Annual report 2018

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

Annual Report
Financial Year 2018

Contents

Foreword

While the Fonds de Garantie des Dépôts et de Résolution (FGDR) did not need to intervene yet again this year – about which no one is complaining –, it took advantage of the strength of the French banking system to step up its recurrent activities.

Communication with the public remained a priority and was given an added boost with the FGDR's growing presence on social networks – essential communication channels, particularly during a crisis. It also appears that the redoubled efforts of French banks and the FGDR over several years are beginning to yield results. The poll conducted over the last three years to measure bank customers' knowledge of how their assets are protected shows an increase in the FGDR's name recognition to 45%, up 16 points compared with 2017.

Best of all, customers' confidence in the French banking system has climbed to 60%, an 8% increase over 2017. Interestingly, this growing confidence also appears to go hand in hand with knowledge of the deposit guarantee scheme: the more people hear about the deposit guarantee scheme, the more confidence they have in the banking system.

The FGDR, which now has a mature compensation and communication system that also incorporates the requirements of the GDPR regulation, has increased the pace of its stress tests and the depth of its requirements to levels that exceed the obligations set out in the European regulations. It is essential to regularly test the full operational capability of every component of a compensation system which, by its very nature, is complex: upstream with credit institutions and downstream with external service providers involved in the process. The FGDR, like all its foreign counterparts, finds that each test offers many useful lessons. Along the same lines, the FGDR, together with its Supervisory Board and auditors, has endeavoured to fine-tune its internal control mechanisms and procedures through improvements that ensure a more precise and more qualitative understanding of risks.

At the same time, the FGDR has strengthened its resources. As announced, at the very beginning of 2018 and with the support of seven French banking partners, it obtained a €1.4 billion standby credit line to increase its intervention funds, in line with European requirements. With own funds of approximately €4.1 billion for the deposit guarantee scheme alone, the FGDR's resources are now nearly €5.5 billion strong, equivalent to 0.5% of its members' covered deposits and within the target range proposed for 2024. Also in terms of financial resources, and in light of the difficult situation of all market segments in 2018, the management policy was reviewed in depth. In the short term, this led to a partial change in the management style of the equities segment and a higher allocation to capitalisation contracts, and could result in a thorough review of bond management in early 2019.

Activity on the international front also intensified, particularly in Europe. In the autumn of 2018, the European Banking Authority (EBA) launched its task force on deposit guarantee schemes with the goal of contributing significantly to the review, planned for 2019, of the implementation of the "DGSD2" directive, which has governed the fundamentals of the Union's guarantee schemes since 2014. This review may result in adjustments to or a recast of this directive, and the FGDR is obviously fully involved in it alongside the Prudential Supervision and Resolution Authority (ACPR) and its European counterparts.

As Chairman of the European Forum of Deposit Insurers (EFDI), the FGDR has also been committed to ramping up the activities of this association, which is extremely useful for the exchange of experiences among deposit insurance practitioners and for discussions on the regulations that apply to it. For instance, in 2018 the EFDI prepared its own contribution to the review of the "DGSD2" directive through numerous discussion papers. At the end of the year, it also published a very in-depth discussion paper, approved unanimously by its members, on the technical aspects of the "EDIS" (European Deposit Insurance Scheme) project aimed at creating a single European guarantee fund.

Fully committed to its mission, the FGDR is therefore moving full speed ahead into 2019. Its mission as a financial crisis operator in support of responsible finance will continue to guide and motivate its teams throughout the year.

Thierry DISSAUX
Chairman of the Executive Board

Vincent GROS
Member of the Executive Board

1

French and foreign legislative and regulatory framework

1.1. The FGDR's legal framework

Order No. 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 FGDR's 2015 annual report, 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 (see FGDR Annual Report 2016).

1.1.1. Accounting and tax system of the FGDR - Law No. 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 stipulated that a provision for intervention risk had to be set up for each mechanism or scheme managed by the FGDR. 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, under the conditions set out in Article L. 312-7 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 is the reference used for the closing of the accounts since 2016 and, therefore, for this year.

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 financial resources of the Fonds de Garantie des Dépôts et de Résolution (FGDR) is applicable to the contributions of the FGDR's members under the investor compensation and performance bonds guarantee schemes.

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 regulation, 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 legal 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 regulation applies. In addition to a preamble outlining the legal framework of the FGDR, the internal regulation contains five sections relating to the Supervisory Board, the Executive Board, the rules regarding the use of funds, the accounting rules and sundry 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.

The authorisation for market undertakings to manage trading facilities ("SMN/MTF" or "SON/OTF") has been effective since 3 January 2018. With this order transposing "MIF 2", two market undertakings became members of the FGDR. The rules for calculating their contributions are developed in coordination with the Financial Markets Authority (AMF) and the Prudential Supervision and Resolution Authority (ACPR).

1.1.5. The FGDR's borrowing capacity - Law No. 2018-32 of 22 January 2018 on public finance planning

At the end of 2016, the FGDR was statistically reclassified as a "public administration" by the national (INSEE) and European (Eurostat) statistics bodies. 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 No. 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.

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 12 months subject to a decree from the Minister for the Economy. An additional draft decree was discussed with the public authorities in 2018, with adoption scheduled for early 2019.

1.1.6. Ring-fenced accounts of payment because of the plural electronic money institutions – Law No. 2018-700 of 3 August 2018 ratifying Order No. 2017-1252 of 9 August 2017 implementing the "DSP2" directive

Based on a review of the law transposing the European directive of 25 November 2015 on payment services in the internal market (the "DSP2" directive), the public authorities introduced an amendment to section II of Article L. 312-4-1 of the Monetary and Financial Code to include ring-fenced accounts opened by a payment because of the singular electronic money institution at a credit institution, covered by the deposit guarantee scheme with a compensation ceiling of €100,000 per end customer of such institutions.

This provision also extends to financing companies. This aligns the status of financing companies and payment and electronic money institutions with that of credit institutions and investment firms and eliminates the legal inconsistency that previously existed between the law and the decree of 27 October 2015 on implementation of the deposit guarantee scheme.

Given the way in which these ring-fenced accounts operate, the FGDR, in cooperation with the banking profession, made a proposal to the ACPR to adjust the basis of calculation for contributions to the deposit guarantee scheme so that it correctly reflects the risk incurred. The calculation rules could therefore be adjusted in 2019.

1.1.7. Scope of factoring transactions covered by the deposit guarantee scheme

At the end of 2018, the public authorities, the factoring profession, the *Association Française des Sociétés Financières* (ASF) and the FGDR completed extensive legal and technical work to precisely determine the scope of the assets of customers of factoring companies that are licensed as credit institutions and are therefore covered by the deposit guarantee scheme under the new regulatory framework applicable to this guarantee scheme.

In early 2019, this work is expected to be embodied in a decree specifying the wording of section 8 of Article 2 of the decree of 27 October 2015 on the implementation of the deposit guarantee scheme, the compensation ceiling and the rules for the application of Article L. 312-4-1. This decree is expected to define the amounts eligible for the deposit guarantee scheme for these contracts as being the total net balance of the factoring transactions and specify the dates on which companies must implement the amended obligations to notify their customers.

1.1.8. Regulatory framework of the investor compensation scheme

The revision in 2015 of the regulatory framework of the deposit guarantee scheme made it necessary to adjust the framework for the investor compensation scheme, without waiting for an update to European directive 97/9/EC on investor compensation schemes. In particular, the investor compensation scheme and the deposit guarantee scheme may be implemented simultaneously for the same member, requiring both mechanisms to function in a consistent manner.

The FGDR therefore prepared, in agreement with the *Fédération Bancaire Française* (FBF) and the *Association Française des Marchés Financiers* (AMAFI), a draft decree on the implementation of the investor compensation scheme designed to replace CRBF Regulation 99-14. This draft decree is being reviewed by the public authorities.

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. From this standpoint, whether there is a need to go beyond the institutional system recently created pursuant to the "DGSD2" directive is probably related less to a concern about financial stability than to an objective of solidarity within the euro zone.

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 further 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 whose fast and efficient compensation is an absolute priority in order to maintain confidence in the banking system.

In a consistent manner, 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 mainly technical message:

- to ensure depositors' trust, the deposit guarantee scheme may be European, but must, at the same time, remain local in its practical application;
- even before sharing of the financial burden, the most important requirement 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. The EFDI, for its part, published an in-depth analysis in December 2018 of the technical feasibility of the "EDIS" project (Technical considerations for the design of EDIS: www.efdi.eu/publications), which was approved by all the European Union's guarantee funds and made various recommendations regarding access to liquidity, governance of the system, the method of contribution and the inclusion of preventative and alternative interventions in banking crises (cf. section 1.2.3. Activities of the European Forum of Deposit Insurers - EFDI).

1.2.2. Guidelines of the European Banking Authority (EBA) - "Task force on deposit guarantee schemes" ("TFDGS")

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.

Since the entry into force of the "DGSD2" directive, the EBA has 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 and 2018 were also an opportunity to further implement the FGDR's objectives corresponding to these guidelines, particularly in terms of stress tests. The FGDR implemented its multi-year stress test programme for the 2017-2019 period, particularly by conducting an end-to-end compensation simulation and by further reviewing the practicalities of cross-border compensation. In 2019, based on work begun in 2018, the EBA will conduct a general evaluation of the stress tests of the European Union's deposit guarantee schemes, in which the FGDR will take part.

In the autumn of 2018, the EBA launched a task force known as "TFDGS" with the Union's public authorities and guarantee funds aimed at setting up a platform of cooperation on the technical and operational aspects of deposit guarantee activity. Of course, the FGDR is participating in the task force along with the ACPR.

With this task force, the EBA also aims to gather data and opinions on the implementation of the "DGSD2" directive within the Union, as part of the review that it is required to conduct in accordance with the "DGSD2" directive, together with the European Commission, by July 2019. Although this work has no binding authority, either for the Commission or for the member countries, it will nonetheless be useful for preparing joint analyses and recommendations prior to any adjustments to the directive. The main issues covered by the "TFDGS" include the resource level and instruments of the guarantee funds, their investment policy, eligibility and coverage of certain deposits, compensation mechanisms and cross-border cooperation, on some of which the EFDI endeavoured to develop common positions prior to the work of the task force.

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

The European Forum of Deposit Insurers (EFDI) 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 in 2013 in parallel with the association's planning process and was relaunched at the end of 2016, was submitted to the community of 57 European voting 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 operations and increase the scope of the services provided to its members while remaining lightweight, the association adopted a permanent structure, with its own Secretary General. The Secretary General, Mr Andras Fekete-Györ, former Chairman of the Hungarian deposit guarantee scheme, was recruited in early 2018. He is responsible for assisting the Chairman and the Executive Board of the EFDI in managing the association and its contacts with the European authorities. His recruitment is giving new momentum to the association's activities.

This will greatly help the EFDI to achieve the roadmap it 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 European Union's deposit insurers:

- the "D2I" initiative ("DGSD Implementation Initiative"), which is undertaking a complete review of the implementation of the 2014 "DGSD2" directive by the Union's funds so as to assess the difficulties encountered and solutions developed by each in fulfilling the European regulation's objectives (see in particular at www.efdi.eu/publications the "non-binding guidance" issued by this forum in 2018 on compensation in 7 days, investment policies, alternative funding and complex compensation);
- 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 (see in particular the aforementioned "Technical considerations for the design of EDIS" report of November 2018);
- 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 and which began work in 2018 on updating the "Multilateral Cooperation Agreement" prepared by the EFDI in 2016 to define these technical terms of cooperation.

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, involving the French DGS more 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 is a detailed technical guide to 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.

The IADI also changed its mode of governance in 2017, with tighter operation around its Chairman and the elected members of the association's Executive Board, as well as the more frequent use of majority votes rather than the longer and more demanding search for consensus.

In 2018, the IADI began to assess the implementation of the first phase of its strategic plan, a preliminary step before moving on to the second phase, which involves strengthening its structure and increasing its members' contributions. This assessment is expected to be completed in 2019.

2

Management bodies

2.1.
Composition and operation of the Executive Board

The composition of the Executive Board remained unchanged:

Position	Name	Effective date of appointment	Expiration date of current term
Chairman	Thierry DISSAUX	Reappointment 23 August 2018	22 August 2022
Member	Vincent GROS	Appointment 1 July 2017	30 June 2021

The contractual framework applicable to members of the Executive Board was set by the Supervisory Board at its meeting on 8 December 2010. As it does each year, at its meeting on 28 March 2018, the Supervisory Board reviewed the aspects relating to the compensation of the members of the Executive Board, at the recommendation of the Appointments and Compensation Committee.

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 at a rate of two members for the deposit guarantee scheme, two members for the investor compensation scheme, and one member for the performance bonds guarantee scheme.

