0.47 (benchmark**: +0.76)	+153.5
Equity portfolio	283.8	+26.4	+10.33 (benchmark: +11.96)	+107.8
Bond portfolio	1,385.6	-5.3	-0.43 (benchmark: +0.17)	+40.2
Money market portfolio	2,199.3	-6.8	0.319 (benchmark: -0.325)	0
Capitalisation contracts	105.5	+2.1	+2.27	+5.5

(*) Performance of mutual funds (FCP) calculated based on changes in the market values of the securities in the portfolio, including withdrawals and contributions.
(**) Benchmarks of the various segments, excluding capitalisation contracts, weighted over time.
(***) Unrealised capital gains or losses are calculated based on the historical cost of the mutual fund shares in the FGDR's books. Provisions are set up for unrealised capital losses, which are therefore not included in the table; unrealised capital gains are not recognised.

Risks	
99% change over 1 year: -3.33 %	Maximum stress test scenario all assets: -8.90% (-€353 million)

3.6.1. Main observations

In 2017, the general asset allocation allowed the target allocation approved by the Supervisory Board in December 2016 to be achieved. The share of bond funds continued to grow at the expense of the money market segment, reaching 35% in line with the objective. The equity allocation remained fixed at around 5% in historical value (cf. section 3.6.2. Asset Allocation).

a) Key events

Aside from general market developments, management in 2017 was marked by:

- **Overall performance achieved thanks to the performance of equity funds**

The return on the equity portfolio (+10.33%) generated an unrealised capital gain of €26.4 million, which offset the capital losses on the other asset classes, resulting in the recognition of a total additional unrealised capital gain of €16.5 million in 2017. In fact, shares benefited from the global recovery in economic growth as evidenced by the continuous appreciation of the European markets over the past year.

- **Negative bond yields and money market returns over the entire period**

Persistent negative interest rates on short maturities severely impacted the performance of the portfolios. Although below the Eonia rate, the money market portfolio stood at -€6.8 million (-0.32%) and the bond portfolio was -€5.3 million (-0.43%). Indeed, the FGDR's stringent investment constraints and the low risk appetite of managers, who anticipate a steepening of the curve, imply the creation of portfolios where average returns are negative since they are comprised of high-rated securities with a limited duration and therefore limited rate sensitivity (0.12 for the money market portfolio and 0.68 for the bond portfolio at the end of 2017).

b) Rate of return

TAll asset classes combined, the return on the portfolio reached €16.4 million, equivalent to +0.47% over the year.

This compares with a return of €12.6 million in 2016 (+0.37%), €27.1 million in 2015 (+0.84%), €19.9 million in 2014 (+0.72%) and €34.4 million in 2013 (+1.50%). This increase was due exclusively to the strong performance of shares, which more than compensated for the negative performance of the bond and money market segments. In fact, these segments posted weaker performance than in 2016, since they are dependant on the fixed-income markets which remained at historically low levels.

- **The equity portfolio generated** €26.4 million in additional unrealised capital gains (versus €11.1 million in 2016). At year-end 2017, the amount of unrealised capital gains on this portfolio was €107.8 million.

- **The yield on the bond portfolio over the year was -€5.3 million** (-0.43%), and the total unrealised capital gains on this portfolio therefore automatically fell to €40.2 million at end-2017. This weak performance stemmed mainly from the lack of yield at the time of the reinvestment of maturing bonds in securities that comply with the portfolio management constraints due to the downward trend of the spreads offered by issuers and persistently very low rates.

- **Money market investments had negative returns of -€6.8 million** (net return of -0.319%, slightly higher than an average Eonia of -0.357% during the period). Portfolio management constraints, which notably include an average duration of less than three months, led to the fast turnover of securities at negative levels close to the Eonia.

- **The return on the capitalisation contracts was €2.1 million,** i.e. +2.07%: the total amount of unrealised capital gains was €5.5 million; they will only accrue to the FGDR if the investment is held for a sufficient length of time. Consequently, a provision was set up for the portion of these capital gains not yet definitively acquired (cf. section 5.1.5.2. Capitalisation Contracts).

The change in the overall net asset value of investments over the year (from €3,689 million to €3,974 million, i.e. +€285 million) resulted mainly from the following:

- on the plus side, the €285 million increase in the stock of member contributions in 2017, including €13 million received at the very end of the year which was fully invested in early January 2018, i.e. an impact of €272 million;
- also on the plus side, the realised or unrealised returns during the year (€16.4 million);
- and the disbursements for the FGDR's operation and investments, part of which was financed using cash in the bank accounts.

3.6.2. Asset allocation

The asset allocation that was decided upon at the Supervisory Board meeting on 15 December 2016 remained unchanged and was as follows (in historical value of units of mutual funds):

Equity investments	up to 5%
Bond investments	up to 35%
Money market investments	at least 60% including capitalisation contracts up to €150 million

The structure of FGDR's resources at 31 December 2017 was as follows:
- €543 million (i.e. 14%) in certificates of membership, long-term resources with no maturity, the amount of which is virtually the same from one year to the next;
- €1,637 million (i.e. 42%) in guarantee deposits that are refundable if not used in case of a claim;
- €1,681 million (i.e. 44%) in equity (€1,074 million in technical provisions and €602 million in member's certificates).

3.6.3. Investment breakdown

Assets under management, measured at market value at 31 December 2017, amounted to €3,974.2 million, for a net book value of €3,820.7 million, and are broken down as follows:

	End of 2017 (€M)	End of 2016 (€M)	End of 2015 (€M)	End of 2014 (€M)	End of 2013 (€M)
Equity mutual fund investments	283.8 (7.1%)	244.1 (6.6%)	220.8 (6.5%)	195.7 (6.4%)	169.1 (6.1%)
Bond mutual und investments	1,385.6 (34.9%)	1,207.0 (32.7%)	782.3 (22.9%)	782.0 (26.6%)	653.1 (23.7%)
Money market mutual fund investments + capitalisation contracts	2,304.8 (58.0%)	2,237.5 (60.7%)	2,418.4 (70.7%)	2,073.6 (68.0%)	1,929.1 (70.1%)
Total	**3,974.2**	**3,688.6**	**3,421.5**	**3,051.3**	**2,751.4**

NB: the percentages indicate the relative weights of the various segments in market value at 31 December of each year.

The share of bond investments continued to grow in 2017, reaching the target allocation of 35%. The proportion of shares increased due to market effect since the annual additional contribution represented 5% of the contributions collected, in accordance with the approved allocation.

3.6.4. Return on equity investments

In 2017, the performance of the equity markets was outstanding, with +11.96% growth in the benchmark index, the MSCI EMU, excluding the banking and similar sectors. The FGDR's equity portfolio grew at a similar rate with performance of +10.33%, which represents an annual capital gain of €26.4 million. The returns on the various mutual funds were as follows:

FCP HALEVY	Manager	Annual rate of return (%)	Δ in bp relative to the benchmark (*)
A1	Lazard Frères Gestion	+13.16	+120
A2	Amundi AM	+10.59	-137
A3	Métropole Gestion	+ 6.79	-518

(*) MSCI EMU benchmark excluding banking and similar sectors.

3.6.5. Return on the bond portfolios

Bond management posted a negative result in 2017 (-€5.3 million), down compared with the 2016 performance (+€1.0 million) and previous years (+€0.3 million in 2015 and +€8.9 million in 2014).

Very low yields, combined with the portfolio management constraints and particularly those related to short durations, prevented managers from finding investment solutions offering an overall positive return. Having adopted a cautious attitude in light of the risk of increased rates, the managers decided to maintain the sensitivity of the portfolios at low levels and generally kept a low duration in the portfolios. However, risk budget management made it possible to reduce the volatility of the funds compared to "benchmarked" management and to adopt a cautious and defensive position based on a scenario of rising rates, the probability of which is increasing.

In the end, the overall return was -0.43%, lower than the objective of +0.17% which, when it was set in 2016, was based on a gradual rise in credit margins and higher market volatility.

The returns on the various mutual funds were as follows:

FCP HALEVY	Manager	Annual rate of return (%)
O1	Candriam	+0.35
O2	Edmond de Rothschild AM	-0.41
O3	AXA IM	-0.62
O4	La Française AM	-0.98

Based on its methodology, absolute return management has no benchmark; however, its objective is to produce a positive performance over a given time horizon. Nevertheless, in order to define a target rate of return, management companies have indicated that they are able to achieve performance of at least Euribor 3M +0.50%. This objective is used to calculate the overall performance target of the FGDR's portfolios.

3.6.6. Return on money market investments

The overall rate of return in 2017 was -0.319% with, given the negative level of the Eonia benchmark index (-0.357%), strong performance of the funds relative to the benchmark. Given the management constraints, the money market managers could only invest in securities with yields that were negative but still higher than the deposit rate of the European Central Bank (ECB).

The performance of the various mutual funds must be broken down into two periods: first the period during which the funds were managed using the same management rules as previously (from 1 January to 7 July 2017), and then the period in which the new duration constraints were introduced (8 July to 31 December 2017).

FCP HALEVY	Manager	Performance in bp from 01/01/2017 to 07/07/2017
M2	BNP Paribas AM	-14*
M3	CPR AM	-14
M9	Groupama AM	-17
M10	Candriam	-14
M13	Oddo Meriten AM	-15
M14	La Banque Postale AM	-18

*performance not significant since fund managed in run-off with low assets in the 2nd quarter of 2017.

FCP HALEVY	Manager	Performance in bp from 08/07/2017 to 31/12/2017
M3	CPR AM	-16
M9	Groupama AM	-18
M10	Candriam	-16
M13	Amundi AM	-17
M14	Allianz GI	-18

The two capitalisation contracts, each for €50 million, taken out in 2015 with an insurance company rated A or higher, continued to offer attractive returns relative to the low risks associated with a fund payback period reduced to five business days - introduced as an exception to customary practices for this type of investment - and a guaranteed minimum return in the first few years if the funds remain invested. In 2017, the return on these capitalisation contracts was 2.07%.

The return on the capitalisation contracts is as follows:

	Amount (€M)	Performance in bp (%)	Net guaranteed rate for 2018 (%)
Contract number 1	50	2.05	0
Contract number 2	50	2.10	1.40

3.6.7. Breakdown of counterparty risks

The management agreements stipulate that counterparties must have a rating of at least A1 (S&P) or P1 (Moody's) for short-term paper – with an exception up to A2/P2 for non-financial corporate issuers. For long-term paper, the minimum rating is BBB (S&P) or Baa2 (Moody's) for government securities and A- (S&P) or A1 (Moody's) for corporate securities. Risk dispersion rules limit the concentration of investments in issuers. Therefore, all asset classes combined, the 10 most significant risks represent 20.8% of the total exposure (18.4% in 2016). The highest concentration is in French government bonds (OAT) (5.26%), followed by the German Bund (3.48%) and the Italian BTP (1.81%).