The seven largest contributors to the deposit guarantee scheme are Crédit Agricole, BPCE, Crédit Mutuel, Société Générale, BNP Paribas, 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 (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 (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, elected on 9 May 2016, represented by Mrs Delphine d'Amarzit since 29 March 2017, and Oddo BHF, represented by Mr Christophe Tadié, which on 26 September 2018 replaced Banque Martin Maurel, previously represented by Mrs Lucie Maurel Aubert (cf. below);
- elected for the investor compensation scheme were Exane on 9 May 2016, represented since then by Mr Benoît Catherine, and Interexpansion-Fongepar, represented by Mr Fréderic Bourdon, which on 26 September 2018 replaced Prado Épargne, previously represented by Mr Jean-Michel Foucque (cf. below);
- Crédit Logement, represented by Mr Jean-Marc Vilon, was elected for the performance bonds guarantee scheme on 9 May 2016.

Two seats of members elected to the Supervisory Board became vacant in the first half of 2018 following the loss of the licence, and therefore the member status, of the institutions concerned:

- the merger of Banque Martin Maurel with Banque Rothschild led to the revocation of Banque Martin Maurel's banking licence during the first quarter;
- similarly, the merger of Prado Epargne with Interexpansion-Fongepar resulted in the revocation in June of Prado Epargne's investment services provider licence.

In July 2018, the FGDR launched the partial elections process among the boards of the deposit and investment protection mechanisms in order to fill the two vacant seats. A single round of voting was organised by the FGDR since there was only one candidate for the investor compensation mechanism, Interexpansion-Fongepar (IEFG) of the Humanis group. In accordance with Article 6 of the decree of 16 March 2016, IEFG was declared the winner. Of the two candidates competing for the deposit guarantee scheme, Oddo BHF received the most votes.

The table below shows the composition of the Supervisory Board as of September 2018.

Chairman	
Nicolas DUHAMEL Advisor to the Chairman of the Supervisory 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	**Pierre-Édouard BATARD** 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	**Christophe TADIÉ** General Manager - ODDO BHF SCA
Frédéric BOURDON Chief Executive Officer - INTEREXPANSION-FONGEPAR **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	
Jérôme REBOUL 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 Executive Board meeting called 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 has set up two specialised committees:

Audit committee	
Chairman **Jean-Jacques SANTINI**	
Members	
Laurent GOUTARD	**Jérôme GRIVET**

Nomination and compensation committee	
Chairman **Nicolas DUHAMEL**	
Members	
Delphine d'AMARZIT	**Jean BEUNARDEAU**

The FGDR's Supervisory Board held four meetings in 2018, during which detailed reports were routinely presented on asset management (performance and outlook), issues being discussed with the authorities and international developments.

In addition, the main topics discus-sed at the four 2018 Supervisory Board meetings included, but were not limited to, the following:

- **Meeting of 28 March 2018:** approval of the FGDR's 2017 financial statements and management report, contributions to the various mechanisms managed by it;
- **Meeting of 27 June 2018:** presentation of the 2017 internal control report, reappointment of the Chairman of the Executive Board, report on communication with depositors;
- **Meeting of 3 October 2018:** review of the financing of compensation of savings with French government guarantee and the first half-year financial statements, review of the regular controls carried out with deposit guarantee scheme members;
- **Meeting of 13 December 2018:** budget package (2018 income forecasts and 2019 budget), draft decrees relating to the deposit guarantee scheme, update on the main lawsuits and new risk matrix used for internal control.

The breakdown of votes (in thousands) on the FGDR's Supervisory Board at 31 December 2018 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	%
CRÉDIT AGRICOLE GROUP	Mr Jérôme GRIVET	1,268,580	**31.32**	30,347	**19.69**	5,538	**14.36**	1,304,464	**30.84**
BPCE GROUP	Mr Nicolas DUHAMEL	934,828	**23.08**	20,869	**13.54**	5,256	**13.63**	960,953	**22.73**
CRÉDIT MUTUEL GROUP	Mr Gilles LE NOC	637,125	**15.73**	13,393	**8.69**	3,490	**9.05**	654,009	**15.47**
SOCIÉTÉ GÉNÉRALE GROUP	Mr Laurent GOUTARD	391,672	**9.67**	22,441	**14.56**	8,839	**22.92**	422,951	**9.93**
BNP-PARIBAS GROUP	Mr Jean-Jacques SANTINI	312,284	**7.71**	29,700	**19.27**	9,965	**25.84**	351,949	**8.20**
LA BANQUE POSTALE GROUP	Mrs Florence LUSTMAN	339,422	**8.38**	5,518	**3.58**	23	**0.06**	344,963	**8.18**
HSBC FRANCE GROUP	Mr Jean BEUNARDEAU	41,719	**1.03**	4,624	**3.00**	914	**2.37**	47,257	**1.10**
ORANGE BANK	Mrs Delphine d'AMARZIT	85,868	**2.12**	247	**0.16**	42	**0.11**	86,157	**2.05**
ODDO BHF	Mr Christophe TADIÉ	38,884	**0.96**	1,233	**0.80**	0	**-**	40,117	**0.95**
EXANE	Mr Benoît CATHERINE	0	**-**	17,293	**11.22**	0	**-**	17,293	**0.31**
INTER-EXPANSION-FONGEPAR	Mr Frédéric BOURDON	0	**-**	8,461	**5.49**	0	**-**	8,461	**0.15**
CRÉDIT LOGEMENT	Mr Jean-Marc VILON	0	**-**	0	**-**	4,497	**11.66**	4,497	**0.11**
Total		**4,050,382**	**100**	**154,125**	**100**	**38,564**	**100**	**4,243,070**	**100**

3
Day-to-day management

3.1. Members

At 31 December 2018, the Fonds de Garantie des Dépôts et de Résolution had 472 members, many of which participate in several schemes. Taken separately, each mechanism has:
- for the deposit guarantee scheme: 350 members;
- for the investor compensation scheme: 299 members;
- for the performance bonds guarantee scheme: 300 members;
- for the National Resolution Fund: 83 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 one-year stand-by credit line, which can be renewed twice, in the amount of one billion four hundred million euros. In November 2018, the FGDR requested a one-year extension of the maturity date of the credit line. Following approval of this request by the banks, the maturity date was extended to January 2020 and may be extended until January 2021 with the parties' agreement.

Thanks to this credit line, the FGDR now has available resources of more than €5.5 billion, i.e. 0.5% of the bank deposits covered by its guarantee in France. This amount is in line with the targets set for 2024 by the European regulations with regard to resources of deposit guarantee schemes. The FGDR was supported by seven leading French banks to bring this operation to a successful conclusion in the form of a "club deal".

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 €424.6 million (including €414.0 million for the deposit guarantee scheme) based on the following breakdown:
- €18.6 million in premiums, including €12.2 million to finance the FGDR's operating expenses;
- €330.1 million in member's certificates;
- €0.4 million in certificates of membership;
- €75.5 million in guarantee deposits.

a. Review of the framework of powers

Except for contributions to the two resolution funds for which different procedures exist, Articles L. 312-8-1 and L. 312-10 of the French Monetary and Financial Code, resulting from Order No. 2015-1024 of 20 August 2015 applicable since the collection of 2015 contributions, stipulate 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 the rate and the nature of the contributions levied each year, at the recommendation of the Executive 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, certificate 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, by incorporating the risk factors specific to each institution, and to notify the members and the FGDR, which then collects them.

b. Decision-making process

Pursuant to the decrees of 27 October 2015, 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 2018, 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 2017. 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 2018. 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 €10.7 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 composed of:
- payment commitments in the amount of €14.75 million, backed by guarantee deposits of less than one year in the same amount, to offset the repayment of expiring guarantee deposits;
- and a €400,000 contribution to main-tain own funds.

The contribution to the investor compensation scheme is composed of:
- payment commitments in the amount of €29.70 million, backed by guarantee deposits of less than one year in the same amount, to offset the repayment of expiring guarantee deposits;
- and a €1.1 million contribution to maintain own funds.

In accordance with the provisions of the order of 20 October 2015 transposing the European "BRRD" directive, the National Resolution Fund is managed by the FGDR. The amount of the contributions levied in 2018 for this mechanism was €9.1 million.

3.3. The compensation system for the deposit guarantee scheme

3.3.1. Changes in the Compensation and Communication System (CCS)

In 2018, the work relating to the compensation system for the deposit guarantee scheme mainly involved four areas:
- the inclusion of factoring companies in the compensation system for the deposit guarantee scheme;
- the protection of personal data of customers of member institutions during regular controls and the compensation process;
- the connection with banks allowing payments to be issued in CFP Francs;
- the development of accounting tools for compensation paid to depositors.

a. Inclusion of factoring companies in the compensation system for the deposit guarantee scheme

In 2018, the FGDR continued to work with the profession and the *Association Française des Sociétés Financières* (ASF) to determine the rules governing the compensation of customers in the event of the failure of a factoring company.

At the end of 2018, the specifications related to factoring companies were finalised at the regulatory and operational levels. Technical work will begin at factoring companies in early 2019 to produce a "Factoring Company SCV" and all communication materials for depositors required by regulation. The FGDR, in partnership with equensWorldline (eWL), will need to update the CCS to incorporate these new specific requirements.

The 2019 timetable for implementation is as follows:

- September 2019: compliance by factoring companies for depositor information under normal circumstances;
- January 2020: submission of the SCV (Single Customer View) files and the final deposit account statements for an initial regular control of factoring companies.

b. Protection of customers' personal data during regular controls and the compensation process

This topic is discussed in detail in section 3.9 of this annual report.

c. Connection with banks allowing payments to be issued in CFP Francs

The FGDR needed to enter into an agreement with a "Correspondent Bank" enabling it to pay compensation in CFP francs in each of the two territorial collectivities of the Pacific zone. The FGDR chose Banque de Nouvelle Calédonie for the territories of New Caledonia and Wallis and Futuna (to cover potential compensation for one of the five banks operating in that territory) and Banque de Tahiti for French Polynesia (to cover potential compensation for one of the three banks operating in that territory). Both banks belong to the BPCE Group.

In 2018, the FGDR's "Correspondent Banks" network, which consisted of LCL for compensation in mainland France, was extended to include these two new banking partners.

The FGDR will now be able to pay compensation directly in CFP francs to depositors with an account in CFP francs.

The changes to the CCS (processes and tools) based on the specific requirements of these two new banks were delivered in January 2018 and then tested with each of the two banks.

d. Development of accounting tools for compensation paid to depositors

For the purpose of compensation, in 2018 tools for generating and tracking transactions intended for general accounting were added to the CCS, which serves as a subledger accounting system.

The accounting system has been operational since May 2018.

3.3.2. - Continued deployment of the stress test plan

In 2018, the FGDR finalised the roadmap for its 2015-2018 stress test plan for depositor compensation.

As a reminder, the 2015-2018 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

STRESS TESTS
of the system for Compensation for the Deposit Guarantee Scheme

1	2	3
REGULAR CONTROLS	**MOBILISATION TESTS**	**SIMULATIONS**
1 annual control of the SCV file of each credit institution	**At least 1 annual test** with each of the FGDR's operational or financial partners	**At least 2 annual simulations** that use some of the key elements of the compensation process
Since January 2014	***Since June 2017***	***Since November 2015***

3.3.2.1. - Pillar No. 1 Regular controls of the SCV file

To ensure that compensation takes place under the best conditions, the FGDR has set up a protocol with its members 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 SCV functional requirements for French banks. The proper compensation of customers within seven working days depends on the quality of this file.

The 2017-2018 regular control campaign was completed in June 2018 (the 2018-2019 campaign, which began in January 2020, will be completed in December 2019).

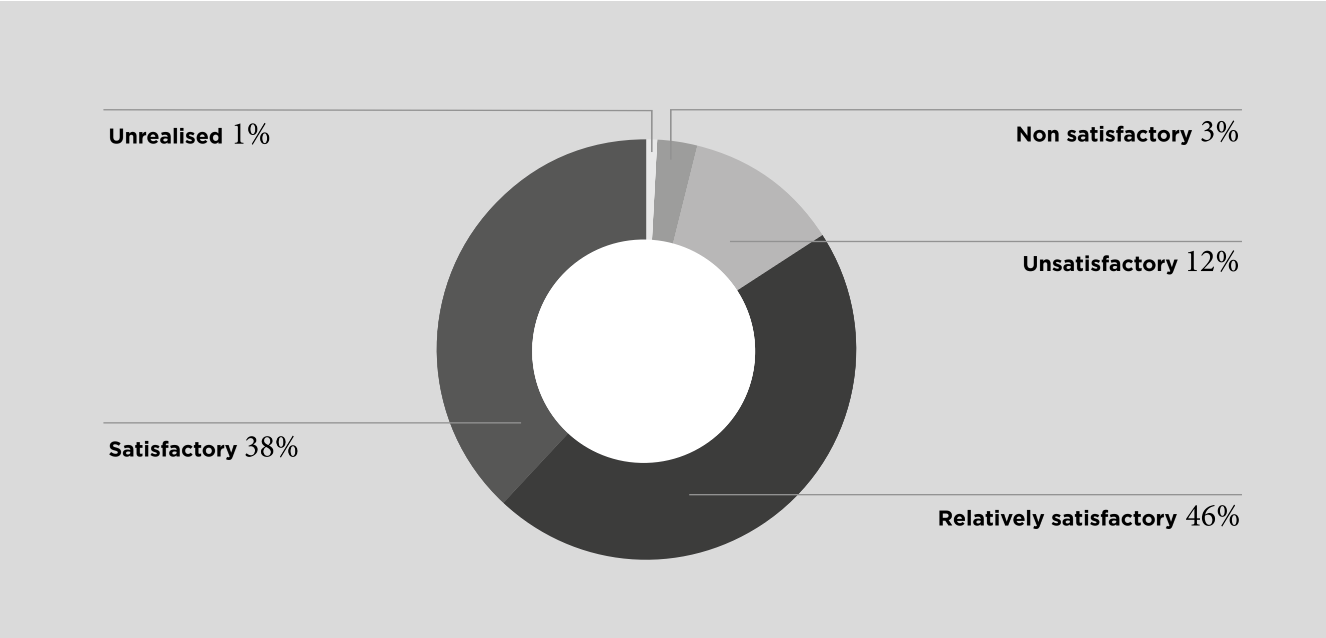
Of the 351 institutions that are members of the deposit guarantee scheme and for the 2017-2018 campaign:
- 268 collect deposits or hold payable guarantee deposits and were required to submit a SCV file. In total, two million compensation files were subject to regular controls;
- 83 do not collect deposits and do not hold payable guarantee deposits. As is the case each year, the effective manager of the institution in question 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 real data containing information about:
- 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 SCV functional requirements for French banks. In this way, the FGDR verifies that it would be able to compensate the depositors of each bank subject to control.

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 2017-2018 campaign for the 268 institutions subject to control



99% of the institutions (265) performed their control:

- 84% of the institutions (224) had a"satisfactory"or"relatively satisfactory" conclusion;
- for the remaining 15% of institutions (41):
  - 12% (32) had a "less than satisfactory" conclusion;
  - 3% (9) had an "unsatisfactory" conclusion.

1% (3) of the institutions did not perform their control, despite reminders from the FGDR. They were reported to the ACPR.

c. Trend in the control results over three years

The percentage of "satisfactory" and "relatively satisfactory" scores has remained stable since 2015 (between 80% and 90%) despite the additions gradually made to the SCV as a result of changes in regulations (which require upgrades to the institutions' systems) and reinforcement of the controls.

d. Next steps in the regular control process

As there were no new regulatory developments, the format of the SCV file remained unchanged in 2018, which is a very good thing for the community of FGDR members.

The efforts made for subsequent years will now focus on:

- constantly stricter quality controls of the data sent by the institutions. To this end, the FGDR has implemented bimonthly monitoring of institutions that have had "less than satisfactory" or "unsatisfactory" controls for several consecutive years;
- a gradual shortening of the SCV file creation time to better reflect real production conditions. In this respect, since October 2018, the advance notice period has been reduced to one month, and will gradually be reduced to two business days in the medium term. The operational arrangements will be defined each year with a working group made up of banking institutions.

3.3.2.2. - Pillar No. 2 Mobilisation tests with the FGDR's operational partners

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

To this end, the FGDR's operational partners were mobilised and evaluated in February and November 2018:

- Edokial for its printing services;
- Tessi for its digitisation of letters received from depositors;
- Teleperformance for its call centre and processing centre services;
- Insign for content administration and technical supervision of the FGDR website;
- Clai for institutional communication among opinion leaders and journalists in the event of compensation.

The contributions 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.

The FGDR also continued its operational tests with its European counterparts on the exchange of payment instructions and files and on the exchange of documents to help prepare for communication with depositors in customers' country of residence ("Host") in the event of cross-border compensation ("Home-Host"). The tests were carried out in succession with the FSCS (Great Britain), the CBI (Ireland) and the FGD (Spain), and allowed the foundations to be laid for more in-depth tests.

3.3.2.3. - Pillar No. 3 Simulations

a. Completion of implementation of the 2015-2018 stress test plan

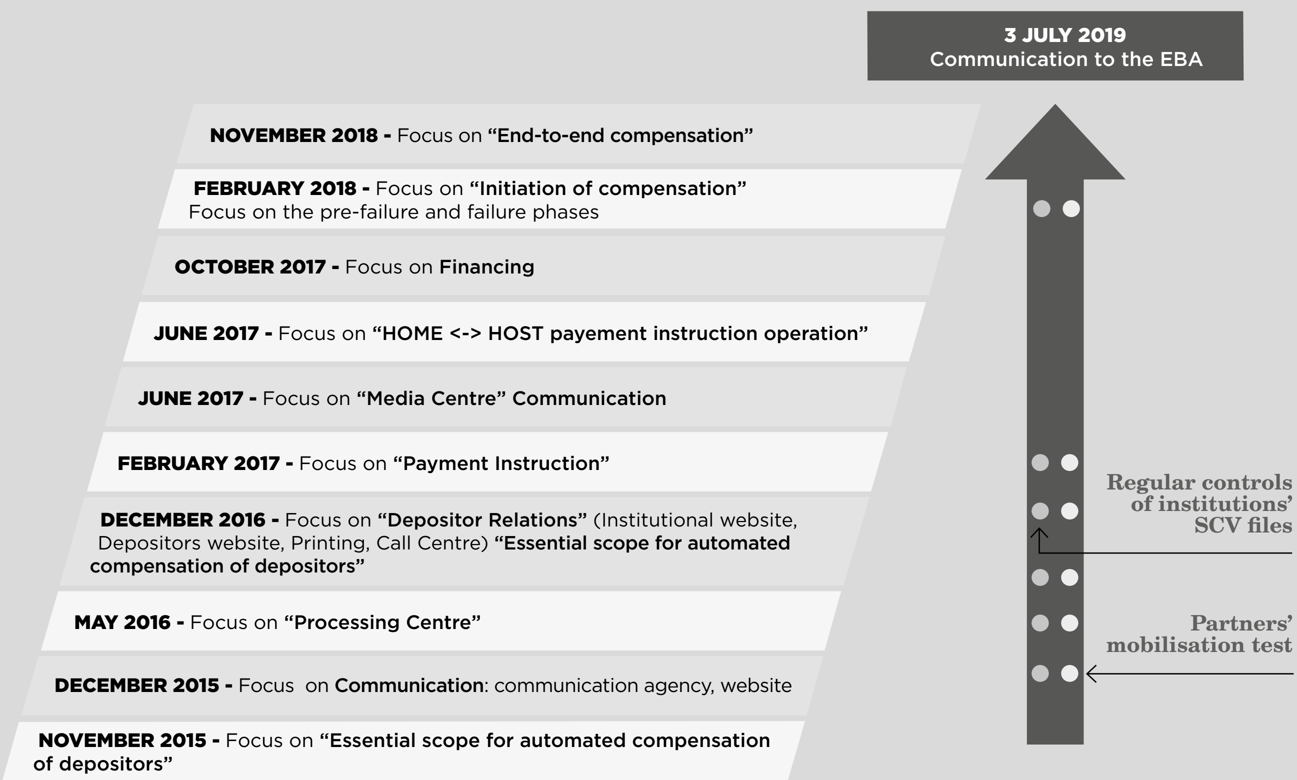
The FGDR had developed a stress test plan for 2015 to 2018 to progressively test each of the key elements of its compensation system for the deposit guarantee scheme.

In addition to internal requirements relating to testing the systems, this plan had also been designed, in terms of content and schedule, in accordance with the stress test procedure required by the European Banking Authority (EBA) by 3 July 2019.

Each simulation was performed according to a pre-defined scenario with clearly defined objectives, a specific scope, a description of the expected results and measurement indicators. Each simulation was then the subject of a report that resulted in an action plan aimed at improving the system. Each simulation was prepared and organised by a team that was independent of the operational teams responsible for performing it.

The 2015-2018 simulation programme consisted of 10 major simu-lations, two of which were carried out in 2018, marking the end of this exercise.

SIMULATION PLAN 2015-2019



b. Simulations performed in 2018
For 2018, the simulations focused on the following areas:

1. Focus on "Initiation of compensation": February 2018
Objective: ensure the operability of a compensation process at the time of an alert and then the announcement of a credit institution's failure.
- Phases tested: the pre-failure and failure phases;
- Operational areas tested: all areas of activity (communication, operations, finance, legal);
- Partners involved: Edokial (printing centre), Tessi (digitisation and indexation centre), Teleperformance (call centre and processing centre), Clai (institutional communication and press relations), Insign (digital communication and website), Oxalide (technical service provider for the website).

Results: this operation, with a focus on the phases prior to compensation, demonstrated:
- the capacity for mobilisation of the internal players;
- validation of the organisational models and tools implemented between the FGDR and its partners;
- the operation of the crisis unit and how it functions in the departments even if some improvements need to be made to it.

2. Focus on "End-to-end compensation": November 2018
Objective: confirm the ability of the FGDR and its ecosystem to fulfil its end-to-end compensation mission.
- Phases tested: the phases from pre-failure to the close of the compensation campaign;
- Operational areas tested: all areas of activity (communication, operations, finance, legal);
- Partners involved: FGDR, equensWorldline (CCS software publisher), Edokial (printing center), Tessi (digitisation and indexation centre), Teleperformance (call centre and processing centre), LCL (bank that issues bank transfers and generates bank account statements), Clai and Insign (institutional communication, press relations and digital communication).

Results: the various systems, processes and players were tested in order to verify, from the alert phase to the close of the compensation campaign phase, the proper coordination of the elements required for a successful compensation process.

To ensure continuous improvement, the FGDR nevertheless identified certain improvements related mainly to better coordinating and facilitating actions among the various internal and external stakeholders and interactions with depositors via the compensation platform.

c. To summarise
Through this programme, which mobilises many of its resources, particularly in the operations, communication and finance departments, the FGDR has improved the processes and tools that it uses to issue compensation. These exercises have become increasingly significant in the activity of the FGDR and its teams.

The programme was carried out as scheduled and each operation provided greater knowledge, peace of mind and security in the ability to manage a compensation process.

The final operation in the plan, a summary of the previous operations, demonstrated that the FGDR and its partners were able to successfully complete a compensation process from start to finish, within the context of a scripted simulation.

The programme, which is in line with the EBA Guidelines, enables the FGDR to meet expectations in terms of stress test capability by July 2019.

The 2019-2022 plan will continue to ensure the operational efficiency of the FGDR's compensation system, in even more complete and complex situations.

3.4. The member database

The "member database" application is an IT solution that is used to manage FGDR members' contributions. Used daily, it is essential to the FGDR's operation as it provides the ability not only to levy annual contributions – and even special contributions in the event of a possible intervention by the FGDR – but also to monitor the stock of contributions paid by each member.

EquensWorldline (eWL) was chosen in the spring of 2017 to manage a member database redesign project, with the FGDR's teams acting as the project owner. The main module was delivered in November 2017 and allowed the 2017 contributions to be collected under secure, highly automated conditions.

Additional modules were delivered in 2018:
- lot 2: management of revocations/mergers and interest calculation;
- lot 3: management of net stocks, automatic update of references, management of elections, management of contributions in case of an intervention;
- lot 4: automation of the status report sent to each member in January of each year.

All these lots were delivered according to schedule between February and November 2018.

The development of this application is now complete and functional improvements will be made during the next few years.

3.5. Communication and training

3.5.1. Objectives

As in previous years, communication and training at FGDR in 2018 centred around communication "under normal circumstances" and "crisis" communication.

The aim of ordinary communication is to gradually raise awareness of the FGDR and its guarantees among the general public and specialised audiences, on the one hand, and create the right environment for carefully managed crisis communication as necessary, on the other hand. It mainly involves the website, relations with the press and answers to questions via phone calls and external emails. It is guided by the following principles:

- 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 progress made in terms of protecting customer deposits;
- adaptability: being able to immediately initiate a crisis intervention scenario.

In addition, the depositor information regulations implemented by banking institutions since the end of 2015 have contributed to the FGDR's visibility and to knowledge of the deposit guarantee scheme, thanks to:

- an "Information Template" sent to each customer once a year and signed by each prospect when opening an account covered by the deposit guarantee scheme and;
- a clearly visible notice on periodic account statements indicating that certain accounts are protected by the deposit guarantee scheme or the French government guarantee.

In 2018, while continuing to increase its name recognition, the FGDR took steps to be better prepared for the "crisis" communication required in the event of compensation. As a reminder, the FGDR designed and developed its Integrated Compensation and Communication System – the "CCS" – which is initiated in the event of compensation and includes the following main communication components:

- produce an official press release and publish it on all communication channels;
- open a call centre to respond to questions and concerns that the public may have;
- reconfigure its website with dedicated banners and a news feed;
- convey key messages to the press, have them published in the media and manage interviews;
- dialogue on social networks with influencers and the general public;
- contact customers of the failed bank individually;
- help them to log on to a dedicated web platform – the "Secure Indemnification Area" – where they can enter the details of a new bank account to receive their compensation or choose payment by cheque, update their personal information, view their compensation letter and contact the FGDR by secure e-mail;
- continue to adapt its official communication as the compensation process progresses by again including customers, the media, social networks, etc.