3.6.8. Breakdown by rating

At 31 December 2017, this breakdown for all portfolios was as follows:

Rating	%
AAA	7.18
AA	14.75
A	25.11
BBB	11.00
< BBB	0.00
A1+ (ST)*	3.76
A1 (ST)	16.03
A2 (ST)	22.16
A3 (ST)	0.00
Not rated	0.00

(*) including CDC (*Caisse des Dépôts et Consignations*) cash

3.6.9. Sensitivity of the fixed-income portfolio

At the end of 2017, the overall sensitivity of the portfolio to changes in interest rates, which is used to assess the overall interest-rate risk in FGDR's portfolio, was 0.31, close to the year-end 2016 level (0.52).

In other words, in case of a 1% variation in market rates, the performance of the portfolio will vary by 0.31%, all things being equal.

This level remains very low given the decision taken by the bond fund managers to limit the exposure of the funds to a potential rate increase. The sensitivity of the bond portfolio was therefore reduced from 1.7 at the end of 2015 to 0.7 at the end of 2017 using the leeway offered by the absolute return strategy.

3.6.10. VaR and stress tests

The annual risk assessment was carried out in accordance with the recommendations of the advisory committee on financial resources management and the Supervisory Board in 2007.

The VaR of the portfolio is calculated based on the parameter approach with probabilities of 95% and 99% and time horizons of one week, one month and one year. At 31 December 2017, the VaR was as follows:

Time horizon (%)			
VaR	1 week	1 month	1 year
VaR 95%	-0.40	-0.80	-2.08
VaR 99%	-0.58	-1.16	-3.33

Over one year, the investment structure of the Fonds de Garantie des Dépôts et de Résolution's portfolio is such that the probability of a rate of return of more than -3.33% is 99% (-2.89% at end-2016). The VaR thus determined for the various time horizons is slightly higher than at end-2016, but remains roughly the same.

The overall risk associated with the portfolio therefore remains limited, though not insignificant, as the stress tests confirm.

Stress tests are of regulatory relevance and not necessarily linked to a probability of occurrence. They are used to estimate losses based on significant changes in certain assets or interest rates. The main assumptions used are as follows:

- for shares: -20%, -30% and -40% asset deterioration;
- for interest rates: +0.5%, +1% and +2% rate increase;
- for money market and bond assets: 4 and 8 times the historical default per rating published by the rating agencies (S&P and Moody's).

For the maximum scenarios, applied to the portfolio at 31 December 2017 related to a single type of risk, this results in losses relative to total outstandings of between 0.61% and 5.43% and, for the overall scenario, the worst case for all risks taken simultaneously, a loss of 8.90%, i.e. €353 million (versus 8.98%, €331 million in 2016). This figure can be viewed in light of the amount of the unrealised capital gains on the portfolio, which totalled €153.5 million at 31 December 2017.

3.6.11. Responsible investments

The FGDR's aim is to gradually incorporate Environmental, Social and Governance (ESG) criteria into its investment and management company selection policy. In fact, these criteria are in line with the FGDR's strategy as a "responsible finance" operator. They also play an important role in the FGDR's assessment of fund management performance. With this in mind, the FGDR launched various studies to decide which indicators and principles it would use in determining its investment policy and opted for the following:

- periodic assessment of the carbon footprint of the equity and bond portfolio;
- verification during fund management tenders that the service providers selected are signatories of the PRI ("Principles for Responsible Investment") defined by the United Nations;
- determination of the percentage of securities in its portfolio that is eligible for each management company's SRI ("Socially Responsible Investment") funds.

By tracking these indicators, it will be able to identify the most virtuous investments based on ESG criteria so that, where appropriate, an increasing share can gradually be allocated to this segment.

> 3.7.
Organisation of the FGDR

The Board has endeavoured to provide the FGDR with the internal skills and resources necessary for its operation, in normal situations, under conditions in line with best practices and while controlling costs. The FGDR team is supported by an ecosystem of service providers that can rapidly deploy the resources needed to manage an intervention (Contact Centres, Processing Centre, Media Centre, printing, electronic document management, etc.) based on a pre-set, clearly defined and regularly tested *modus operandi*. It also outsources IT services to a French group for the operational systems (Compensation and Communication System and member database) and has a service provider specialising in office automation.

The FGDR is organised into four departments: the operations department, the finance department, the communications and training department and the legal department.

- The operations department is built around two key functions:
  > create and update the processes that support the FGDR's compensation activities, with a view to both compensation and the performance of regular controls;
  > develop, operate and update the FGDR's information systems, whether they are the "compensation system for the deposit guarantee scheme", its possible extension to the other guarantee mechanisms, or the redesign – currently under way – of the member application (membership tracking, payment and tracking of contributions, position of each member and management of its rights and related information).

At the end of 2017, the operations department consisted of six people, responsible for:
> follow-up on the regular controls with members in accordance with the functional requirements;
> operational management of the compensation schemes, notably by supervising the service provider ecosystem;
> project management (process mapping, statement of requirements, specifications and certifications) and information system security;
> managing the stress test plans specific to the FGDR or in cooperation with other European deposit guarantee schemes.

- The communications and training department, with one permanent employee and one person on a fixed-term contract, is responsible for designing and preparing:
  > the production of information intended for depositors in connection with the compensation system (website, letters, information notice, tutorials, etc.);
  > the annual training plan;
  > the production of general training materials for the compensation operators;
  > permanent information intended for the general public, business professionals and the press;
  > the crisis management systems.

- The legal and administrative department consists of one person who is also responsible for human resources management and internal control.

- The finance department is organised according to five functions:
  > provide administrative and accounting management for the FGDR and produce the financial statements;
  > ensure compliance with the budget approved by the Supervisory Board with appropriate management control;
  > together with the ACPR, determine the amount of member contributions and ensure that these contributions are collected by the specified deadlines;
  > propose and implement the FGDR's asset management policy in accordance with the objectives and criteria set (liquidity, security and, to a lesser extent, return);
  > ensure the department's contribution to project management, particularly in terms of the redesign of the member database IT system, which will be delivered between November 2017 and June 2018.

  This department employs three people:
  > the Finance Director, who also manages relations with the management companies (selection, monitoring and optimisation of the scheme);
  > the Membership Manager;
  > the Accounting and Management Control Manager.

The FGDR's staff consisted of 15 people at year-end 2017, including one employee on a fixed-term contract. For sudden increases in the workload, temporary workers, students or employees on fixed-term contracts are used.

> 3.8.
Internal control

In 2014, the FGDR formalised the creation of an internal control system that is appropriate for its size and for the challenges related to its public interest missions. The Board assigned the implementation of the control system to an internal control officer who is assisted by an information systems internal control coordinator. The purpose of the system is to ensure that the procedures comply with the applicable laws and regulations and to prevent the risks inherent in the FGDR's compensation activity. The FGDR adopted an internal control charter approved by its Supervisory Board in December 2015.

The FGDR has defined a risk mapping based on a process approach and an action plan that aims to control the risks identified. The process of updating the mapping, which took place for the first time in 2016, revealed that the efforts made by the FGDR since 2014 to increase the security of the internal IT infrastructure, make use of security tests and document procedures have led to the continuous improvement of the system's robustness.

In 2017, the FGDR again updated the mapping to assess the risks in light of the 2017 developments, including in particular the finalisation of the construction phase of the Compensation and Communication System project (delivered at the end of 2017), the implementation of the first lot of the member database project (November 2017), heightened awareness of security risk and the implementation of operational simulations (stress tests).

This assessment led to a better understanding of internal and external fraud risk factors, with the aim of incorporating them into the existing processes. The review was also an opportunity to show that the current system had achieved the main objective set in 2014, as risk identification appears to be relevant to the FGDR's missions and functional scope. However, the FGDR would like to continue to develop the system by increasing the level of granularity in action plan management.

The FGDR also pursued its policy of implementing intrusion tests performed by companies endorsed by the *Agence nationale de la sécurité des systèmes d'information* (*ANSSI*) in order to continuously improve the security of the information systems. As has been the case since 2014, intrusion tests were performed on the CCS and non-CCS environments (including the website). These tests demonstrated the high level of IT security of the FGDR's infrastructures while identifying potential improvements.

Finally, simulations of compensation processes under the deposit guarantee scheme were performed by the FGDR's operational departments and the Board. These simulations allow a better understanding of the procedures related to the FGDR's mission to serve the public interest. They test not only the FGDR's internal procedures, but also those implemented by the service providers in the FGDR's value chain (Contact and Processing Centres, IT, electronic document management, printing, press relations centre). In 2018, this system will be extended prospectively to other industry players who would be affected by a bank's insolvency in accordance with their own mandate.

4. INTERVENTIONS

> 4.1.
Crédit Martiniquais

Following the favourable decision handed down by the Court of Cassation on 30 March 2010 and the rejection of the preliminary question of constitutionality raised by the defendants on 13 April 2012, the Fonds de Garantie des Dépôts et de Résolution continued the lawsuit before the Paris Court of Appeals in order to have the former *de jure* or *de facto* senior managers of the former Crédit Martiniquais held accountable for this bank's problems, which justified a preventative intervention. It asked that they be ordered to repay to it the advance given to the bank to help it turn its network around and avoid closing the branches, which would have seriously harmed its depositors.

Following the numerous procedural questions raised by the defendants in previous years, the Paris Court of Appeals rendered its decision on 1 July 2016. In a ruling, it dismissed the FGDR's claim for complex reasons that include:

- partial inadmissibility due to the statutory limitation of certain alleged offences that were not concealed;
- rejection of the status of de facto senior manager with regard to certain appellees;
- rejection for insufficient evidence as to whether the inaccuracy of the financial statements up to 1995 was demonstrated.

After carefully studying this ruling with its lawyers, the FGDR filed an appeal in September 2016, claiming that the Court had disregarded the force of *res judicata* resulting from the previous decisions that had become final, in terms of both the statute of limitations and the inaccurate characterisation of the facts, that the case had been distorted as to the evidence provided, and that there had been confusion between the cause of the damage and its consequences.

This proceeding before the Court of Cassation is expected to take several years, with no presumption of subsequent action. The Court must appoint the general counsel and the Rapporteur and a decision could be expected at the end of 2018.

> 4.2.
Européenne de Gestion Privée (EGP)

All the procedures that were pending in France ended with no decision taken by the FGDR regarding the compensation of EGP's former clients being invalidated. In particular, the decisions handed down by the administrative court of Paris on 24 March and 11 July 2014, which were not appealed, became final.

Moreover, the criminal lawsuits in Italy against the former senior managers, and in which the FGDR is a plaintiff claiming damages, continued. In a ruling, the operative part of which was sent to the parties on 2 December 2016, the District Court of Rome sentenced the senior manager at the time and eight other people to prison terms of up to four years for fraud perpetrated against the customers and investors and for unlawful engagement in various activities. It also allowed the FGDR to be a plaintiff claiming damages and ordered said persons to pay compensation to it. The court referred the determination of injury and the allocation of compensation to the civil court, to which the matter will be presented at the end of the criminal proceeding. Since the decision of the District Court of Rome is being appealed, the quantification decision by the civil court will only take place once the court of appeal has rendered its decision. The criminal proceeding will continue in 2018 and the FGDR is represented at the proceeding.

> 4.3.
Dubus SA

Since, to the FGDR's knowledge, no lawsuits have been brought related to the intervention in this company that began in 2013, this case can be considered closed, without prejudice to any sums that may be collected in connection with the liquidation. The FGDR monitors the liquidator's actions as a preferred creditor.