Lastly, during the year work resumed with the banking industry along two lines, one involving monitoring institutions in terms of disseminating regulatory information, and the other relating to "7-day communication" on the coordination of communication between a failed bank and the FGDR.

3.5.2. Under normal circumstances: the website, incoming calls and emails to the FGDR

Website

Traffic on the FGDR website increased significantly with a total of 186,234 visits in 2018 compared with 113,122 in 2017, which represents an average of 15,500 visits per month. As usual, January saw a spike in traffic with 31,489 visits in 2018 propelled by French banks' annual information campaigns. In addition, work on content updates and search engine optimisation was carried out, including in particular a semantic field study to adjust the site's content to users' queries, thereby increasing performance on search engines.

Telephone calls

Following the distribution by the banking networks of the annual information templates on the deposit guarantee scheme, the FGDR responded to a high volume of calls, particularly during the first half of the year (up to 220 calls/month in January 2018). The FGDR implemented an interactive voice server that screens calls while providing the public with appropriate answers to the most frequently asked questions. The call volume decreased to a level that could be managed internally (fewer than 10 calls per day) compared with 2017 (thousands of calls per month with as many as 180 calls per day).

Incoming emails

Incoming emails via the website are managed internally and numbered approximately 70 per month in 2018 (compared with an average of 120 emails per month in 2017). In terms of content, emails mainly concern requests to close accounts and to be removed from mailing lists – for customers who received an annual template even though their account is no longer active – and the annual regulatory notice.

Media and press relations

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) looks for reliable information that can be verified by multiple sources. Moreover, there is always a risk that public opinion trends detrimental to the successful completion of the operations and to the reputation of the financial protection systems can go viral and be picked up by the media and digital social networks. Acknowledging this wider ecosystem and controlling the effects of a crisis are major issues for the FGDR's communication.

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 2018, the continuation of the press relations plan confirmed the strong performance achieved in 2017; the message of a deposit protection mechanism involving the entire industry continues to resonate positively with the economic press, whether specialised or intended for the general public. The number of meetings with the press increased to one or two per month, for a total of 17 meetings by the end of 2018. The number of articles mentioning the FGDR was up compared with 2017, with 51 references versus 45 in 2017 and 35 in 2016. The range of distribution extends to the general press, which had the highest concentration of articles in 2018, based on the targets set (Le Particulier, Le Figaro, C Banque and Sud-Ouest, for example).

The 2018 articles include:

- Sud-Ouest, 16 January 2018: "*Our mission is to protect customers*";
- Challenges, 1 - 8 March 2018: "*Keeping deposits and investments as safe as possible*";
- LeFigaro.fr, 8 October 2018: "*Your savings are better protected at a bank than at a neobank*";
- 60 millions de consommateurs, special issue October/November 2018: "*Bank guarantees: diversify your savings*";
- Les Echos and lesechos.fr, 24 December 2018: "*60% of French people have confidence in the banking system*".

Social networks

These digital communication tools are becoming an increasingly important part of the work of journalists and in terms of media visibility. They are also used on a massive scale by the general public to express themselves individually and collectively. The spread of information many times over prompted the Executive Board to create Twitter and Facebook accounts, the first in 2016 and the second in 2018. As a preventative measure, the FGDR's presence on social networks provides a communication platform under normal circumstances that is available in case of a crisis. As of 31 December 2018, the Twitter account had 564 subscribers and 634 subscriptions. The 185 tweets posted during the year generated 185,407 views and 4,837 account visits. The number of subscribers is increasing at a steady rate. The Facebook account was opened in September 2018 and its publications show an encouraging engagement rate. The first sponsored media coverage targeting audiences with links to the banking sector will begin in 2019.

3.5.3. The annual awerness and image survey

In accordance with international "public awareness" best practices derived from the Core Principles issued by the International Association of Deposit Insurers (IADI), the Harris Interactive survey on reputation and image was conducted again for the third straight year from 1 to 4 May 2018 and measured the increase in the FGDR's visibility.

In addition to the general public, which was polled based on a sample of 1,000 people representative of the French population, the poll included:

- 122 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 2018 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 60%; +8 points;
  - trust in protection of assets in the event of a bank failure 44%; stable.
- Increase in the visibility of the deposit guarantee mechanism:
  - deposit guarantee scheme 48%; stable;
  - FGDR 42%; +14 points.

- Perception of the protection scheme is improving:
  - 34% of French people more easily identified certain products covered by the deposit guarantee scheme; +5 points;
  - only 22% are aware of the €100,000 coverage; stable;
  - knowledge of the French government guarantee for regulated accounts rose to 36%; +7 points.
- Finally, the multiple-choice question regarding information sources shows the importance of the media followed by information provided by banks:
  - media 44%; +4 points;
  - document received from the bank 25%; stable;
  - word of mouth 13%; stable;
  - personal research on the Internet 12%; +5 points;
  - bank advisor 10%; stable;
  - the bank's website 7%; -6 points.

For banking professionals

- Trust is fully built:
  - trust in the banking system 98%;
  - and 89% of professionals agree that the "deposit guarantee scheme strengthens customers' trust in the banking system"; +12 points.
- Knowledge of the mechanism is strong and growing:
  - recognition of the deposit guarantee scheme among professionals has reached 89%;
  - and that of the FGDR 88%; +16 points.

For opinion leaders

- They play a significant role of influencer in terms of trust:
  - trust in the banking system: 84%; +24 points compared with the general public;
  - trust in the security of assets in the event of a bank failure: 63%; +19 points compared with the general public.
- Their knowledge of the scheme remains strong:
  - knowledge of the deposit guarantee scheme: 71%; +23 points compared with the general public;
  - knowledge of the FGDR: 84%; +42 points compared with the general public.

To summarise: French people who are aware of the FGDR have a higher-than-average level of trust in the banking system (65% versus 60%), thereby demonstrating the ability of the deposit guarantee scheme to provide reassurance. The collective efforts made by the banks and the FGDR's teams to inform and educate the public about the deposit guarantee scheme are gradually yielding results. This poll encourages the FGDR to pursue its efforts to raise awareness about the protection it offers to customers of the banking and financial sector.

3.5.4. The communication component of the Compensation and Communication System (CCS)

Alongside the technical development of the Compensation and Communication System (CCS) launched in 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 2018 in terms of communication about the Compensation and Communication System (CCS) included:

The factoring companies segment

The operations department spearheaded the technical project on the 7-day functional requirements (identification of the total net balance, customer account statement, etc.), after which the communications department worked with the profession on the regulatory information formats intended for depositors. The project will be completed in 2019 once the new applicable regulations are enacted.

Teleperformance call centre

In 2018, the FGDR transferred the training methodology and tools to the Teleperformance service provider so that it could be more independent in case of an increase in activity. The training kit was also streamlined to make it more easily disseminated within the Teleperformance teams, particularly between the call centre and processing centre teams. The 2018 training programme focused in particular on shortening training times and on the ability to ramp up the Teleperformance teams. This new system was tested in June 2018.

Teleperformance processing centre

Following its completion in 2017, the goal in 2018 was to make the system work in synergy with the call centre.

Relations with the banking industry

In 2018 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 (*Office de Coordination Bancaire et Financière)* and the FBF (*Fédération bancaire française*).

"Communication" working group

The "Communication" working group created in 2015 consists of approximately 25 participants from institutions with varied profiles. The OCBF and the FBF are also invited to be part of it. The quality of the banking networks' institutional communication is crucial insofar as it makes customers aware of the existence and operation of the deposit guarantee scheme. In addition, the quality with which this information is disseminated determines the volume of contacts to which the FGDR must then respond and, consequently, the related resources it must deploy. Following the work on regulatory information provided by banks to depositors which resulted in a “best practices guide” in 2017, 2018 was dedicated to collecting all materials produced by the member institutions in order to review their compliance with these best practices and improvements to be made. This work is welcomed by the banking industry as both a flexible and efficient support methodology for improving relations with customers. At the end of 2018, 87% of institutions surveyed had uploaded their documentation to the FGDR’s document website compared with 78% at the beginning of the year. The annual regulatory notice requires the most adjustments, with one-third of those reviewed in need of improvement based on the best practices. The information provided on periodic statements and introductory notices, on the other hand, are more in compliance, with only 13% requiring improvement. This collection has proven successful and it was agreed to bilaterally monitor those institutions whose documentation is still in need of improvement.

At the end of 2018, the working group also validated the proposal to work on coordinating the communications of the FGDR and a failed institution throughout the compensation process. The scoping of this large-scale project began at the end of the year, with implementation throughout 2019, by alternating between group work and specific work with one or more volunteer institutions to test the working hypotheses. Given the large number of communication channels to review, this project may be completed in late 2020.

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 2019. Of course, communication is integrated into the guiding principles and the stress test methodology developed by the FGDR (cf. section 3.3.2. Continued deployment of the stress test plan).

Simulations

The “Pre-failure and failure crisis unit” simulation in early 2018 allowed on-site testing, at the FGDR’s offices, of the assembly of an operational crisis unit dedicated to structured communication on the administration of the FGDR’s website and on the publication of press information.

During the “end-to-end” simulation conducted at the end of the year, the assembly of the on-site crisis communication team was reproduced and special emphasis was placed on the internal processes between the operations and communications departments.

Media-training

Moreover, in the middle of the year and for the third straight year, the communications team conducted media training for the senior managers, providing new angles compared with previous years. Additions and updates were made to the media training documentation and press relations tools.

Cross-border exercises with our European counterparts

The year 2018 marked the start of operational tests among the European Union’s guarantee schemes with an initial customer communication document exchange phase (cf. section 3.3.2.2. - Pillar No. 2 Mobilisation tests with the FGDR’s operational partners).

3.5.6. Internal and external training

The effort made this year to improve employees’ skills was particularly significant, with 88 days of training provided in 2018 compared with 48 in 2017.

Training courses in English were offered again for half the employees in a new format that combines classroom training with follow-up by phone. Financial bodies such as the FBF and the OCBF regularly offer programmes focused on jobs and developments in the banking sector that are relevant for FGDR employees. The campaign aimed at strengthening Excel skills was also launched again in 2018.

Teleperformance call centre and processing centre

The training of specialists focused on developing training synergy between the call centre and processing centre operators so that the teams can switch from one centre to another based on the FGDR’s needs. This system, which was tested quite successfully in June 2018, strengthens Teleperformance’s services platform and should improve its ability to handle an increase in activity if necessary.

3.5.7. International relations

The chairmanship of the EFDI by the Chairman of the FGDR Executive Board resulted in the FGDR’s communications department largely taking over the EFDI’s secretariat to ensure the association’s proper administrative operation and member activities. The EFDI has 69 members from 47 countries.

In 2018, the work carried out by the team for the EFDI included monitoring the multi-year roadmap of the EFDI’s activities (“EU Committee”, “D2I Initiative” to study the implementation of “DGSD2” and the “H2C” initiative) and help with organising and sending information for the

20 or so working meetings held throughout the year. It also involved organising a general meeting, which was held in Vienna (Austria) in September 2018.

The EFDI's secretarial duties also included day-to-day management tasks, administration of the website and information exchanges between the secretariat, the Management Committee, the working groups and members, in addition to managing the Twitter account and drafting and publishing the newsletter three times a year. This newsletter is an important information tool for the entire EFDI community, as it provides a summary of all the work carried out simultaneously by the working groups and committees and highlights the main member news and events. In 2018, the secretariat also developed an improved version of the central member file, which is essential for managing group activities.

In conclusion, communication activities remained intense in 2018 in response to the growing communication needs resulting from the increase in information requirements observed in recent years and the expansion of the communication ecosystem both under normal circumstances and during the compensation process. In doing so, the FGDR pursues its goal of conveying a strong, clear message that of the banking industry regarding the mechanisms that protect customers and its role as a banking crisis operator in support of responsible finance.

3.6.
Asset management

To help it to manage the FGDR's assets, and pursuant to the provisions of the internal regulation, the Executive 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 individuals from the member institutions and their subsidiaries who have acquired recognised experience in cash and fund management. They are appointed by the Executive Board, which participates in its meetings.

As of 31 December 2018, the committee's composition was as follows:

Advisory committee on financial resources management	
Chairman	**Isabelle REUX-BROWN** - Natixis
Members	**Laurent CÔTE** - CA-CIB
	Bernard DESCREUX - EDF
	Alexandre ADAM - BNP PARIBAS
	Claudio KERNEL - BPCE
	Laurent TIGNARD - Amundi
The members of the Executive Board participate in meetings	

In 2018, the committee assessed the investment results in 2017 and monitored changes in the performance of the FGDR's asset portfolios in a volatile market environment.

The committee was also consulted for an opinion on:

- adapting the parameters applied to bond management and the bond strategy itself;
- the liquidity of the portfolios after presentation of the stress test results;
- the gradual removal of Italian sovereign bonds from the investment universe;
- the consistency of asset allocation with the liquidity constraints of the FGDR's investments and with market conditions.

Indicator Summary				
Year 2018	**Net asset value (€M)**	**Performance during the year* (€M)**	**Estimated rate of return (%)**	**Unrealised gains **** (€M)**
Overall portfolio	4,176.2	-60.2	-1.64 (benchmark**: -0.78)	+100.6
Equity portfolio	281.7	-34.4	-11.46 (benchmark: +9.85)	+73.2
Bond portfolio	1,364.6	-21.1	-1.52 (notional target***: +0.18)	+19.1
Money market portfolio	2,341.6	-7.6	-0,35 (benchmark: -0.365)	0
Capitalisation contracts	188.3	+2.8	+1.51	+8.3

* 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 and including the notional bond target, weighted over time.
*** The notional target, i.e. 3M Euribor +0.50%, represents the management objective indicated by asset managers at the time of the funds' creation in July 2016 and is not related to changes in the bond markets. Its determination was based on an expected interest rate increase that did not materialise.
**** 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: -3.50%	Maximum stress test scenario all assets: -6.43% (-€263 million)

3.6.1. Main observations

The general asset allocation is similar to the target allocation approved by the Supervisory Board in December 2016. The FGDR invested the contributions received from its members at the end of 2018 according to the allocation specified in the dedicated money market (60%) and equity (5%) asset funds. However, it maintained nearly €180 million in cash assets which will be invested in the first half of 2019 (additional capitalisation contract and bond segment).

Based on general market trends during the year, the funds' performance was negative for all asset classes with the notable exception of capitalisation contracts. Overall performance during the year was therefore -1.64% (-€60.2 million), which reduced the amount of unrealised gains from €160.8 million at 31 December 2017 to €100.6 million at year-end.

a. Key events

In contrast to market forecasts at the beginning of the year which pointed to the strong likelihood of an increase interest in rates, 2018 was marked by the combined effect of a decrease in Bund rates and an increase in credit spreads. Coupled with higher risk aversion in the markets, this situation negatively impacted the performance of the equity and bond portfolios.

To limit the effects of these market movements, the FGDR made the following adjustments:
- change in May 2018 in the style of a "value" equity fund to a "low volatility" equity fund to limit the impacts of a possible market downturn;
- option given to the bond fund managers to bring the sensitivity of the funds into negative territory (down to -1);
- signing of two capitalisation contracts in the amount of €80 million with a net return of 1.52% in 2018 to benefit from attractive, low-risk sources of return.

b. Rate of return

All asset classes combined, the return on the portfolio was negative and, as indicated, amounted to -€60.2 million, equivalent to -1.64% over the year.

This compares with a return of +€16.4 million in 2017 (+0.47%), +€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%). The performance of the equity and bond portfolios was heavily impacted by the increase in risk aversion at the end of the year.

- **The equity portfolio generated €34.4 million** in unrealised capital losses (versus €26.4 million in capital gains in 2017). At year-end 2018, the stock of unrealised capital gains on this portfolio was €73.2 million. The change in management style of a "value" fund in a "low volatility" fund quickly had positive effects and allowed it to outperform the two other funds invested in equities (-7.19% versus -12.76% and -13.73%).

- **The return on the bond portfolio over the year was -€21.1 million** (-1.52%) and the total unrealised capital gains on this portfolio automatically fell to €19.1 million at end-2018. The negative performance was mainly due to the increase in credit spreads in 2018 and the failure of rates to rise, whereas the managers had built portfolios to profit from an increase in risk-free rates and break-even inflation rates. The low nominal rates of bonds meeting the FGDR's very restrictive criteria did not generate enough yield to offset these market movements.

- **Money market investments had negative returns of -€7.6 million** (net return of -0.35%, slightly higher than an average Eonia of -0.365% over the period). Portfolio management constraints, which include an average duration of less than six months, led to the fast turnover of securities at negative levels very close to the Eonia.

- **The return on the capitalisation contracts was +€2.8 million,** i.e. +1.51%; the total amount of unrealised capital gains was €8.3 million and will only be earned to the FGDR if the investment is held for a sufficient length of time. Consequently, a provision was recorded for a limited time 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 €3,974.2 million to €4,176.2 million, i.e. +€202 million) resulted mainly from the following:
- on the plus side, the €425 million increase in the stock of member contributions in 2018;
- on the minus side, the realised or unrealised returns during the year (-€60 million);
- also on the minus side, an additional cash segment of €159 million relative to end-2017 pending investment in capitalisation contracts and bond assets;
- and the disbursements for the FGDR's operation and investments.

3.6.2. Asset allocation

The asset allocation that was decided upon at the Supervisory Board meeting on 15 December 2016 was adjusted through a decision of the Executive Board on 13 December 2018 with respect to the amount of the capitalisation contracts. It is now 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%, of which a maximum of 10% (6% of the total portfolio) in the form of capitalisation contracts

The structure of the FGDR's resources at 31 December 2018 was as follows:

- €543 million in certificates of membership, long-term resources with no maturity, the amount of which is stable from one year to the next;
- €1,712 million in guarantee deposits that are refundable if not mobilised in case of a claim;
- €2,015 million in equity (€1,081 million in technical provisions and €932 million in member's certificates).

3.6.3. Investment breakdown

Assets under management, measured at market value at 31 December 2018, amounted to €4,176.2 million, for a net book value of €4,075.6 million. They break down as follows:

Market value	End of 2018 (€M)	End of 2017 (€M)	End of 2016 (€M)	End of 2015 (€M)	End of 2014 (€M)
Equity mutual fund investments	281.7 (6.7%)	283.8 (7.1%)	244.1 (6.6%)	220.8 (6.5%)	195.7 (6.4%)
Bond mutual fund investments	1,364.6 (32.7%)	1,385.6 (34.9%)	1,207.0 (32.7%)	782.3 (22.9%)	782.0 (26.6%)
Money market mutual fund investments + capitalisation contracts	2,529.9 (60.6 %)	2,304.8 (58.0 %)	2,237.5 (60.7%)	2,418.4 (70.7%)	2,073.6 (68.0 %)
Total	**4,176.2**	**3,947.2**	**3,688.6**	**3,421.5**	**3,051.3**

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 decreased in 2018. In fact, the FGDR decided in late 2018 not to add to this asset class immediately in order to assess whether changes in the bond management criteria should first be made, given its management constraints and market trends. Moreover, it retained €45 million in cash assets for the purpose of signing a capitalisation contract in early 2019 for which it began negotiations with an insurance company at the end of 2018. All in all, on the 2018 balance sheet date, the FGDR had approximately €180 million in cash assets to be invested in the first half of 2019.

3.6.4. Return on equity investments

The equity markets posted disappointing performance in 2018, fuelled by fears related to protectionist measures in the United States, the start of monetary tightening in Europe and the United States and political instability in Europe. All these events led to risk aversion and therefore a downturn in the major stock indices. The performance of the FGDR's equity portfolio followed this trend and stood at -11.46% for a benchmark index – the MSCI EMU excluding banking and similar sectors – of -9.85%. In order to diversify the management styles for this portfolio and supplement the "value" management of the Halévy A1 and Halévy A3 funds, the FGDR asked the manager of the Halévy A2 fund to adopt a "low volatility" management approach. This change explains why the Halévy A2 fund had the best performance.

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	-12.76	-292
A2	Amundi AM	-7.19	+265
A3	Métropole Gestion	-13.73	-388

* MSCI EMU benchmark excluding banking and similar sectors.

3.6.5. Return on the bond portfolios

Bond management posted negative performance of -€21.1 million (-1.52%) in 2018. Since 2014, performance has declined fairly steadily and has been in negative territory since 2017 (+1.31% in 2014, +0.04% in 2015, +0.17% in 2016, -0.43% in 2017, -1.52% in 2018).

Very low yields, combined with widening spreads and a flight to quality towards the Bund, prevented the managers from finding investment solutions allowing a positive return. Having adopted a cautious attitude in light of the risk of increased rates, the managers decided to maintain the rate sensitivity of the portfolios at low levels (0.43 at end-2018) and generally kept a low duration in the portfolios. However, risk budget management made it possible to reduce the volatility of the funds compared with "benchmarked" management and to adopt a cautious and defensive position in the face of uncertainties impacting rates trends in 2019.

The overall return (-1.52%) was lower than the notional objective of +0.18% (3M Euribor + 50 bps) indicated by the management companies which, when it was set in 2016, was based on a gradual rise in rates (based on its methodology, absolute return management has no benchmark but only a return objective).

The returns on the various mutual funds were as follows:

FCP HALEVY	Manager	Annual rate of return (%)
O1	Candriam	-1.63
O2	Edmond de Rothschild AM	-1.12
O3	AXA IM	-1.69
O4	La Française AM	-1.66

3.6.6. Return on money market investments

The overall rate of return on the money market funds in 2018 was -0.35%, slightly above the benchmark. Given the management constraints in the management of funds, 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).

FCP HALEVY	Manager	2018 performance in bp
M3	CPR AM	-35
M9	Groupama AM	-37
M10	Candriam	-35
M13	Amundi AM	-34
M14	Allianz GI	-33

The two capitalisation contracts for €50 million taken out in 2015 with two insurance companies rated A or higher continue to offer attractive returns relative to the low risks associated with a fund payback period reduced to five business days and a guaranteed minimum return in the first few years if the funds remain invested. In 2018, the return on these two capitalisation contracts was 2.10%.

In June and July 2018, the FGDR increased its investments in capitalisation contracts by signing two new contracts with an insurance company with which it had already signed a contract in 2015. These contracts also have a five-day liquidity clause. The annualised return on the contracts signed in 2018 was 1.52%, which is higher than was expected when they were signed (+1.25%).

The return on the capitalisation contracts is as follows:

	Amount (€M)	Performance in bp (%)	Net guaranteed rate for 2019 (%)
Contract 1	54.1	2.10	0
Contract 2	53.6	2.10	1.40
Contract 3	60.4	1.52	0
Contract 4	20.1	1.51	0

3.6.7. Breakdown of counterparty risks

The management agreements for funds 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 bonds and A- (S&P) or A3 (Moody's) for corporate bonds. Risk dispersion rules limit the concentration of investments in issuers. Therefore, all asset classes combined, the 10 most significant risks represent 16.2% of the total exposure (20.8% in 2017). The highest concentration is in French government bonds (OAT) (3.90%), followed by Spanish Bonos (2.04%) and US Treasuries (1.91%).

3.6.8. Breakdown by rating

At 31 December 2018, this breakdown for all portfolios was as follows:

Rating	%
AAA	3.94
AA	16.11
A	36.03
BBB	4.13
< BBB	0.00
A1+ (CT)	0.00
A1 (CT)	18.75
A2 (CT)	21.04
A3 (CT)	0.00
Not rated	0.00

3.6.9. Sensitivity of the fixed-income portfolio

At the end of 2018, the overall sensitivity of the portfolio to changes in interest rates, which is used to assess the overall interest-rate risk in the FGDR's portfolio, was 0.30. In other words, in case of a 1% variation in market rates, the performance of the portfolio will vary by 0.30%, all things being equal.
This very low level, given the decision taken by the bond fund managers to limit the exposure of the funds to a potential increase in rates, was stable compared to the end of 2017 (0.31).

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 2018, the VaR was as follows:

Time horizon (%)			
VaR	1 week	1 month	1 year
VaR 95%	-0.42	-0.84	-2.18
VaR 99%	-0.61	-1.22	-3.50

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 -3.50% is 99% (-3.33% at end-2017). The VaR thus determined for the various time horizons is slightly higher than at end-2017, 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 have a normative nature and are not associated with 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 equities: -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 2018 for a single type of risk – this results in losses relative to total outstandings of between 0.13% and 3.20% and, for the overall scenario – the worst case for all risks taken simultaneously – a loss of 6.43%, i.e. €263 million (versus 8.90%, €353 million in 2017). The decrease in the maximum loss from one year to the next is explained, on the one hand, by an update to the default tables used and, on the other hand, by an improvement in the credit quality of the bonds, given that the share of BBB bonds represented only 3.4% of the overall portfolio at end-2018 compared with 11% at end-2017. The maximum loss can be viewed in light of the amount of the unrealised capital gains on the portfolio, which totalled €100.6 million at 31 December 2018.

3.6.11. Responsible investing

The FGDR's aim is to gradually incorporate Environmental, Social and Governance (ESG) criteria into its investment and management company selection policy. 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 Organization;
- 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 is 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 FGDR has the skills and resources necessary for its operation, in normal situations, under conditions in line with best practices and while controlling costs. The team is supported by an ecosystem of service providers that can rapidly deploy the resources needed to manage an intervention (call centre, processing centre, media agency, printing, electronic document management, etc.) based on a preset, 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 data-base) 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, including the compensation system for the deposit guarantee scheme, its possible extension to the other guarantee mechanisms, and the member management application used by the finance department (membership tracking, payment and tracking of contributions, position of each member and management of its rights and related information, elections).

At the end of 2018, the operations department consisted of six people responsible for:

- monitoring 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 guarantee schemes, together with the communications department.