5. FINANCIAL STATEMENTS

> 5.1.
Balance sheet

Assets (€ thousands)	31/12/2016	31/12/2017
Non-current assets	**9,613**	**7,057**
Net tangible and intangible assets	536	895
Gross amount	*1,258*	*1,733*
Depreciation, amortisation and provisions	*-723*	*-837*
Net compensation platform assets	9,078	6,161
Gross amount	*17,370*	*17,969*
Depreciation, amortisation and provisions	*-8,292*	*-11,808*
Short-term receivables	**1,260**	**4,297**
Amounts due from members	244	72
Other receivables (advances made and credit notes received)	4	4
Members - penalties receivable	0	0
Members - interest receivable	709	2,309
Members - contributions receivable	292	1,897
Net monetary penalties and court costs receivable	11	14
Gross amount	*1,373*	*1,373*
Depreciation, amortisation and provisions	*-1,362*	*-1,359*
Claim-related receivables	**0**	**0**
Net receivables	0	0
Gross amount	*204,780*	*204,715*
Depreciation, amortisation and provisions	*-204,780*	*-204,715*
Transferable securities and cash assets	**3,795,028**	**3,854,572**
Shares	162,756	175,928
Bonds	1,161,585	1,345,468
Money market instruments	2,134,148	2,199,268
Capitalisation contracts	100,000	100,000
Cash assets	236,539	33,909
Accruals	**127**	**122**
Pre-paid expenses	127	122
Single Resolution Fund (SRF)	**0**	**0**
Cash assets to be transferred to the SRF	0	0
Amounts due from members for the SRF	0	0
Total assets	**3,806,029**	**3,866,048**

• Balance sheet

Liabilities (€ thousands)	31/12/2016	31/12/2017
Equity	**1,498,780**	**1,680,531**
Profit/loss	0	0
Technical provision for intervention risk	1,069,797	1,074,117
Technical provision for compliance	7,575	4,660
Member's certificates	421,408	601,754
Subordinated debt	**2,089,032**	**2,179,001**
Certificates of membership	542,492	542,547
Guarantee deposits	1,546,540	1,636,454
Total equity	**3,587,812**	**3,859,532**
Provisions for claims	**746**	**447**
Provisions for risks and charges	**3,563**	**3,575**
Provisions for risks - capitalisation contracts	2,480	2,480
Provisions for charges	1,082	1,095
Current liabilities	**1,823**	**1,820**
Trade payables	933	857
Tax and social security liabilities	879	949
Advances received on monetary penalties	11	14
Liabilities to members	**212,086**	**672**
Members - interest payable	1	0
Members - negative contributions	188,430	0
Members - licence revocations and overpayments	948	672
Members - refund of guarantee deposits	22,708	0
Accruals	**0**	**0**
Unearned income	0	0
Single Resolution Fund (SRF)	**0**	**2**
SRF contributions to be transferred	0	1
SRF guarantee deposits to be repaid	0	1
Total liabilities	**3,806,029**	**3,866,048**

• Deposit guarantee scheme balance sheet

Assets (€ thousands)	31/12/2016	31/12/2017
Non-current assets	**9,078**	**6,173**
Net compensation platform assets	9,078	6,161
Gross amount	*17,370*	*17,969*
Depreciation, amortisation and provisions	*-8,292*	*-11,808*
EDDIES platform assets	0	12
Gross amount	*0*	*15*
Depreciation, amortisation and provisions	*0*	*-3*
Short-term receivables	**747**	**4,083**
Amounts due from members	82	2
Other receivables (advances made and credit notes received)	0	0
Members - penalties receivable	0	0
Members - interest receivable	665	2,183
Members - contributions receivable	0	1,897
Net monetary penalties and court costs receivable	0	0
Gross amount	*303*	*303*
Depreciation, amortisation and provisions	*-303*	*-303*
Claim-related receivables	**0**	**0**
Net amount due from Crédit Martiniquais	0	0
Gross amount	*178,537*	*178,537*
Depreciation, amortisation and provisions	*-178,537*	*-178,537*
Transferable securities and cash assets	**3,561,627**	**3,638,828**
Transferable securities and cash assets	3,561,627	3,638,828
Breakdown of balance sheet – committed costs	**200**	**1,686**
Receivables related to committed costs	200	1,686
Total assets	**3,571,652**	**3,650,769**

• Deposit guarantee scheme balance sheet

Liabilities (€ thousands)	31/12/2016	31/12/2017
Equity	**1,362,038**	**1,541,364**
Profit/loss	0	0
Technical provision for intervention risk	933,056	934,950
Technical provision for compliance	7,575	4,660
Member's certificates	421,408	601,754
Subordinated debt	**2,019,962**	**2,108,090**
Certificates of membership	532,560	532,590
Guarantee deposits	1,487,402	1,575,499
Total equity	**3,382,000**	**3,649,454**
Provisions for claims	**746**	**447**
Current liabilities	**355**	**367**
Trade payables	355	364
Tax and social security liabilities	1	3
Liabilities to members	**188,550**	**501**
Members - interest payable	0	0
Members - negative contributions	188,430	0
Members - licence revocations and overpayments	120	501
Breakdown of balance sheet – committed costs	**0**	**0**
Liabilities related to committed costs	0	0
Total liabilities	**3,571,652**	**3,650,769**

• Investor compensation scheme balance sheet

Assets (€ thousands)	31/12/2016	31/12/2017
Short-term receivables	**185**	**158**
Net amounts due from members	140	52
Gross amount	*153*	*66*
Depreciation, amortisation and provisions	*-13*	*-14*
Members - interest receivable	34	92
Net monetary penalties and court costs receivable	11	14
Gross amount	*1,070*	*1,070*
Depreciation, amortisation and provisions	*-1,059*	*-1,056*
Claim-related receivables	**0**	**0**
Net amounts due from EGP	0	0
Gross amount	*22,436*	*22,436*
Depreciation, amortisation and provisions	*-22,436*	*-22,436*
Net amounts due from Dubus SA	0	0
Gross amount	*3,807*	*3,742*
Depreciation, amortisation and provisions	*-3,807*	*-3,742*
Transferable securities and cash assets	**169,474**	**154,828**
Transferable securities and cash assets	169,474	154,828
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**169,659**	**154,986**

• Investor compensation scheme balance sheet

Liabilities (€ thousands)	31/12/2016	31/12/2017
Equity	**106,484**	**106,663**
Profit/loss	0	0
Technical provision for intervention risk	106,484	106,663
Subordinated debt	**46,492**	**47,057**
Certificates of membership	9,932	9,957
Guarantee deposits	36,559	37,100
Total equity	**152,976**	**153,720**
Provisions for claims	**0**	**0**
Current liabilities	**208**	**57**
Advances received on monetary penalties	11	14
Trade payables	196	43
Tax and social security liabilities	0	0
Liabilities to members	**15,903**	**0**
Members - interest payable	0	0
Members - licence revocations	583	0
Members - refund of guarantee deposits	15,320	0
Breakdown of balance sheet – committed costs	**572**	**1,209**
Liabilities related to committed costs	572	1,209
Total liabilities	**169,659**	**154,986**

• Performance bonds guarantee balance sheet

Assets (€ thousands)	31/12/2016	31/12/2017
Short-term receivables	**320**	**41**
Net amounts due from members	21	18
Gross amount	*21*	*18*
Depreciation, amortisation and provisions	*0*	*0*
Members - penalties receivable	7	0
Members - interest receivable	0	23
Members - contributions receivable	292	0
Claim-related receivables	**0**	**0**
Transferable securities and cash assets	**45,845**	**39,089**
Transferable securities and cash assets	45,845	39,089
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**46,165**	**39,130**

Liabilities (€ thousands)	31/12/2016	31/12/2017
Equity	**20,268**	**20,365**
Profit/loss	0	0
Technical provision for intervention risk	20,268	20,365
Subordinated debt	**17,871**	**18,010**
Certificates of membership	0	0
Guarantee deposits	17,871	18,010
Total equity	**38,139**	**38,374**
Current liabilities	**0**	**0**
Trade payables	0	0
Liabilities to members	**7,632**	**167**
Members - interest payable	0	0
Members - licence revocations and overpayments	244	167
Members - refund of guarantee deposits	7,388	0
Breakdown of balance sheet – committed costs	**394**	**589**
Liabilities related to committed costs	394	589
Total liabilities	**46,165**	**39,130**

• Resolution mechanism balance sheet (NRF and SRF)

Assets (€ thousands)	31/12/2016	31/12/2017
Short-term receivables	**4**	**12**
Net amounts due from members	0	1
Gross amount	*1*	*2*
Depreciation, amortisation and provisions	*-1*	*-1*
Members - penalties receivable	0	0
Members - interest receivable	4	11
Transferable securities and cash assets	**15,588**	**19,329**
Transferable securities and cash assets	15,588	19,329
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**15,592**	**19,341**

Liabilities (€ thousands)	31/12/2016	31/12/2017
Equity	**9,989**	**12,139**
Profit/loss	0	0
Technical rovision for intervention risk	9,989	12,139
Subordinated debt	**4,707**	**5,845**
Guarantee deposits	4,707	5,845
Total equity	**14,697**	**17,984**
Liabilities to members	**0**	**4**
Members - National Resolution Fund (NRF) licence revocations	0	4
Liabilities to the Single Resolution Fund (SRF)	**0**	**2**
Single Resolution Fund contributions collected	0	0
Single Resolution Fund guarantee deposits collected	0	0
Single Resolution Fund contributions to be transferred	0	1
Single Resolution Fund guarantee deposits to be repaid	0	1
Breakdown of balance sheet – committed costs	**895**	**1,352**
Liabilities related to committed costs	895	1,352
Total liabilities	**15,592**	**19,341**

Between 2016 and 2017, the FGDR's balance sheet total grew by €60 million from €3.806 million to €3.866 million. This growth resulted mainly from:

• the collection of contributions for the various guarantee mechanisms managed by the FGDR (€285 million);
• the repayment of guarantee deposits and contributions to some FGDR members (impact -€212 million) in January 2017, later than in 2016.

On the asset side, the increase was mainly linked to the rise in transferable securities and cash assets, which were up by €60 million.

On the liabilities side, the increase was mainly due to:
• the €181 million increase in member's certificates for the deposit guarantee scheme;
• the €89 million increase in guarantee deposits;
• partially offset by the reduction in liabilities to members for which the 2016 repayments and negative contributions were paid in 2017 (-€212 million).

5.1.1. Composition of own funds

The FGDR's own funds at 31 December 2017 are shown below:

(€ thousands)	Deposit Guarantee Scheme	Investor Compensation Scheme	Performance Bonds Guarantee Scheme	Resolution mechanism	Total
Equity	**1,541,364**	**106,663**	**20,365**	**12,139**	**1,680,531**
Technical provision for intervention risk	934,950	106,663	20,365	12,139	1,074,117
Technical provision for regulatory compliance	4,660	0	0	0	4,660
Member's certificates	601,754	0	0	0	601,754
Subordinated debt	**2,108,090**	**47,057**	**18,010**	**5,845**	**2,179,001**
Certificates of membership	532,590	9,957	0	0	542,547
Guarantee deposits	1,575,499	37,100	18,010	5,845	1,636,454
Total equity	**3,649,454**	**153,720**	**38,374**	**17,984**	**3,859,532**

The own funds are broken down into equity and subordinated debt.
Equity consists of:
• technical provisions, which changed as shown in the table below;
• member's certificates (including €180 million in new member's certificates issued to members in 2017 for the deposit guarantee scheme). The €22,000 in repayments pertain to the repayments of member's certificates to members following licence revocations.