The communications and training department, with one permanent employee and an assistant, 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 production of general training materials for the compensation operators;
- permanent information intended for the general public, business professionals and the press;
- stress test plans and communication tools in the event of a crisis.

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 by the Supervisory Board (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 were 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 Administrative Membership Manager;
- the Accounting and Management Control Manager.

The FGDR employed 15 people at year-end 2018. For sudden increases in the workload, temporary workers, students, interns or employees on fixed-term contracts are used.

3.8. Internal control

Key events in the area of internal control in 2018 included the ongoing simulations of the compensation procedure for the deposit guarantee mechanism, the redesign of the internal control tools and bringing the FGDR into compliance with the requirements of the General Data Protection Regulation (GDPR) (cf. section 3.9. Implementation of the General Data Protection Regulation).

In 2014, the FGDR formalised the creation of an internal control system that is appropriate for both its size and the challenges related to its public interest missions. It implemented an organisation designed to protect itself from risks that could prevent it from carrying out its mandate. In 2018, the FGDR continued its stress test programme launched in 2015 by performing two simulations: "initiation of compensation" in February and "end-to-end compensation" in November. These exercises involved the resources of every department as well as the Executive Board. From an internal control standpoint, simulations contribute to continuous, regular improvement in the processes and tools used to issue compensation. They also enable the FGDR to assess the responsiveness of its internal and external resources and adjust its procedures as necessary.

In 2018, the FGDR also updated the mapping of the risks inherent in its missions. The FGDR defined its primary mapping in 2014 based on a process approach and an action plan aimed at controlling its risks. In 2018, the FGDR wished to update its tool by increasing the level of granularity of the assessments of risks and actions taken. The work carried out led the FGDR to develop a ScoreCard to assess the impact of risks by incorporating feedback from the simulations performed since 2015, on the one hand, and to identify residual risk factors, on the other hand. This work was being finalised in December 2018 to allow the most accurate depiction of the FGDR's risk universe in 2019.

During the year, 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 its 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.

Lastly, the FGDR updated its insurance policies by improving the price-quality ratio through lower applicable deductibles and supplemental policies.

3.9. Implementation of the General Data Protection Regulation (GDPR)

This regulation, adopted by the European Union on 14 April 2016, has been applicable since 25 May 2018. It updates and modernises the principles of the French Data Protection Act of 6 January 1978. The duties and responsibilities of all those processing personal data are therefore increased.

The FGDR's preparation started with an impact analysis. It then began its work following a validation meeting with the CNIL. In 2018, the FGDR ensured that it would be in compliance with the GDPR on the date of implementation through:
- a mapping of the processing operations relating to personal data used by the FGDR. This confirmed the existence of four structured processing operations (depositor compensation, management of financial resources, human resources and accounting);
- awareness workshops and work with the Integrated Compensation and Communication System (CCS) service providers;
- procedures and information clauses (submitted to the CNIL) and an appendix to the contracts of CCS service providers to strengthen the existing contractual environment;
- GDPR training for employees;

- the creation of a register of processing operations;
- the implementation of an impact analysis plan for CCS processing operations.

In addition, and despite the satisfactory security level of these procedures, the FGDR took technical measures to ensure greater protection of customer data received from the member institutions.

• **In the context of regular controls**

The institutions provide the FGDR with a sample of their Single Customer View files (with actual data) so that it can check the quality of the file. Since the launch of the new periodic control campaign in September 2018, the most sensitive data in the Single Customer View is saved in an anonymised and encrypted format. In this way, operators who are connected to the system cannot see the customer data and anyone who hacks the database will obtain only anonymised and encrypted data.

• **In the context of compensation**

The most sensitive data within the meaning of the GDPR is encrypted in the database. The FGDR is therefore protected from the consequences of an attack on its systems containing data considered sensitive.

In any case, it should be noted that personal data protection is a major concern for the FGDR, which is committed to adhering to the principles contained in the GDPR and in the law of 6 January 1978 amended on 20 June 2018.

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 had continued with 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 had justified a preventative intervention in 1999. It asked that they be ordered to repay to it the advance it had given the bank to allow its network to be acquired by a third-party bank and thus avoid closing the branches, which would have seriously harmed 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.

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.

In a ruling handed down on 9 January 2019, the Court of Cassation dismissed the FGDR's claim, putting an end to the action for liability without ever really ruling on the merits of the case.

Financière du Forum, the company that succeeded *Crédit martiniquais*, was placed in court-ordered liquidation on 24 June 2015. In the first half of 2018, the liquidator brought an action against certain legal entities that were de jure or de facto senior managers to cover the deficiency in the company's assets, separate from the previous one. The case is pending before the Commercial Court of Paris.

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, in which the FGDR is represented, continued in 2018. The FGDR asked the public prosecutor to apply a legal regime favourable to liquidation to the assets seized by the government in the hope that it might recover a portion of the sums incurred to finance its work, since it is partially recognised as a preferred creditor. During a meeting and exchanges with the liquidator, the FGDR obtained information about the assets that it is attempting to recover.

4.3. Géomarket (ex-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 ordered in February 2014, subsequent to the FGDR's preventative intervention. The FGDR is also recognised as having preferential entitlement to the liquidation liabilities and is actively monitoring the liquidator's actions by requesting that the court terminate the liquidation so that the assets can be distributed to it. After reviewing the case in November 2018, the Commercial Court referred it to a hearing to be held in the summer of 2019.

5

Financial statements

5.1. Balance sheet

Assets (€ thousands)	31/12/2017	31/12/2018
Non-current assets	**7,057**	**3,537**
Net tangible and intangible assets	895	820
• *Gross amount*	*1,733*	*1,613*
• *Depreciation, amortisation and provisions*	*-837*	*-793*
Net compensation platform assets	6,161	2,717
• *Gross amount*	*17,969*	*18,130*
• *Depreciation, amortisation and provisions*	*-11,808*	*-15,413*
Short-term receivables	**4,297**	**3,933**
Amounts due from members	72	2
Other receivables (advances made and credit notes received)	4	4
Members - penalties receivable	0	0
Members - interest receivable	2,309	3,911
Members - contributions receivable	1,897	0
Net monetary penalties and court costs receivable	14	16
• *Gross amount*	*1,373*	*1,373*
• *Depreciation, amortisation and provisions*	*-1,359*	*-1,358*
Claim-related receivables	**0**	**0**
Net receivables	0	0
• *Gross amount*	*204,715*	*204,715*
• *Depreciation, amortisation and provisions*	*-204,715*	*-204,715*
Transferable securities and cash assets	**3,854,572**	**4,268,596**
Shares	175,928	208,493
Bonds	1,345,468	1,345,468
Money market instruments	2,199,268	2,341,634
Capitalisation contracts	100,000	180,000
Cash assets	33,909	193,001
Accruals	**122**	**123**
Pre-paid expenses	122	123
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	**3,866,048**	**4,276,189**

Liabilities (€ thousands)	31/12/2017	31/12/2018
Equity	**1,680,531**	**2,014,751**
Profit/loss	0	0
Technical provision for intervention risk	1,074,117	1,081,173
Technical provision for compliance	4,660	1,720
Member's certificates	601,754	931,858
Subordinated debt	**2,179,001**	**2,254,868**
Certificates of membership	542,547	542,922
Guarantee deposits	1,636,454	1,711,946
Total equity	**3,859,532**	**4,269,619**
Provisions for claims	**447**	**149**
Provisions for risks and charges	**3,575**	**3,996**
Provisions for risks - capitalisation contracts	2,480	3,078
Provisions for charges	1,095	918
Current liabilities	**1,820**	**2,128**
Trade payables	857	1,165
Tax and social security liabilities	949	948
Advances received on monetary penalties	14	16
Liabilities to members	**672**	**297**
Members - interest payable	0	0
Members - negative contributions	0	0
Members - licence revocations and overpayments	672	297
Members - refund of guarantee deposits	0	0
Accruals	**0**	**0**
Unearned income	0	0
Single Resolution Fund (SRF)	**2**	**0**
SRF contributions to be transferred	1	0
SRF guarantee deposits to be repaid	1	0
Total liabilities	**3,866,048**	**4,276,189**

Between 2017 and 2018, the FGDR's balance sheet total grew by €410 million from €3.866 million to €4.276 million. This increase mainly resulted from the collection of contributions for the various guarantee mechanisms managed by the FGDR (+€424 million, of which €406 million in member's certificates or in subordinated debt for the FGDR).

On the asset side, the increase was linked to the rise in transferable securities and cash assets, which were up by €416 million.

On the liabilities side, the increase was mainly due to:

- the €330 million increase in member's certificates for the deposit guarantee scheme;
- the €75 million increase in guarantee deposits.

Deposit guarantee scheme balance sheet

Assets (€ thousands)	31/12/2017	31/12/2018
Non-current assets	**6,173**	**2,717**
Net compensation platform assets	6,161	2,717
• *Gross amount*	*17,969*	*18,130*
• *Depreciation, amortisation and provisions*	*-11,808*	*-15,413*
EDDIES platform assets	12	0
• *Gross amount*	*15*	*15*
• *Depreciation, amortisation and provisions*	*-3*	*-15*
Short-term receivables	**4,083**	**3,783**
Amounts due from members	2	0
Other receivables (advances made and credit notes received)	0	0
Members - penalties receivable	0	0
Members - interest receivable	2,183	3,783
Members - contributions receivable	1,897	0
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	**3,638,828**	**4,041,177**
Transferable securities and cash assets	3,638,828	4,041 177
Breakdown of balance sheet – committed costs	**1,686**	**3,382**
Receivables related to committed costs	1,686	3,382
Total assets	**3,650,769**	**4,051,059**

Deposit guarantee scheme balance sheet

Liabilities (€ thousands)	31/12/2017	31/12/2018
Equity	**1,541,364**	**1,869,083**
Profit/loss	0	0
Technical provision for intervention risk	934,950	935,505
Technical provision for compliance	4,660	1,720
Member's certificates	601,754	931,858
Subordinated debt	**2,108,090**	**2,181,299**
Certificates of membership	532,590	532,965
Guarantee deposits	1,575,499	1,648,334
Total equity	**3,649,454**	**4,050,382**
Provisions for claims	**447**	**149**
Current liabilities	**367**	**338**
Trade payables	364	335
Tax and social security liabilities	3	3
Liabilities to members	**501**	**190**
Members - interest payable	0	0
Members - negative contributions	0	0
Members - licence revocations and overpayments	501	190
Breakdown of balance sheet – committed costs	**0**	**0**
Liabilities related to committed costs	0	0
Total liabilities	**3,650,769**	**4,051,059**

Investor compensation scheme balance sheet

Assets (€ thousands)	31/12/2017	31/12/2018
Short-term receivables	**158**	**99**
Net amounts due from members	52	1
• *Gross amount*	*66*	*16*
• *Depreciation, amortisation and provisions*	*-14*	*-14*
Members - interest receivable	92	81
Net monetary penalties and court costs receivable	14	16
• *Gross amount*	*1,070*	*1,070*
• *Depreciation, amortisation and provisions*	*-1,056*	*-1,055*
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*	*3,742*	*3,742*
• *Depreciation, amortisation and provisions*	*-3,742*	*-3,742*
Transferable securities and cash assets	**154,828**	**155,992**
Transferable securities and cash assets	154,828	155,992
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**154,986**	**156,091**

Investor compensation scheme balance sheet

Liabilities (€ thousands)	31/12/2017	31/12/2018
Equity	**106,663**	**107,203**
Profit/loss	0	0
Technical provision for intervention risk	106,663	107,203
Subordinated debt	**47,057**	**46,921**
Certificates of membership	9,957	9,957
Guarantee deposits	37,100	36,964
Total equity	**153,720**	**154,125**
Provisions for claims	**0**	**0**
Current liabilities	**57**	**55**
Advances received on monetary penalties	14	16
Trade payables	43	39
Tax and social security liabilities	0	1
Liabilities to members	**0**	**1**
Members - interest payable	0	0
Members - licence revocations	0	1
Members - refund of guarantee deposits	0	0
Breakdown of balance sheet – committed costs	**1,209**	**1,910**
Liabilities related to committed costs	1,209	1,910
Total liabilities	**154,986**	**156,091**

Performance bonds guarantee balance sheet

Assets (€ thousands)	31/12/2017	31/12/2018
Short-term receivables	**41**	**33**
Net amounts due from members	18	2
• *Gross amount*	*18*	*2*
• *Depreciation, amortisation and provisions*	*0*	*0*
Members - penalties receivable	0	0
Members - interest receivable	23	31
Members - contributions receivable	0	0
Claim-related receivables	**0**	**0**
Transferable securities and cash assets	**39,089**	**39,452**
Transferable securities and cash assets	39,089	39,452
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**39,130**	**39,486**