(€ thousands)	31/12/2016	Additions	Reversals	31/12/2017
Technical provision for intervention risk	1,069,797	4,320	0	1,074,117
Technical provision for regulatory compliance	7,575	0	2,914	4,660
Total	1,077,372	4,320	2,914	1,078,777

(€ thousands)	31/12/2016	Calls	Repayments	31/12/2017
Member's certificates	421,408	180,369	22	601,754
Total	421,408	180,369	22	601,754

Subordinated debt consists of certificates of membership and guarantee deposits of members:

(€ thousands)	31/12/2016	Calls	Repayments	31/12/2017
Guarantee deposits	1,546,540	123,513	33,599	1,636,454
Certificates of membership	542,492	56	1	542,547
Total	2,089,032	123,569	33,600	2,179,001

In 2017, €33.6 million in guarantee deposits and certificates of membership were repaid to members, including €33.4 million in expired guarantee deposits and €0.2 million in guarantee deposits and certificates of membership following licence revocations.

5.1.2. Gross non-current assets

(€ thousands)	31/12/2016	Acquisitions	Disposals	31/12/2017
Tangible, intangible and financial assets	**1,258**	**489**	**15**	**1,733**
Intangible assets	**532**	**487**	**0**	**1,019**
> Software	*83*	*16*	*0*	*100*
> Software (PHD)	*262*	*0*	*0*	*262*
> Website	*187*	*1*	*0*	*189*
> Member database	*0*	*469*	*0*	*469*
> Software - construction work in progress	*0*	*0*	*0*	*0*
Tangible assets	**653**	**2**	**14**	**640**
> General facilities and fixtures	*351*	*1*	*0*	*352*
> Office and computer equipment	*77*	*1*	*14*	*64*
> Furniture	*224*	*0*	*0*	*224*
Financial assets	**74**	**0**	**1**	**73**
> Miscellaneous	*5*	*0*	*1*	*4*
> Guarantee deposits paid	*69*	*0*	*0*	*69*
Compensation platform project	**17,370**	**1,153**	**554**	**17,969**
Compensation platform - operating assets	17,196	554	0	17,749
Compensation platform - construction work in progress	174	599	554	220
Total non-current assets	**18,628**	**1,642**	**569**	**19,701**

The FGDR's investments totalled €1.6 million in 2017. Nearly all of this amount was invested in developing computer applications related to the compensation platform (€1.15 million) and the member database (€0.47 million).

The compensation platform project began in 2012 and became operational in 2014. Development has continued since then and in 2017 focused mainly on intra-European "Home-Host" compensation, the handling of temporary high balances, compensation for bank cheque recipients, reports for the Treasury and the liquidator, and changes to the SCV file related to the handling of account seizure orders (cf. section 3.3. The compensation system for the deposit guarantee scheme). In 2013, the total cost of the investment had been set at €15.3 million. This cost was covered by a provision "for regulatory compliance" which was deducted from equity and intended to be reversed as amortisation was recorded (€2,914,000 in 2017). The balance of this provision was €4,660,000 at the end of 2017.

The member database redesign project began in April 2017. This new information system will give the FGDR a reliable tool for collecting contributions that meets the growing needs related to new calculation methods and members' information requirements while making financial flows more secure. The first module was implemented on time in November 2017 and was used for the call for contributions in that same year. This module is the main part of the application as it is used to collect contributions and make an accounting entry of the data related to members' contributions. The schedule provides for deliveries of a second and third lot in February 2018 and June 2018, respectively, to automate the handling of licence revocations, determine the voting rights of each Supervisory Board member and calculate the stocks of contributions used as a basis for new calls for the deposit guarantee scheme.

5.1.3. Amortisation

(€ thousands)	31/12/2016	Additions	Reversals	31/12/2017
Tangible, intangible and financial assets	**723**	**129**	**14**	**837**
Intangible assets	**439**	**60**	**0**	**499**
> Software	*57*	*14*	*0*	*70*
> Software (PHD)	*262*	*0*	*0*	*262*
> Website	*121*	*38*	*0*	*159*
> Member database	*0*	*8*	*0*	*8*
Tangible assets	**283**	**69**	**14**	**338**
> General facilities and fixtures	*119*	*42*	*0*	*161*
> Office and computer equipment	*74*	*3*	*14*	*62*
> Furniture	*90*	*24*	*0*	*115*
Compensation platform project	**8,292**	**3,516**	**0**	**11,808**
Compensation platform - operating assets	8,292	3,516	0	11,808
Compensation platform - construction work in progress	0	0	0	0
Total depreciation and amortisation	**9,015**	**3,645**	**14**	**12,645**

5.1.4. Receivables and debt

5.1.4.1. Receivables

Gross Amount (€ thousands)	31/12/2016	31/12/2017
Receivables due in less than one year	2,618	5,652
Receivables due in one year or more	204,780	204,715
Total receivables	**207,398**	**210,367**

Receivables due in one year or more represent the cost of past interventions which the FGDR tries to recover in whole or in part through the proceedings initiated by it.

Receivables due in less than one year include:

- annual contributions in the process of collection from members amounting to €72,000;
- interest billed to members at €2,309,000 (cf. section 5.1.6. Revenue accruals) which will be collected at the same time as the 2018 contributions;
- contributions to be received from the Belgian deposit guarantee scheme amounting to €1,897,000: these are contributions collected in 2018 from one of its members during the 12 months preceding the transfer of its activity to a French FGDR member institution and for which a provision was set up in 2017 for revenue accruals (cf. section 5.2.3. Income);
- the amount of old monetary penalties imposed by the AMF in 2001 and 2013 (fully provisioned) and not yet collected totalling €1,070,000;
- court costs receivable of €303,000 (cf. section 5.1.6. Revenue accruals).

5.1.4.2. Debt

(€ thousands)	31/12/2016	31/12/2017
Debt due in less than 1 year	1,734,745	1,621,838
Debt due in 1 to 5 years	21,068	10,681
Debt due in more than 5 years	547,199	548,392
Total debt	**2,303,012**	**2,180,910**

Debt due in less than one year mainly includes:

- guarantee deposits set up for the investor compensation and performance bond guarantee schemes in 2017 for a term of one year and in 2013 for a term of five years expiring at the end of 2018;
- guarantee deposits set up in 2017 for the deposit guarantee scheme for a term of one year.

Debt due in one to five years includes guarantee deposits for the investor compensation and performance bond guarantee schemes received in 2014 which, according to the old provisions, have a term of five years and therefore expire in 2019.

Debt due in more than five years includes the certificates of membership issued to members of the deposit guarantee and investor compensation schemes and the guarantee deposits of the National Resolution Fund (NRF).

The annual breakdown of guarantee deposits is as follows:

(€ thousands)	Deposit Guarantee Scheme	Investor Compensation Scheme	Performance Bonds Guarantee Scheme	National Resolution Fund Guarantee	Total
Before 2014	0	7,364	3,369	0	10,733
2014	0	7,230	3,429	0	10,660
2015	0	2	0	3,793	3,795
2016	0	219	33	1,009	1,261
2017	1,575,499	22,285	11,178	1,043	1,610,004
Total	**1,575,499**	**37,100**	**18,010**	**5,844**	**1,636,454**

5.1.5. Transferable securities

5.1.5.1. Mutual funds

Name	Number of units	Total cost price (€ thousands)	Total net asset value 31/12/2017 (€ thousands)	Unrealised capital gain or loss (€ thousands)
Total equity mutual funds		**175,928**	**283,777**	**107,849**
Halévy A1	56,374	65,224	112,188	46,963
Halévy A2	46,543	52,400	83,754	31,353
Halévy A3	49,512	58,303	87,835	29,532
Total bond mutual funds		**1,345,468**	**1,385,649**	**40,181**
Halévy O1	317,989	394,784	406,578	11,793
Halévy O2	278,299	334,763	349,749	14,987
Halévy O3	255,218	305,251	312,070	6,820
Halévy O4	250,990	310,671	317,251	6,581
Total money market mutual funds		**2,207,286**	**2,199,268**	**-8,018**
Halévy M3	481,047	611,466	609,285	-2,181
Halévy M9	289,091	337,918	336,447	-1,471
Halévy M10	509,748	586,843	584,788	-2,055
Halévy M13	286,333	334,679	333,498	-1,181
Halévy M14	329,666	336,380	335,251	-1,129
Total mutual funds		**3,728,682**	**3,868,693**	**140,011**

The money market mutual funds (FCP) posted negative performance since they are dependant on money market rates, which were negative throughout the year. A provision in the amount of €8,018,000 was set up at year-end for the unrealised capital losses on the money market mutual funds (cf. section 5.3.3.1.2 Equity interests, other long-term investments, transferable securities).

5.1.5.2. Capitalisation contracts

Amount (€ thousands)	31/12/2016	31/12/2017
Capitalisation contracts number 1	50,000	50,000
Accrued interest on contract number 1	1,916	2,971
Capitalisation contracts number 2	50,000	50,000
Accrued interest on contract number 2	1,454	2,535
Total	**103,371**	**105,506**

The FGDR took out two capitalisation contracts in 2015, each for €50 million. The accrued interest was €5,506,000, €2,480,000 of which was set aside to cover the withdrawal penalty in case of divestiture before the end of a four-year holding period. This penalty may not exceed the return in the first year. As the term of the capitalisation contracts was more than one year at the end of 2016, full year income of €2,136,000 was recorded this year.

5.1.6. Revenue accruals

Gross Amount (€ thousands)	31/12/2016	31/12/2017
Members - penalties receivable	0	0
Monetary penalties (*AMF*)	1,070	1,070
Members - contributions receivable	292	1,897
Members - interest receivable	709	2,309
Repayment of court costs receivable	303	303
Total	**2,375**	**5,580**

Court costs receivable represent the sums paid between 2008 and 2010 to the solicitors of the opposing parties in the Crédit Martiniquais case following the adverse decision handed down by the Paris Court of Appeals in 2008. Since this decision was overturned by the Court of Cassation in 2010, these costs must be returned. However, given that the lawsuit has not yet been adjudicated on the merits and that recovery of the costs from the opposing parties has been hindered and made more uncertain by its extension, this amount has been fully covered by a provision since 2012.

The contributions receivable pertain to the contributions collected by the Belgian deposit guarantee scheme during the 12 months preceding the transfer of activities of a Belgian subsidiary to a French FGDR member institution and which must be transferred to the FGDR pursuant to the regulation resulting from 2014-2015 provisions (cf. section 5.2.3. Income).

Lastly, given the negative performance of the money market funds, the FGDR will apply negative rates to the certificates of membership and guarantee deposits, which means that it will collect €2,309,000 from its members.

- Monetary penalties (€ thousands):

Amount at 31/12/2016	Penalties imposed in 2017	Payments received in 2017	Amount at 31/12/2017
1,070	60	60	1,070

- Provisions for monetary penalties (€ thousands):

Provision at 31/12/2016	Additions	Reversals	Provision at 31/12/2017
1,059	0	2	1,056

The net amount of monetary penalties to be collected at 31 December 2017 was €1,070,000, €1,056,000 of which was covered by a provision. This year, monetary penalty amounts were lower than in 2016 (€60,000 compared with €3.9 million in 2016).

5.1.7. Accrued expenses

(€ thousands)	31/12/2016	31/12/2017
Trade and similar payables	629	326
Tax and social security liabilities	524	566
Liabilities to members	212,085	672
Total	**213,238**	**1,564**

Liabilities to members represented repayments of guarantee deposits in 2016, negative contributions made in 2017 and licence revocations to be paid to members. In 2017, €672,000 includes licence revocations and overpayments to be repaid to members.

5.1.8. Pre-paid expenses

At 31 December 2017, pre-paid expenses were as follows:

(€ thousands)	31/12/2017
Rent and rental expenses	99
Insurance	6
Upkeep and maintenance	12
Contributions	4
Other	1
Total	**122**

5.1.9. Provisions for risks and charges

(€ thousands)	31/12/2016	Increases	Decreases	31/12/2017
Retirement payments	1,082	203	190	1,095
Provision for claims	746	0	298	447
Provisions for risks - capitalisation contracts	2,480	0	0	2,480
Total	**4,309**	**203**	**488**	**4,023**

At the end of 2017, the total amount of the provision for retirement payments was €1,095,000. It covers all FGDR employees.

In a decision handed down by the Paris Court of Appeals on 1 July 2016, the appeal filed by the FGDR against the former senior managers of Crédit Martiniquais was rejected on the merits. In addition, the Court ordered it to pay the court costs of all the opposing parties, including solicitors' fees due in connection with the proceeding initiated before the Court of Appeals in 2010. A provision of €746,000 had been set up to cover the risk of a claim for payment of solicitors' fees. In 2017, two solicitors were paid, one settled out of court and the other was paid pursuant to a court decision which the FGDR appealed to avoid a contagion effect to the advantage of the other solicitors. The provision related to these two solicitors (€298,000) was therefore reversed (cf. section 5.2.4.3. Intervention by the FGDR in favour of Crédit Martiniquais). It also disputed the amounts of the fees calculated by the solicitors before the Court of Appeals.

5.1.10. Off-balance sheet commitments

None.

> 5.2.
Profit and loss statement

5.2.1. Overall profit and loss statement

Income +; Expenses - (€ thousands)	31/12/2016 12 months	31/12/2017 12 months	Change 2017/2016
Income	**17,121**	**14,358**	**-16%**
Contributions	13,263	12,405	-6%
Income on licence revocations and European transfers	-19	1,888	
Other income	3,877	65	-98%
Cost of claims	**-1,195**	**62**	
Risk management expenses	-460	-302	
Provisions for claims	-746	363	
Claim-related income	10	0	
Financial income/expense	**0**	**-2,392**	
Financial income (equities and bonds)	0	0	
Financial income (money market mutual funds)	-7	-598	
Financial income (capitalisation contract)	2,297	2,136	-7%
Provisions for risks (capitalisation contract)	-1,407	0	
Provisions for impairment of transferable securities net of reversals	-1,744	-6,240	
Negative interest on bank accounts	-19	-24	25%
Provisions for interest payable to members	0	0	
Reversal of provision for interest payable to members	170	0	
Interest receivable from members	709	2,334	
Overhead costs	**-8,306**	**-7,708**	**-7%**
Committed costs	-5,819	-5,541	-5%
Expense for new stock of contributions calculation method	-549	0	
Member database expense	0	-41	
Directly assignable expenses	-96	-54	-44%
Expense for compensation platform operation	-1,842	-2,071	12%
Non-recurring items	**17**	**0**	
Technical provision for intervention risk	**-7,636**	**-4,320**	**-43%**
Profit/loss	**0**	**0**	

5.2.2. Profit and loss statement by mechanism

Income +; Expenses - (€ thousands)	Deposit Guarantee Scheme	Investor Compensation Scheme	Performance Bonds Guarantee Scheme	Resolution mechanism (1)	Total
Income	**10,159**	**1,181**	**355**	**2,663**	**14,358**
Contributions	8,279	1,105	358	2,663	12,405
Income on licence revocations and European transfers	1,875	15	-3	0	1,888
Other income	4	61	0	0	65
Cost of claims	**111**	**-50**	**0**	**0**	**62**
Risk management expenses	-187	-115	0	0	-302
Provisions for claims	298	65	0	0	363
Claim-related income	0	0	0	0	0
Financial income/expense	**-2,244**	**-108**	**-25**	**-15**	**-2,392**
Financial income (equities and bonds)	0	0	0	0	0
Financial income (money market mutual funds)	-565	-24	-6	-3	-598
Financial income (capitalisation contract)	2,020	85	21	10	2,136
Provisions for risks (capitalisation contract)	0	0	0	0	0
Provisions for impairment of transferable securities net of reversals	-5,900	-248	-62	-29	-6,240
Negative interest on bank accounts	-22	-1	0	0	-24
Interest receivable from members	2,225	80	22	7	2,334
Overhead costs	**-6,131**	**-844**	**-233**	**-498**	**-7,708**
Committed costs	-4,049	-782	-224	-486	-5,541
Member database expense	-11	-9	-9	-12	-41
Directly assignable expenses	0	-54	0	0	-54
Expense for compensation platform operation	-2,071	0	0	0	-2,071
Non-recurring items	**0**	**0**	**0**	**0**	**0**
Technical provision for intervention risk	**1,895**	**179**	**97**	**2,149**	**4,320**

(1) For 2017, the expenses attributable to the collection of contributions intended for the SRF totalled €355,000.

5.2.3. Income

The contributions to the deposit guarantee scheme, broken down by instrument, were as follows:
- €8.3 million in premiums, including €7.5 million to finance operating expenses;
- €88.1 million in guarantee deposits;
- €180.4 million in member's certificates;
- €0.56 million in certificates of membership.

The contributions to the other mechanisms were collected on the same basis as in previous years, namely:
- Investor compensation:
  > annual contribution: €22.3 million in the form of guarantee deposits;
  > contribution for operating expenses of €1.1 million.

- Performance bonds guarantee:
  > Annual contribution of €11.2 million in the form of guarantee deposits;
  > contribution for operating expenses of €0.65 million.

- National Resolution Fund (resolution mechanism): €2.4 million in premiums and €1 million in guarantee deposits.

Income from licence revocations and European transfers mainly concerned a transfer of contributions from the Belgian deposit guarantee scheme to the FGDR. In accordance with the regulations in force, contributions collected during the last 12 months by a European guarantee scheme from a member whose activities are transferred to another European guarantee scheme must be transferred to the latter. These provisions are included in Article 14.3 of the "DGSD2" directive and in the decree of 27 October 2015 relating to the financial resources of the FGDR.

Other income includes the monetary penalties imposed by the *AMF* on FGDR members which, as provided by law, are allocated to the investor compensation mechanism. In 2017, a penalty of €60,000 was recorded and received.

The gross amount of penalties receivable (claim) shown on the balance sheet for the investor compensation mechanism was €1,070,000, €1,056,000 of which was covered by a provision. The provisioning rule is explained in the notes (cf. section 5.3.2.a. Income for the year).

5.2.4. Claim-related expenses

The costs incurred by the FGDR were as follows:

Mechanism	Claim	Expenses	Change in provision	Cost of claims
Deposit Guarantee Scheme	Crédit Martiniquais	-187	298	111
Investor Compensation Scheme	EGP	-81	0	-81
Investor Compensation Scheme	Dubus SA	-34	65	31
Total		**-302**	**363**	**62**

5.2.4.1. Intervention by the FGDR in favour of the customers of Européenne de Gestion Privée

The administrative expense in 2017 was €81,000, which pertains to the work of the French and Italian lawyers in the pending criminal proceeding in which the FGDR is a plaintiff claiming damages and the proceeding relating to the liquidation.

5.2.4.2. Intervention by the FGDR in favour of Dubus SA

The €34,000 in fees paid relate to the work carried out by the FGDR's attorney to obtain preferential entitlement to the liquidation liabilities.

5.2.4.3. Intervention by the FGDR in favour of Crédit Martiniquais

Solicitors' fees related to the lawsuit amounted to €187,000. A reversal of the provision for the payment of two solicitors was also recorded for €298,000 (cf. section 5.1.9. Provisions for risks and charges).

5.2.5. Compensation platform expenses

In 2017, the capital expenditure was €599,000, bringing the total investment to €17,969,000. The share of these investments placed in service was amortised over five years, generating an addition of €3,516,000 during the year. This addition is partly offset by the reversal of the provision for regulatory compliance corresponding to the amortisation of the investments for the first lot, i.e. €2,914,000.

The amount of the project expenditure recorded as an expense was €2,071,000 and corresponds to operation and maintenance expenses (cf. section 3.3. The compensation system for the deposit guarantee scheme).

5.2.6. Financial income/expense

The FGDR's financial expense was €2,392 million. This result is mainly explained as follows:

- +€2.1 million in capital gains on the capitalisation contracts in 2017;
- -€6.8 million in provisions for impairment of transferable securities which represent the unrealised capital losses on the money market portfolio, the return on which was -32 bps during the year;
- +€2.3 million in interest receivable from members on guarantee deposits and certificates of membership at an interest rate of -0.11%.