Liabilities (€ thousands)	31/12/2017	31/12/2018
Equity	**20,365**	**20,494**
Profit/loss	0	0
Technical provision for intervention risk	20,365	20,494
Subordinated debt	**18,010**	**18,070**
Certificates of membership	0	0
Guarantee deposits	18,010	18,070
Total equity	**38,374**	**38,564**
Current liabilities	**0**	**0**
Trade payables	0	0
Liabilities to members	**167**	**107**
Members - interest payable	0	0
Members - licence revocations and overpayments	167	107
Members - refund of guarantee deposits	0	0
Breakdown of balance sheet – committed costs	**589**	**815**
Liabilities related to committed costs	589	815
Total liabilities	**39,130**	**39,486**

Resolution mechanism balance sheet (NRF and SRF)

Assets (€ thousands)	31/12/2017	31/12/2018
Short-term receivables	**12**	**15**
Net amounts due from members	1	0
• *Gross amount*	*2*	*1*
• *Depreciation, amortisation and provisions*	*-1*	*-1*
Members - penalties receivable	0	0
Members - interest receivable	11	15
Transferable securities and cash assets	**19,329**	**28,315**
Transferable securities and cash assets	19,329	28,315
Breakdown of balance sheet – committed costs	**0**	**0**
Receivables related to committed costs	0	0
Total assets	**19,341**	**28,330**

Liabilities (€ thousands)	31/12/2017	31/12/2018
Equity	**12,139**	**17,970**
Profit/loss	0	0
Technical provision for intervention risk	12,139	17,970
Subordinated debt	**5,845**	**8,578**
Guarantee deposits	5,845	8,578
Total equity	**17,984**	**26,548**
Liabilities to members	**4**	**0**
Members - National Resolution Fund (NRF) licence revocations	4	0
Liabilities to the Single Resolution Fund	**2**	**0**
SRF contributions collected	0	0
SRF guarantee deposits collected	0	0
SRF contributions to be transferred	1	0
SRF guarantee deposits to be repaid	1	0
Breakdown of balance sheet – committed costs	**1,352**	**1,782**
Liabilities related to committed costs	1,352	1,782
Total liabilities	**19,341**	**28,330**

5.1.1. Composition of own funds

The FGDR's own funds at 31 December 2018 are shown below:

(€ thousands)	Deposit guarantee scheme	Investor compensation scheme	Performance bonds guarantee scheme	Resolution mechanism	Total
Equity	**1,869,083**	**107,203**	**20,494**	**17,970**	**2,014,751**
Technical provision for intervention risk	935,505	107,203	20,494	17,970	1,081,173
Technical provision for regulatory compliance	1,720	0	0	0	1,720
Member's certificates	931,858	0	0	0	931,858
Subordinated debt	**2,181,299**	**46,921**	**18,070**	**8,578**	**2,254,868**
Certificates of membership	532,965	9,957	0	0	542,922
Guarantee deposits	1,648,334	36,964	18,070	8,578	1,711,946
Total equity	**4,050,382**	**154,125**	**38,564**	**26,548**	**4,269,619**

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 €330 million in new member's certificates issued to members in 2018 for the deposit guarantee scheme).

(€ thousands)	31/12/2017	Additions	Reversals	31/12/2018
Technical provision for intervention risk	1,074,117	7,056	0	1,081,173
Technical provision for regulatory compliance	4,660	0	2,941	1,720
Total	**1,078,777**	**7,056**	**2,941**	**1,082,893**

(€ thousands)	31/12/2017	Calls	Repayments	31/12/2018
Member's certificates	601,754	330,161	57	931,858
Total	**601,754**	**330,161**	**57**	**931,858**

The €57,000 in repayments pertain to the repayments of member's certificates to members following licence revocations.

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

(€ thousands)	31/12/2017	Calls	Repayments	31/12/2018
Guarantee deposits	1,636,454	120,125	44,632	1,711,946
Certificates of membership	542,547	408	33	542,922
Total	**2,179,001**	**120,532**	**44,665**	**2,254,868**

In 2018, €44.6 million in guarantee deposits and certificates of membership were repaid to members, including €44.3 million in expired guarantee deposits and €0.3 million in guarantee deposits and certificates of membership following licence revocations.

5.1.2. Gross non-current assets

(€ thousands)	31/12/2017	Acquisitions	Disposals	31/12/2018
Tangible, intangible and financial assets	**1,733**	**151**	**270**	**1,614**
Intangible assets	1,019	144	262	902
Software	*100*	*27*	*0*	*126*
Software (PHD)	*262*	*0*	*262*	*0*
Website	*189*	*0*	*0*	*189*
Member database	*469*	*118*	*0*	*587*
Software - construction work in progress	*0*	*0*	*0*	*0*
Tangible assets	640	4	6	638
General facilities and fixtures	*352*	*0*	*0*	*352*
Office and computer equipment	*64*	*4*	*6*	*62*
Furniture	*224*	*0*	*0*	*224*
Financial assets	73	2	2	74
Miscellaneous	*4*	*0*	*0*	*4*
Guarantee deposits paid	*69*	*2*	*2*	*70*
Compensation platform project	**17,969**	**497**	**336**	**18,130**
Compensation platform - operating assets	17,749	336	0	18,085
Compensation platform - construction work in progress	220	161	336	46
Total non-current assets	**19,701**	**648**	**605**	**19,744**

The FGDR's investments totalled €648,000 in 2018. This amount was mainly invested in developing computer applications related to the compensation platform (€497,000) and the member database (€118,000).

In 2018, development of the compensation platform mainly involved the connection with banks required to issue payments in CFP francs, depositor compensation accounting applications and compliance with the General Data Protection Regulation (cf. section 3.3. The compensation system for the deposit guarantee scheme). In 2013, the total investment budget had been set at €15.3 million. It was covered by a provision "for regulatory compliance" which was deducted from equity and intended to be reversed as amortisation was recorded (of which €2,940,000 in 2018). The balance of this provision was €1,720,000 at the end of 2018.

Regarding the member database, the second and third lots were delivered in February 2018 and June 2018, respectively, providing the ability 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)	31/12/2017	Additions	Reversals	31/12/2018
Tangible, intangible and financial assets	**837**	**224**	**268**	**793**
Intangible assets	499	156	262	394
Software	*70*	*23*	*0*	*93*
Software (PHD)	*262*	*0*	*262*	*0*
Website	*159*	*29*	*0*	*188*
Member database	*8*	*105*	*0*	*113*
Tangible assets	338	68	6	399
General facilities and fixtures	*161*	*42*	*0*	*203*
Office and computer equipment	*62*	*1*	*6*	*57*
Furniture	*115*	*24*	*0*	*139*
Compensation platform project	**11,808**	**3,605**	**0**	**15,413**
Compensation platform - operating assets	11,808	3,605	0	15,413
Compensation platform - construction work in progress	0	0	0	0
Total depreciation and amortisation	**12,645**	**3,829**	**268**	**16,206**

5.1.4. Receivables and debt

5.1.4.1. Receivables

Gross Amount (€ thousands)	31/12/2017	31/12/2018
Receivables due in less than one year	5,652	5,286
Receivables due in one year or more	204,715	204,715
Total receivables	**210,367**	**210,001**

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 €2,000;
- interest billed to members in the amount of €3,911,000 (cf. section 5.1.6. Revenue accruals) which will be collected at the same time as the 2019 contributions;
- the amount of old monetary penalties imposed by the AMF in 2001 and 2013 (fully provisioned) and in the process of collection totalling €1,070,000;
- court costs receivable of €303,000 (cf. section 5.1.6. Revenue accruals).

5.1.4.2. Debt

(€ thousands)	31/12/2017	31/12/2018
Debt due in less than 1 year	1,621,838	1,705,755
Debt due in 1 to 5 years	10,681	38
Debt due in more than 5 years	548,392	551,500
Total debt	**2,180,910**	**2,257,294**

Debt due in less than one year mainly includes:

- guarantee deposits set up for the investor compensation and performance bond guarantee schemes in 2018 for a term of one year and in 2014 for a term of five years expiring at the end of 2019;
- guarantee deposits set up in 2018 for the deposit guarantee scheme for a term of one year.

Debt due in one to five years was very low in 2018 since the guarantee deposits set up prior to 2015 with a maturity of five years were almost fully repaid.

The guarantee deposits set up since 2015 have an annual maturity and are therefore included in debt due in less than one year.

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 mechanism	Total
Before 2014	0	25	6	0	31
2014	0	7,232	3,318	0	10,550
2015	0	0	0	3,792	3,792
2016	0	2	0	1,009	1,011
2017	0	2	4	1,042	1,048
2018	1,648,334	29,704	14,742	2,734	1,695,514
Total	**1,648,334**	**36,964**	**18,070**	**8,578**	**1,711,946**

5.1.5. Financial securities

5.1.5.1. Mutual funds

Name	Number of units	Total cost price (€ thousands)	Total net asset value 31/12/2018 (€ thousands)	Unrealised capital gain/loss (€ thousands)
Total equity mutual funds		**208,493**	**281,680**	**73,187**
Halevy A1	62,864	78,477	109,139	30,662
Halevy A2	57,941	71,713	96,764	25,052
Halevy A3	49,512	58,303	75,777	17,474
Total bond mutual funds		**1,345,468**	**1,364,592**	**19,124**
Halevy O1	317,989	394,784	399,954	5,169
Halevy O2	278,299	334,763	345,842	11,080
Halevy O3	255,218	305,251	306,813	1,562
Halevy O4	250,990	310,671	311,983	1,312
Total money market mutual funds		**2,341,979**	**2,341,634**	**-345**
Halevy M3	465,230	587,260	587,171	-88
Halevy M9	280,484	325,263	325,216	-48
Halevy M10	492,285	562,829	562,775	-54
Halevy M13	355,251	412,417	412,358	-59
Halevy M14	448,034	454,209	454,114	-95
Total mutual funds		**3,895,940**	**3,987,906**	**91,966**

The money market mutual funds (FCP) posted negative performance since they are dependant on money market rates, which were negative throughout the year. Nearly all the unrealised capital losses on the money market mutual funds were realised at the end of 2018, in the amount of -€7.6 million (cf. section 5.3.3.1.2. Equity interests, other long-term investments, transferable securities), and only a capital loss balance of -€345,000 was not realised. All the other funds had unrealised capital gains, even though capital gains decreased by €55.7 million compared with end-2017.

5.1.5.2. Capitalisation contracts

Amount (€ thousands)	31/12/2017	31/12/2018
Capitalisation contracts no. 1	50,000	50,000
Accrued interest on contract no. 1	2,971	4,074
Capitalisation contracts no. 2	50,000	50,000
Accrued interest on contract no. 2	2,535	3,640
Capitalisation contracts no. 3	0	60,000
Accrued interest on contract no. 3	0	451
Capitalisation contracts no. 4	0	20,000
Accrued interest on contract no. 4	0	147
Total	**105,506**	**188,312**

The FGDR signed two additional capitalisation contracts in 2018, in a total amount of €80 million. The accrued interest on all the contracts was €8,312,000, €598,000 of which was accured to take into account the contractual withdrawal penalty clause in case of divestiture before the end of a four-year holding period for the capitalisation contracts signed in June and July 2018. This penalty may not exceed the return during the first 12 months of the contract and an additional provision will need to be set up in 2019 if the FGDR has held this investment. For the first two capitalisation contracts, the provisions of which were identical and which have been in place for more than four years since being signed, the income from their first annual performance was freed up. That is why income of €2,208,000 was recorded in the 2018 financial statements.

5.1.6. Revenue accruals

Gross Amount (€ thousands)	31/12/2017	31/12/2018
Members - penalties receivable	0	0
Monetary penalties (AMF)	1,070	1,070
Members - contributions receivable	1,897	0
Members - interest receivable	2,309	3,911
Repayment of court costs receivable	303	303
Total	**5,580**	**5,284**

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.

Lastly, given the negative performance of the money market funds, in 2019 the FGDR will apply negative rates to the certificates of membership and guarantee deposits for 2018, which means that it will collect €3,911,000 from its members in 2019 corresponding to a negative rate of -0.18% on the certificates of membership and guarantee deposits.

Financial penalties (€ thousands)

Amount at 31/12/2017	Penalties imposed in 2018	Payments received in 2018	Amount at 31/12/2018
1,070	900	900	1,070

Provisions for financial penalties (€ thousands)

Provision at 31/12/2017	Additions	Reversals	Provision at 31/12/2018
1,056	0	2	1,055

The net amount of financial penalties to be collected at 31 December 2018 was €1,070,000, €1,055,000 of which was covered by a provision. In 2018, the amounts of financial penalties payable to the FGDR were higher than in 2017 (€900,000 versus €60,000 in 2017) and were collected in full during the year.

5.1.7. Accrued expenses

(€ thousands)	31/12/2017	31/12/2018
Trade and similar payables	326	842
Tax and social security liabilities	566	548
Liabilities to members	672	297
Total	1,564	1,687

Liabilities to members correspond to contributions to be repaid to members following the revocation of their licence.