5.2.7. Committed costs

Committed costs generally decreased, particularly personnel expenses (-5%) and administrative expenses (-20%):

Income +; Expenses - (€ thousands)	Actual 31/12/2016	Actual 31/12/2017	Change
Personnel expenses	**3,696**	**3,529**	**-5%**
Gross salaries	2,178	2,030	-7%
Employer's contributions	1,298	1,324	2%
Other (including directors' fees)	220	176	-20%
Administrative expenses	**1,774**	**1,423**	**-20%**
Offices	537	533	-1%
IT	487	257	-47%
Supplies, documentation and telecom	69	103	51%
Assignments, travel and public relations	544	358	-34%
EFDI	0	32	
Other (general taxes, third-party liability insurance)	137	139	1%
Professional fees and external services	**370**	**589**	**59%**
Audit, accounting and internal control	120	271	
Asset management	97	66	-32%
Legal fees	0	123	
Other	153	130	-15%
Prior-year expenses	**-21**	**0**	
Total	**5,819**	**5,541**	**-5%**

5.2.7.1. Personnel expenses

Personnel expenses totalled €3,529,000, a 5% decrease compared with 2016. The reduction resulted mainly from the retirement of a Management Board member, for which the expense was less than the amount provisioned.

a/ Number of employees

Number of employees	2016	New hires	Departures	2017
Management staff - permanent contract	13	2	1	14
Non-management staff - permanent contract	0	0	0	0
Fixed-term contract	1	1	1	1
Total	**14**	**3**	**2**	**15**

b/ Average full-time equivalent (FTE) workforce

- Permanent staff

FTE	2016	New hires	Departures	2017
Management staff	12.7	2.24	1.58	13.36
Non-management staff	0.16	0.00	0.16	0.00
Total	**12.86**	**2.24**	**1.74**	**13.36**

- Temporary staff

FTE	2016	2017
Fixed-term contract	0.8	1.4
Temporary workers	1.2	0.1
Total	**2.0**	**1.5**

5.2.7.2. Administrative expenses

a/ IT

The €230,000 decrease in this item was primarily due to:

- the absence of a specific charge recorded in 2016 related to the discontinuation of the member database project as a result of the failure of the service provider for €201,000;
- fewer updates to the website content (-€13,000); and
- a decrease in amortisation of the website for which a portion of the investment was fully amortised in 2017 (-€10,000).

b/ Supplies, documentation and telecom

The use of an external service provider to handle the high volume of calls from depositors as a result of the regulatory information sent by banks about the deposit guarantee scheme explains the €33,000 increase in this item.

c/ Assignments, travel and public relations

His item decreased because the FGDR did not organise a conference for the International Association of Deposit Insurers (IADI), as it did in 2016 when this event generated an expense of €244,000. However, this decrease was slightly mitigated by the preparation for the "Pre-default and Default" exercise in February 2018 (€30,000) on crisis communication and by an increased level of travel this year (€26,000).

d/ EFDI

This refers to support costs for the operation of the European Forum of Deposit Insurers (EFDI) which is chaired by the FGDR's Chairman. This expenditure relates to travel, personnel expenses and external services for the association (€84,000), a portion of which was paid by the association after €52,000 of the costs were re-invoiced (cf. section 1.2. International regulatory changes and developments).

e/ Professional fees and external services

This item increased by €219,000 compared with 2016, mainly for the following reasons:

- the lack of a member database due to the discontinuation of the project in early 2017 required additional work by the auditors for the 2016 closing. For the 2017 closing, the work related to verifying the data transfer was performed on the new database (€47,000);
- the invitation to tender related to the money market portfolio was organised internally, whereas the more complex bond tender carried out in 2016 required more assistance from a consultant (-€30,000);
- legal fees include solicitors' fees related to the negotiation of the funding line closed in early 2018 (cf. section 3.2. Resources and contributions to the different mechanisms) and the expenditure resulting from the lawsuit with the former member database service provider (€126,000);
- "Other" includes the fees of the documentation agent for the syndicated credit line and a tax review relating to this credit (€108,000). However, not using a recruitment firm this year (€130,000 in 2016) limited the change.

5.2.8. Breakdown of expenses by mechanism

The breakdown of committed costs and financial income/expense is based on two separate keys:

- allocation key for committed costs (costs allocated based on the estimated costing-based management cost of each mechanism (cf. section 5.3.1.1.4. Allocation key for committed costs):
  > deposit guarantee: 73.07% (versus 73.03% at year-end 2016);
  > investor compensation: 14.10% (versus 14.19% at year-end 2016);
  > performance bonds guarantee: 4.05% (versus 4.25% at year-end 2016);
  > resolution mechanism: 8.78% (versus 8.54% at year-end 2016).

- allocation key for financial income (proportional to the managed resources accruing to each mechanism):
  > deposit guarantee: 94.56% (versus 94.26% at year-end 2016);
  > investor compensation: 3.98% (versus 4.26% at year-end 2016);
  > performance bonds guarantee: 0.99% (versus 1.06% at year-end 2016);
  > National Resolution Fund (NRF): 0.47% (versus 0.41% at year-end 2016).

5.2.9. Profit/loss

Profit before the technical provision for intervention risk was €4,320,000. It breaks down as follows:

- €1,895,000 for the deposit guarantee mechanism;
- €179,000 for the investor compensation mechanism;
- €97,000 for the performance bonds guarantee mechanism;
- €2,149,000 for the resolution mechanism (NRF and SRF).

In accordance with the accounting and tax rule established for the Fonds de Garantie des Dépôts et de Résolution, this entire amount of €4,320,000 will be transferred to the technical provision for intervention to set accounting income to zero (cf. section 5.3.2.e Technical provision for intervention risk).

> 5.3. Notes to the financial statements

5.3.1. Accounting rules and methods

5.3.1.1. General principles

The Fonds de Garantie des Dépôts et de Résolution (FGDR) is a legal entity governed by private law created by Law 99-532 of 25 June 1999 relating to savings and financial security. The legal framework applicable to it changed significantly as a result of Order 2015-1024 of 20 August 2015 containing various provisions for adapting legislation to European Union financial law, whereby the "DGSD2" and "BRRD" European directives were transposed into French law, and as a result of the decrees of 27 October 2015 and 16 March 2016 issued pursuant to Article L. 312-16 of the French Monetary and Financial Code as amended by this order.

Pursuant to a decision by Eurostat and the INSEE on 2 October 2016, the FGDR was placed in the statistical category of "Public Administrations". As a result, the FGDR falls under the category of "Central Administration Bodies" and is subject to the provisions of Article 12 of Law 2010-1645 of 28 December 2010 on public finance planning, which governs its borrowing capacities.

5.3.1.1.1. Guarantee mechanisms

The FGDR manages three guarantee mechanisms:

- the deposit guarantee scheme established by Article L. 312-4 et seq. of the French Monetary and Financial Code, the purpose of which is to compensate customers of credit institutions in the event of the unavailability of their deposits or other sums left in accounts which must be returned to customers;
- the investor compensation scheme established by Article L. 322-1 et seq. of the French Monetary and Financial Code, the purpose of which is to compensate investors who are clients of an investment services provider, whether a credit institution or simply an investment firm (with the exception of portfolio management companies) in the event of the unavailability of their financial instruments and of cash deposits related to an investment service and made with an investment firm;
- the performance bonds guarantee scheme established by Article L. 313-50 et seq. of the French Monetary and Financial Code, the purpose of which is to honour, in case of the failure of an institution authorised by the ACPR to issue them, guarantee commitments required by a law or regulation made by said institution to natural persons or legal entities governed by private law.

Membership in the FGDR is mandatory and results automatically from the authorisation received by the institution to carry out its respective activity. Enforcement of the guarantee is initiated by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) when it determines that an institution is no longer able to return, immediately or in the near future, the deposits or financial instruments entrusted to it or is no longer able to honour the performance bonds issued by it.

The FGDR may also intervene on a preventative basis at the recommendation of the ACPR under each of the three mechanisms.

5.3.1.1.2. Resolution mechanism: contributions to the SRF and NRF

The FGDR manages the resolution mechanism (National Resolution Fund - NRF) created pursuant to Law 2013-672 of 26 July 2013 «on the separation and regulation of banking activities”.

Pursuant to the aforementioned order of 20 August 2015, the FGDR also collects the contributions intended for the European Single Resolution Fund (SRF) on behalf of the NRF. This collection also includes payment commitments and the guarantee deposits related to them. As all of these premiums, payment commitments and guarantee deposits are immediately transferred to the SRF and merely pass through the FGDR’s books, they are not shown on its balance sheet at year-end. Insofar as the FGDR simply acts as an operator, the SRF is not shown separately on its balance sheet. The expenses corresponding to these operations are included under «resolution mechanism» with a specific notation.

5.3.1.1.3. The FGDR’s resources

Aside from its involvement in some financing of resolution measures, the FGDR’s resources are used for the compensation and preventative interventions already specified by the French Monetary and Financial Code and are specific to each mechanism.

They are defined in the decree of 27 October 2015 related to the FGDR’s resources and consist of:

- non-negotiable certificates of membership issued to the member institution in its own name at the time of membership (except for the performance bonds guarantee scheme), which accrue interest under the conditions set by the Supervisory Board at the Management Board’s proposal and are refundable if the authorisation is revoked;
- member’s certificates, established by paragraph I of Article L. 312-7 of the French Monetary and Financial Code and subject to the rules set out in the decree of 27 October 2015: they are equity securities that have an indefinite term and are remunerated based on a decision by the Supervisory Board at the Board’s proposal. Member’s certificates are refundable if the authorisation is revoked based on a decision by the Supervisory Board;
- premiums, which represent income earned by the FGDR.

A member may be exempt from paying all or part of the contributions levied each year for the various schemes, provided that it agrees to make such payment upon request and pays a guarantee deposit in the same amount to the FGDR. Guarantee deposits are returned upon their expiration if they have not been used to finance an intervention. The Supervisory Board determines the share of contributions that may be made by members in the form of payment commitments backed by guarantee deposits in the same amount and sets their term. Because of the FGDR’s classification in the statistical category of “Public Administrations” in October 2016, the term of the commitments and guarantee deposits is 364 days.

The decision referred to in paragraph I of Article L. 312-10 of the French Monetary and Financial Code stipulates the breakdown of contributions into each type of resource for each call for contributions. For 2017, this breakdown was calculated for each member by comparing, for each type of contribution, a 2017 target with a stock of 2016 contributions already paid.

In case of insufficient resources, the FGDR may borrow from its members and collect special contributions. The FGDR can also obtain loans under normal circumstances, particularly in the form of a credit line.

The accounting treatment of the various types of contributions varies based on their legal nature: premiums are recorded as income in the profit and loss statement; guarantee deposits covering payment commitments and certificates of membership are recorded as subordinated debt to members; and member's certificates are recorded as equity.

The accounting rules are those contained in the chart of accounts applicable to trading companies. The financial statements were prepared in accordance with Regulation 2015-06 of 23 November 2015 of the *Autorité des Normes Comptables* (French accounting standards authority) relating to the Chart of Accounts.

However, Article 92 of amending finance law No. 2016-1918 of 29 December 2016 for 2016 provides that a provision for intervention risk must be set up for each mechanism or scheme in the FGDR's accounting system. This provision is equal to all excess income, including income resulting from the conversion of certificates and guarantee deposits into premiums in case of an intervention, and the sums collected following an intervention, relative to all the expenses for the year, including intervention expenses. It is added to the FGDR's reserves. It is reversed in case of an intervention by the FGDR under the conditions set out in Article L. 317-7 of the French Monetary and Financial Code.

Pursuant to the last subparagraph of Article L. 312-9 of the French Monetary and Financial Code, the FGDR's reserves are not distributable.

Sources and uses, on the one hand, and income and expenses, on the other hand, are broken down by guarantee mechanism and by nature (section IV of Article L. 312-7 of the French Monetary and Financial Code).

Each intervention by the FGDR is managed and accounted for separately. The sums collected following an intervention are allocated to the reserves of the mechanism that incurred the related expense.

Concerning the FGDR's tax scheme:

- the aforementioned Article 92 of Law No. 2016-1918 added an Article 39 quinquies GE to the General Tax Code providing that the provision for intervention risk must be tax-exempt;
- a letter from the French tax administration (*Direction de la Législation Fiscale*) dated 18 April 2000 indicates that contributions are exempt from VAT;
- business tax, replaced by the regional economic contribution (*contribution économique territoriale*) since 2010, is due according to the ordinary rules of law adapted to the FGDR's activity (letter of 3 April 2002 from the French tax administration);
- the FGDR is not considered a financial institution within the meaning of the FATCA and EAI regulations and is governed by the "passive non-financial entities" rules. Under this definition, the FGDR does not assume the obligations of identification, documentation and declaration applicable to financial institutions. The FGDR is also a "FATCA exempt party" and not subject to withholding tax (specifically, the FGDR is a non-financial entity under the Model 1 intergovernmental agreement (IGA) of 14 November 2013).

General accounting conventions were applied in accordance with the Chart of Accounts based on the principle of conservatism and the following basic assumptions:

- going concern principle;
- consistency principle;
- time period principle.

5.3.1.1.4. Allocation key for committed costs

The allocation key for committed costs is based on the number of members per mechanism for personnel directly responsible for member management and on the estimated time spent on each mechanism for other personnel. Except in the event of an intervention, this estimate is comprehensive and fixed. The proportional allocation key that results from the combination of these two factors is then applied to the salaries of personnel and, on a pro rata basis, to all the committed costs.

In addition:

- the full amount of the expenses related to the compensation platform is allocated to the deposit guarantee scheme;
- contributions are levied by mechanism and allocated accordingly;
- monetary penalties (other income) imposed by the *Autorité des Marchés Financiers* (AMF) on a member of

the investor compensation scheme and those imposed on one of their managers or employees are allocated to this mechanism, as are the sums (gifts and patronage) deducted by the FGDR from these penalties to finance educational activities in the financial area (section III of Article L. 621-15 of the French Monetary and Financial Code);
• the cost of each claim, including directly assignable administrative expenses, is allocated, per claim, to the respective mechanism, as well as the sums collected by the FGDR;
• the costs for the new member database are allocated in proportion to the number of members (amortisation, maintenance).

Lastly, the allocation of financial income and financial expenses is carried out proportional to the balance sheet resources of each mechanism.

5.3.2. Profit and loss statement

To best present the FGDR's fund investment activity and operation, the following interim balances and groupings have been used:

a/ Income for the year

This includes the definitive contributions, the monetary penalties imposed by the *Autorité des Marchés Financiers* (cf. section 5.3.1.1.4. Allocation key for committed costs) and the penalties paid by members (other income).

The following internal procedure is used to record monetary penalties:
• automatic recording of the penalty as soon as the decision is made by the *AMF*, subject to the expiration of the appeal period;
• automatic provision in the same amount, unless:
 > there is no appeal before the Council of State (or the appeal is rejected);
 > the debtor's solvency is certain (assessed differently depending on whether the debtor is an individual or a legal entity and, in the latter case, based on its situation);
 > reversal of the provision as payments are received.

b/ Cost of claims

The following income and expenses specific to each intervention are recorded in separate accounts and assigned directly to the intervention:
• the cost of compensation paid to the beneficiaries of the guarantees;
• the cost of preventative interventions;
• claim-related administrative expenses;
• provisions set up to manage risks or expenses related to a specific claim before their final account assignment;
• deductions from resources intended for the final financing of a claim.

c/ Financial income/expense

This includes income and expenses resulting from asset management, financial provisions and provisions for interest payable on member's certificates, certificates of membership and guarantee deposits. The remuneration principles of these instruments are set out in the decree of 27 October 2015 on the FGDR's financial resources:
• member's certificates are remunerated based on a decision by the Supervisory Board at the Executive Board's proposal;
• certificates of membership are remunerated based on the conditions set by the Supervisory Board;
• guarantee deposits are remunerated based on a decision by the Executive Board.

Given market conditions, the remuneration of these instruments was negative in 2017.

d/ Overhead costs

These include personnel expenses, external charges that are not directly assignable to a claim or mechanism, depreciation and amortisation and taxes.

e/ Technical provision for intervention risk

Excess income is automatically and fully assigned to the technical provision for intervention risk.

f/ Provision for regulatory compliance

Given the regulatory nature of the requirement that resulted in the compensation platform development project, to cover the future amortisation costs of this project, and given that the decision to undertake it was taken irrevocably in 2012, it was decided to create a "provision for regulatory compliance" which represents the investment needed for the specification and development of the initial "R1" version of the system. The creation of this provision was justified by the need to ensure that the FGDR is able to fulfil its legal and regulatory requirements related to depositor compensation. However, the subsequent updates to the CCS, particularly those resulting from the changes in the European framework (transposition of the 2014 "DGSD2" directive on deposit guarantee schemes), will not be covered by such a provision since the investment is made as the need or obligation arises. The provision was funded by a deduction from the technical provision for intervention risk. It is reversed as amortisation is recorded for the line items for which it was created and totalled €4.7 million at the end of 2017. Given its purpose, it is assigned directly and fully to the deposit guarantee mechanism.

5.3.3. Balance sheet

a/ Own funds include:

- under equity:
  - > the technical provision for intervention risk;
  - > member's certificates.
- under subordinated debt:
  - > certificates of membership;
  - > guarantee deposits.

b/ Provisions for risks

In accordance with section III of Article L. 312-9 of the French Monetary and Financial Code and the decrees of 27 October 2015, and in case of losses incurred by the FGDR for any of the guarantee mechanisms as a result of its intervention, the losses will be charged firstly to the member's certificates and then to the certificates of membership of the member for which the fund intervened, secondly to the member's certificates and then to the certificates of membership of the other members, and lastly to the reserves.

The commitments undertaken with respect to severance pay are measured based on the acquired rights of all active employees and salaries at 31 December of each year. No discount or employee turnover factors are applied.

5.3.3.1. Measurement rules

The method used to measure the items in the financial statements is the historical cost method.

5.3.3.1.1. Tangible and intangible assets

Assets are valued at their acquisition cost (purchase price and incidental costs, excluding asset acquisition costs).

Depreciation of office and computer equipment is calculated using the diminishing balance method. Depreciation of other assets is calculated using the straight-line method based on the probable useful life:

Software	1 year
Member database	5 years
General facilities	8 to 10 years
Office and computer equipment	3 years
Furniture	5 to 10 years
Website	5 years
Compensation platform	5 years

Since 1 January 2005, an impairment test has been performed when there is an indication of a possible significant loss in value of a tangible or intangible asset. The assets held are not suited to a breakdown by component given their lack of complexity, nor to impairment tests given their nature.

5.3.3.1.2. Equity interests, other long-term investments, transferable securities

The gross value includes the acquisition cost excluding incidental costs. When the inventory value is less than the gross value, a provision for impairment is set up to cover the difference.

The FGDR's resources are managed globally in dedicated mutual funds (FCP). Their management is delegated to specialised operators selected via tender procedures that are re-opened at regular intervals. The management objectives are, first and foremost, the liquidity of the resources, followed by the security of the principal amount and, lastly, performance. The mutual funds are divided into three categories, each of which complies with specific and uniform management rules:

- funds invested in equities (Halévy A1 to A3);
- funds invested in bond products (Halévy O1 to O4);
- funds invested in money market products (Halévy M3 to M14).

The inventory value is the net asset value at 31 December. The results of the money market funds alone are generally determined at least once a year at the end of the year. Provisions are set up for any unrealised capital losses on "equity", "bond" and "money market" funds.

The FGDR also takes out capitalisation contracts in euro funds with insurance companies rated A or higher.

5.3.3.1.3. Receivables

Receivables are measured at their face value. A provision for impairment is recorded when the inventory value is less than the face value due to a risk of total or partial non-recovery.

> 5.4.
Auditors’ reports

See following pages.

FONDS DE GARANTIE DES DÉPOTS ET DE RÉSOLUTION

Siège social : 65 rue de la Victoire, 75009 PARIS

Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2017

PRICEWATERHOUSECOOPERS AUDIT MAZARS

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine

Mazars
61, rue Henri Regnault
92400 Courbevoie

Rapport des commissaires aux comptes sur les comptes annuels

(Exercice clos le 31 décembre 2017)

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION
65, rue de la Victoire
75009 PARIS

Mesdames, Messieurs,

Opinion

En exécution de la mission qui nous a été confiée par votre Conseil de Surveillance, nous avons effectué l'audit des comptes annuels du Fonds de Garantie des Dépôts et de Résolution (FGDR) relatifs à l'exercice clos le 31 décembre 2017, tels qu'ils sont joints au présent rapport.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine du FGDR à la fin de cet exercice.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2017 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par le code de déontologie de la profession de commissaire aux comptes.

Justification des appréciations

En application des dispositions des articles L. 823-9 et R.823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les appréciations suivantes qui, selon notre jugement professionnel, ont été les plus importantes pour l'audit des comptes annuels de l'exercice.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Règles et principes comptables

Le paragraphe 5.3.1 de l'annexe expose les règles comptables et de présentation des comptes qui sont spécifiques au FGDR. Ces règles ont été approuvées par le Conseil de Surveillance en application de l'article 2.4 du Règlement intérieur approuvé par la décision n°2000-01 du Comité de Règlementation Bancaire et Financière et homologué par arrêté du Ministère chargé de l'Economie en date du 6 septembre 2000.

Le paragraphe 5.3.1.1.3 présente les différentes ressources du FGDR, le mode de calcul de la répartition des contributions entre les adhérents, et il décrit le traitement comptable appliqué à chaque type de contribution.

Dans le cadre de notre appréciation des règles et principes comptables, nous avons examiné la conformité des règles comptables et de présentation suivies par le FGDR avec celles arrêtées par le Conseil de Surveillance et décrites dans l'annexe aux comptes.

Estimations comptables

Le FGDR constitue des provisions pour couvrir les risques relatifs aux sinistres et aux contrats de capitalisation souscrits dans le cadre de placements financiers, tel que décrit dans les paragraphes 5.1.5.2 et 5.1.9 de l'annexe aux comptes, et des dépréciations pour couvrir le risque de non recouvrement des sanctions pécuniaires à encaisser, tel que décrit dans le paragraphe 5.1.6 de l'annexe aux comptes.

Dans le cadre de notre appréciation de ces estimations, nous avons examiné les éléments d'information disponibles sur la base desquels ces estimations se sont fondées et avons procédé à l'appréciation de leur caractère raisonnable.

Vérification du rapport de gestion et des autres documents

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par la loi.

Informations données dans le rapport de gestion

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Directoire.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité du FGDR à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider le FGDR ou de cesser son activité.

Les comptes annuels ont été arrêtés par le Directoire.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion du FGDR.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Fait à Neuilly-sur-Seine et à Courbevoie, le 20 avril 2018

Les commissaires aux comptes

PricewaterhouseCoopers Audit

Jacques Lévi

Mazars

Guillaume Potel

Virginie Chauvin

FONDS DE GARANTIE DES DÉPOTS ET DE RÉSOLUTION

Head office : 65 rue de la Victoire, 75009 PARIS

Auditors' report on the year-end financial statements

Year ended 31 December 2017

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine

Mazars
61, rue Henri Regnault
92400 Courbevoie

Auditors' report on the year-end financial statements

(Year ended 31 December 2017)

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION
65, rue de la Victoire
75009 Paris

Ladies and Gentlemen,

Opinion

Pursuant to the mission entrusted to us by your Supervisory Board, we audited the year-end financial statements of the Fonds de Garantie des Dépôts et de Résolution (FGDR) for the year ended 31 December 2017, as appended to this report.

We certify that the year-end financial statements are, based on French accounting rules and principles, true and correct and provide a fair view of the result of the operations of the past financial year and of the financial position and assets of the FGDR at the end of said year.

Basis of the opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that we collected sufficient and appropriate information on which to base our opinion.

Our responsibilities pursuant to these standards are indicated in the section of this report entitled "Responsibilities of the auditors regarding the audit of the year-end financial statements".

Independence

We conducted our audit in accordance with the rules regarding independence applicable to us, for the period from 1 January 2017 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by the code of ethics for auditors.

Basis of our assessments

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the basis of our assessments, we hereby inform you of the following assessments which, in our professional judgment, were the most significant for the audit of the year-end financial statements.

These assessments fall within the scope of the audit of the year-end financial statements taken as a whole and enabled us to form the opinion expressed above. We do not express an opinion on elements of these year-end financial statements taken separately.

Accounting rules and principles

Paragraph 5.3.1 of the notes describes the specific accounting and presentation rules applicable to the financial statements of the FGDR. These rules were approved by the Supervisory Board pursuant to Article 2.4 of the Internal Regulations approved by decision 2000-01 of the French Banking and Financial Regulation Committee (Comité de Réglementation Bancaire et Financière) and approved by order of the Ministry of the Economy on 6 September 2000.

Paragraph 5.3.1.1.3 presents the various resources of the FGDR and the method used to calculate the breakdown of contributions among members and describes the accounting treatment used for each type of contribution.

As part of our assessment of the accounting rules and principles, we reviewed whether the accounting and presentation rules applied by the FGDR comply with those adopted by the Supervisory Board and described in the notes to the financial statements.

Accounting estimates

The FGDR creates provisions to cover risks related to claims and to capitalisation contracts taken out in connection with financial investments, as described in paragraphs
5.1.5.2 and 5.1.9 of the notes to the financial statements, and provisions for impairment to cover the risk associated with non-recovery of monetary penalties receivable, as described in paragraph 5.1.6 of the notes to the financial statements.

As part of our assessment of these estimates, we reviewed the available information that led to the determination of these estimates and assessed its reasonableness.

Verification of the annual report and other documents

In accordance with professional standards applicable in France, we also performed the specific checks laid down in law.

Information provided in the annual report

We have no comment as to the accuracy and consistency with the year-end financial statements of the information provided in the Board's management report.

Responsibilities of management and those charged with corporate governance regarding the year-end financial statements

It is the responsibility of management to prepare year-end financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement internal control as it deems necessary for the preparation of year-end financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the year-end financial statements, management must assess the FGDR's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding its continued operation and apply the going concern accounting convention, unless there are plans to liquidate the FGDR or discontinue its business.

The year-end financial statements were approved by the Board.

Responsibilities of the auditors regarding the audit of the year-end financial statements

Our responsibility is to prepare a report regarding the year-end financial statements. Our objective is to obtain reasonable assurance that the year-end financial statements as a whole contain no material misstatements. Reasonable assurance is a high level of assurance, yet without guaranteeing that an audit conducted in accordance with generally accepted professional standards always leads to the detection of all material misstatements. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of the FGDR's management.

When conducting an audit in accordance with professional standards applicable in France, the auditor exercises his/her professional judgment throughout the audit.
Moreover, he/she:

- identifies and assesses the risk that the year-end financial statements contain material misstatements, whether such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the override of internal control.

- reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, and not to express an opinion on the effectiveness of internal control;

- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as related information provided in the year-end financial statements;

- assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the company's ability to continue to operate. This assessment is based on information collected up to the date of his/her report, it being noted however that subsequent circumstances or events could call into question the continued operation. If the auditor concludes that significant uncertainty exists, he/she brings the information provided in the year-end financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the auditor issues a qualified opinion or a denial of opinion;

- assesses the overall presentation of the year-end financial statements and determines whether they fairly present the underlying transactions and events.

Neuilly-sur-Seine and Courbevoie, 20 April 2018

The Auditors

PricewaterhouseCoopers Audit	Mazars
Jacques Lévi	Guillaume Potel
	Virginie Chauvin

FONDS DE GARANTIE DES DÉPOTS ET DE RÉSOLUTION

Siège social : 65 rue de la Victoire, 75009 PARIS

Rapport des commissaires aux comptes sur les conventions réglementées

Exercice clos le 31 décembre 2017

PRICEWATERHOUSECOOPERS AUDIT MAZARS

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Exercice clos le 31 décembre 2017

Rapport spécial des commissaires aux comptes sur les conventions réglementées

Mesdames, Messieurs,

En notre qualité de commissaires aux comptes du Fonds de Garantie des Dépôts et de Résolution (FGDR), nous vous présentons notre rapport sur les conventions réglementées.

Il nous appartient de vous communiquer, sur la base des informations qui nous ont été données, les caractéristiques, les modalités essentielles ainsi que les motifs justifiant de l'intérêt pour la société des conventions dont nous avons été avisés ou que nous aurions découvertes à l'occasion de notre mission, sans avoir à nous prononcer sur leur utilité et leur bien-fondé ni à rechercher l'existence d'autres conventions. Il vous appartient, selon les termes de l'article R. 225-58 du code de commerce, d'apprécier l'intérêt qui s'attachait à la conclusion de ces conventions en vue de leur approbation.

Par ailleurs, il nous appartient, le cas échéant, de vous communiquer les informations prévues à l'article R. 225-58 du code de commerce relatives à l'exécution, au cours de l'exercice écoulé, des conventions déjà approuvées par le Conseil de Surveillance.

Nous avons mis en œuvre les diligences que nous avons estimé nécessaires au regard de la doctrine professionnelle de la Compagnie nationale des commissaires aux comptes relative à cette mission.

CONVENTIONS SOUMISES A L'APPROBATION DU CONSEIL DE SURVEILLANCE

Nous vous informons qu'il ne nous a été donné avis d'aucune convention autorisée et conclue au cours de l'exercice écoulé à soumettre à l'approbation du Conseil de Surveillance en application des dispositions de l'article L. 225-86 du code de commerce.

CONVENTIONS DEJA APPROUVEES PAR LE CONSEIL DE SURVEILLANCE

Nous vous informons qu'il ne nous a été donné avis d'aucune convention déjà approuvée par le Conseil de Surveillance dont l'exécution se serait poursuivie au cours de l'exercice écoulé.

Fait à Neuilly-sur-Seine et à Courbevoie, le 20 avril 2018

Les Commissaires aux comptes

PRICEWATERHOUSECOOPERS AUDIT

Jacques LEVI

MAZARS

Guillaume POTEL

Virginie CHAUVIN

FONDS DE GARANTIE DES DÉPOTS ET DE RÉSOLUTION

Siège social : 65 rue de la Victoire, 75009 PARIS

Auditors' special report on regulated agreements

Year ended 31 December 2017

PRICEWATERHOUSECOOPERS AUDIT MAZARS

Auditors' special report on regulated agreements

Ladies and Gentlemen,

In our capacity as auditors of the Fonds de Garantie des Dépôts et de Résolution (FGDR), we present to you our report on regulated agreements.

It is our responsibility to inform you, based on the information provided to us, of the characteristics and essential terms and conditions of the agreements brought to our attention or about which we may have learned during the course of our audit and the reasons why they are significant for the company, without our being required to comment on their usefulness and relevance or to determine the existence of other agreements. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code, to assess the advantage of entering into these agreements with a view to their approval.

It is also our responsibility, where applicable, to provide you with the information set out in Article R. 225-58 of the French Commercial Code regarding the performance, during the previous year, of the agreements already approved by the Supervisory Board.

We have conducted the work that we deemed necessary in accordance with the accounting standards of the Compagnie nationale des Commissaires aux Comptes that apply to this audit.

AGREEMENTS SUBJECT TO THE APPROVAL OF THE SUPERVISORY BOARD

We inform you that we have not been advised of any agreement authorised and concluded during the previous year which is subject to the approval of the Supervisory Board pursuant to Article L. 225-86 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE SUPERVISORY BOARD

We inform you that we have not been advised of any agreement already approved by the Supervisory Board which remained in effect during the previous year.

Neuilly-sur-Seine and Courbevoie, 20 April 2018

The Auditors

PRICEWATERHOUSECOOPERS AUDIT Jacques LEVI

MAZARS. Guillaume POTEL

Virginie CHAUVIN

Facts and Figures
at 31/12/2017

Available Resources at 31/12/2017

€3,860 billion

Member Institutions

480 members

Credit institutions

362 members

Investment services providers

306 members

Banks and Financing companies

311 members

Deposit Guarantee Scheme

Up to €100,000 per customer per institution

Compensation within 7 working days

Investor Compensation Scheme

Up to €70,000 per customer per institution

Compensation within 3 months

Guarantee of Performance Bonds Scheme

Up to 90% of the harm sustained

FGDR
FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

Path of the FGDR

1999

Creation of the FGD

Law of 25 June 1999

Crédit Martiniquais Intervention

2000

Mutua-Equipement Intervention

2009

Deposit guarantee extended to €100 000
Timeframe of 20 working days

Directive of 11 March 2009

2010

EGP Intervention

2012

Launch of the FGDR' Compensation System Project

Number of Member Institutions
by mechanism at 31/12/2017

Deposit Guarantee Scheme	362
Investor Compensation Scheme	306
Guarantee of Performance Bonds Scheme	311
National Resolution Fund	80

2013
- **The FGD becomes the FGDR**
- Law of 26 July 2013
- Dubus SA Intervention

2014
- Directives 'DGSD2' 16 April and 'BRRD' 15 May 2014

2015
- **Temporary High Balances guarantees extension Timeframe of 7 working days**
- Transposition order of 20 August 2015
- Decrees of 27 October 2015

2016
- **European Union Multilateral Cooperation Agreements**
- Validation by the European Banking Authority 21 June 2016

2017
- **The FGDR's Integrated Communication and Compensation System**
- FGDR and Banking industry works 2012-2017

The FGDR's Available Resources
at 31/12/2017

Guarantee mechanisms	Available Resources (€ million)
Deposit Guarantee Scheme	3,649
Investor Compensation Scheme	154
Guarantee of Performance Bonds Scheme	38
National Resolution Fund	18
Total Equity	**3,860**

The FGDR Team

Tania Badea-Nirin
International Communications Manager

Patrice Bouchet
Deputy Chief of Operations

Magalie Boucheton
Office Manager

Sarah Chetouane
Senior Payout Specialist

Thierry Dissaux
Chairman

Corinne Chicheportiche
Membership Manager

Clara Cohen
Head of Legal

François de Lacoste Lareymondie
Vice-Chairman

Marion Delpuech
Senior Payout Specialist

Sylvie Derozières
Head of Communications

Vincent Gros
Vice-Chairman

Pierre Dumas
Head of Operations

Alexia Prudhomme
Accounting Manager

Arnaud Schangel
Head of Finance

Anne-Valérie Seguin
Senior Payout Specialist

Sana Shabbir
Administrative Assistant

FONDS DE GARANTIE DES DÉPÔTS ET DE RÉSOLUTION
65, rue de la Victoire – 75 009 PARIS – France / T + 33 (01) 58 18 38 08 / F +33 (0)1 58 18 38 00

contact@garantiedesdepots.fr / www.garantiedesdepots.fr