5.1.8. Pre-paid expenses

At 31 December 2018, pre-paid expenses were as follows:

(€ thousands)	31/12/2018
Rent and rental expenses	97
Insurance	6
Upkeep and maintenance	14
Contributions	5
Other	1
Total	123

5.1.9. Provisions for risks and charges

(€ thousands)	31/12/2017	Increases	Decreases	31/12/2018
Retirement payments	1,095	183	361	918
Provision for claims	447	0	298	149
Provisions for risks - capitalisation contracts	2,480	598	0	3,078
Total	**4,023**	**781**	**659**	**4,145**

At the end of 2018, the total amount of the provision for retirement payments was €918,000. It covers all FGDR employees.

On 1 July 2016, the Paris Court of Appeals rejected the FGDR's compensation claim against the former senior managers of *Crédit martiniquais* and the FGDR appealed this decision. The Paris Court of Appeals also 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. In 2018, two solicitors were paid and the provision related to these two solicitors (€298,000) was reversed (cf. section 5.2.4.3. Intervention by the FGDR in favour of *Crédit martiniquais*). The Court of Cassation definitively rejected the FGDR's claim in its decision of 9 January 2019.

5.1.10. Off-balance sheet commitments

Financial commitments (€ thousands)	31/12/2018
Commitments received/credit line	1,400,000

A €1.4 billion credit line was set up in January 2018 to:

- ensure the FGDR's compliance with the EBA's guidelines on stress tests of deposit guarantee schemes of countries of the European Union;
- have an additional liquidity reserve in the event of a failure, calibrated so as to achieve the target amount of total resources, set at 0.5% of covered deposits.

In doing so, the object of this credit line is limited to the deposit guarantee scheme and the resolution measures relating to this mechanism. The pool of lending banks consists of seven banks, which are also entitled members of the FGDR's Supervisory Board or a member of their group.

5.2.
Profit and loss statement

5.2.1. Overall profit and loss statement

Income +; Expenses - (€ thousands)	31/12/2017 12 months	31/12/2018 12 months	Change 2018/2017
Income	**14,358**	**20,047**	**40%**
Contributions	12,405	18,568	50%
Income on licence revocations and European transfers	1,888	551	-71%
Other income	65	928	1,331%
Cost of claims	**62**	**-378**	**514%**
Risk management expenses	-302	-680	125%
Provisions for claims	363	298	-18%
Claim-related income	0	4	-
Financial income/expense	**-2,392**	**-4,730**	**-98%**
Financial income (equities and bonds)	0	0	-
Financial income (money market mutual funds)	-598	-15,288	2,457%
Financial income (capitalisation contract)	2,136	2,805	31%
Provisions for risk (capitalisation contract)	0	-598	-
Provisions for impairment of transferable securities net of reversals	-6,240	7,673	-223%
Negative interest on bank accounts	-24	-97	310%
Provisions for interest payable to members	0	0	-
Reversal of provision for interest payable to members	0	0	-
Interest receivable from members	2,334	3,992	71%
Credit line charges	0	-3,218	-
Overhead costs	**-7,708**	**-7,883**	**2%**
Committed costs	-5,541	-5,383	-3%
Expense for new stock of contributions calculation method	0	0	-
Member database expense	-41	-153	275%
Directly assignable expenses	-54	-106	96%
Expense for compensation platform operation	-2,071	-2,241	8%
Non-recurring items	**0**	**0**	**-**
Technical provision for intervention risk	**-4,320**	**-7,056**	**63%**
Profit/loss	**0**	**0**	**-**

5.2.2. Profit and loss statement by mechanism

Income +; Expenses - (€ thousands)	Deposit guarantee scheme	Investor compensation scheme	Perfomance bonds guarantee scheme	Resolution mechanism*	Total
Income	**11,257**	**2,009**	**400**	**6,381**	**20,047**
Contributions	33	-1	0	6,380	6,412
Contributions for operating expenses	10,656	1,100	400	0	12,156
Income on licence revocations and European transfers	551	0	0	0	551
Other income	18	910	0	0	928
Cost of claims	**37**	**-415**	**0**	**0**	**-378**
Risk management expenses	-261	-419	0	0	-680
Provisions for claims	298	0	0	0	298
Claim-related income	0	4	0	0	4
Financial income/expense	**-4,521**	**-158**	**-22**	**-30**	**-4,730**
Financial income (equities and bonds)	0	0	0	0	0
Financial income (money market mutual funds)	-14,503	-552	-138	-95	-15,288
Financial income (capitalisation contract)	2,661	101	25	17	2,805
Provisions for risks (capitalisation contract)	-567	-22	-5	-4	-598
Provisions for impairment of transferable securities net of reversals	7,279	277	69	48	7,673
Negative interest on bank accounts	-92	-4	-1	-1	-97
Interest receivable from members	3,919	41	28	4	3,992
Credit line charges	-3,218	0	0	0	-3,218
Overhead costs	**-6,219**	**-896**	**-249**	**-519**	**-7,883**
Committed costs	-3,939	-757	-215	-472	-5,383
Expense for new stock of contributions calculation method	0	0	0	0	0
Member database expense	-39	-34	-34	-47	-153
Directly assignable expenses	0	-106	0	0	-106
Expense for compensation platform operation	-2,241	0	0	0	-2,241
Non-recurring items	**0**	**0**	**0**	**0**	**0**
Technical provision for intervention risk	**555**	**540**	**129**	**5,832**	**7,056**

* For 2018, the expenses attributable to the collection of contributions intended for the SRF totalled €372,000.

5.2.3. Income

The contributions to the deposit guarantee scheme, broken down by instrument, were as follows:

- €10.7 million in premiums, including €10.66 million to finance operating expenses;
- €72.9 million in guarantee deposits;
- €330.2 million in member's certificates;
- €0.4 million in certificates of membership.

The contributions to the other mechanisms were collected on the same basis as in previous years, namely:

- investor compensation scheme:
  - annual contribution of €29.7 million in the form of guarantee deposits;
  - a €1.1 million contribution to maintain own funds;
- performance bonds guarantee scheme:
  - annual contribution of €14.7 million in the form of guarantee deposits;
  - a €0.4 million contribution to maintain own funds;
- National Resolution Mechanism: €6.4 million in premiums and €2.7 million in guarantee deposits.

Income on licence revocations and European transfers mainly related to a transfer of contributions from the German and Austrian deposit guarantee schemes to the FGDR. In accordance with the regulations in force, contributions paid during the last 12 months to a European guarantee scheme by a member whose activities are transferred to another European guarantee scheme must be transferred to the latter. These provisions, which are derived from Article 14.3 of the "DGSD2" directive, were transposed into French law by the decree of 27 October 2015 relating to the financial resources of the FGDR.

Other income includes the financial penalties imposed by the AMF on FGDR members which, as provided by law, are allocated to the investor compensation mechanism. In 2018, a penalty of €900,000 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, €1,055,000 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	-261	298	37
Investor compensation scheme	EGP	-326	0	-326
Investor compensation scheme	Dubus SA	-89	0	-89
Total		**-676**	**298**	**-378**

5.2.4.1. Intervention by the FGDR in favour of the customers of *Européenne de gestion privée*

The administrative expense in 2018 was €326,000, which corresponds to the work of the French and Italian lawyers in both the pending criminal proceeding in which the FGDR is a plaintiff claiming damages and the liquidation proceeding.

5.2.4.2. Intervention by the FGDR in favour of Dubus SA

The fees relate to the work carried out by the FGDR's attorney to obtain the termination of the liquidation.

5.2.4.3. Intervention by the FGDR in favour of *Crédit martiniquais*

Solicitors' fees related to the lawsuit amounted to €261,000. 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 2018, the capital expenditure for the compensation platform was €648,000, bringing the total investment to €18,030,000. The share of these investments placed in service was amortised over five years, generating an addition of €3,605,000 during the year. Thisaddition 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. €2,940,000.

The amount of the project expenditure recorded as an expense was €2,211,000 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 €4,730,000. This result is mainly explained as follows:

- +€2.2 million in capital gains on the capitalisation contracts in 2018;
- -€7.6 million* in capital losses on the money market portfolio, the return on which was -35 bps during the year;
- +€4 million in interest receivable from members on guarantee deposits and certificates of membership at an interest rate of -0.18%, down from -0.11% in 2017;
- -€3.2 million in credit line commitment fees;
- -€0.1 million in negative interest on bank accounts.

5.2.7. Committed costs

Committed costs generally decreased by 3% compared with 2017:

Income +; Expenses - (€ thousands)	Actual 31/12/2017	Actual 31/12/2018	Change 2018/2017
Personnel expenses	**3,529**	**3,605**	**2%**
Gross salaries	2,030	2,115	4%
Employer's contributions	1,324	1,326	-
Other (including directors' fees)	176	164	-7%
Administrative expenses	**1,423**	**1,430**	**1%**
Offices	533	531	-1%
IT	257	298	16%
Supplies, documentation and telecom	103	61	-41%
Communication, travel and public relations	358	377	5%
EFDI	32	29	-11%
Other (general taxes, third-party liability insurance)	139	135	-2%
Professional fees and external services	**589**	**347**	**-41%**
Audit, accounting and internal control	271	220	-19%
Asset management	66	54	-18%
Legal fees	123	23	-81%
Other	130	50	-61%
Prior-year expenses	**0**	**0**	**-**
Total	**5,541**	**5,383**	**-3%**

* The €7.6 million accounting loss on the money market portfolio breaks down as follows:

- -€15.28 million representing the unrealised capital losses for prior years (-€8 million) and for 2018 (-€7.3 million), which were realised after the implementation of a sale-buyback of all the money market funds at end-December 2018;
- +€7.67 million provision reversal representing the capital losses already recorded as an expense in prior years (€8 million) less the unrealised capital losses in 2018, i.e. €345,000.

5.2.7.1. Personnel expenses

Personnel expenses totalled €3,605,000, a 2% increase compared with 2017.

a. Number of employees

Number of employees	2017	New hires	Departures	2018
Management staff - permanent contract	13	2	1	14
Non-management staff - permanent contract	1	0	0	1
Fixed-term contract	1	0	1	0
Total	**15**	**2**	**2**	**15**

b. Average full-time equivalent (FTE) workforce

• Permanent staff

FTE	2017	New hires	Departures	2018
Management staff	13	1.08	0.04	14.04
Non-management staff	0.36	0.64	0.00	1.00
Total	**13.36**	**1.72**	**0.04**	**15.04**

• Temporary staff

FTE	2017	2018
Fixed-term contract	1.4	0.1
Temporary workers	0.1	0.1
Total	**1.5**	**0.1**

5.2.7.2. Administrative expenses

a. IT

The €41,000 increase in this item was primarily due to:

- the renovation project that allowed the FGDR to standardise, update and secure its local infrastructure (+€14,000);
- more extensive updates to the website content (+€30,000).

b. Supplies, documentation and telecom

The use of an external service provider last year, which handled the numerous calls from depositors triggered by the regulatory information about the deposit guarantee scheme and whose services were not used this year, explains the €40,000 decrease in this item.

c. Communication, travel and public relations

The preparations for crisis communication and the "full scale" stress tests carried out were intensified this year (+€19,000).

d. EFDI

This refers to support costs for the operation of the European Forum of Deposit Insurers (EFDI), which is chaired by the Chairman of the FGDR Executive Board. This expenditure relates to travel, personnel expenses and external services for the association (€29,000) (cf. section 1.2. International regulatory changes and developments).

e. Professional fees and external services

This item decreased by €242,000 compared with 2017, mainly for the following reasons:

- for the 2017 closing, the work related to verifying the transfer of data from the member database was completed by the auditors and therefore did not recur in 2018 (-€43,000);
- the fees for the funding line and solicitors, which included the solicitors' fees related to the negotiation of the credit line obtained in early 2018, pertained only to 2017 (-€165,000).

The expenses related to the 2018 audit fees recognised during the year totalled €97,680.

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: 73.17% (versus 73.07% at year-end 2017);
  - investor compensation: 14.06% (versus 14.10% at year-end 2017);
  - performance bonds guarantee: 4.00% (versus 4.05% at year-end 2017);
  - resolution mechanism: 8.77% (versus 8.78% at year-end 2017).
- Allocation key for financial income (proportional to the managed resources accruing to each mechanism):
  - deposit guarantee: 94.86% (versus 94.56% at year-end 2017);
  - investor compensation: 3.61% (versus 3.98% at year-end 2017);
  - performance bonds guarantee: 0.90% (versus 0.99% at year-end 2017);
  - National Resolution Fund (NRF): 0.62% (versus 0.47% at year-end 2017).

5.2.9. Profit/loss

Profit before the technical provision for intervention risk was €7,056,000. It breaks down as follows:

- €555,000 for the deposit guarantee mechanism;
- €540,000 for the investor compensation mechanism;
- €129,000 for the performance bonds guarantee mechanism;
- €5,832,000 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 €7,056,000 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 No. 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 No. 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 No. 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 licence 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 No. 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 cetificates 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 Executive Board's proposal and are refundable if the licence 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 Executive Board's proposal. Member's certificates are refundable when a member's licence is revoked. For repayments of more than €200,000, a decision by the Supervisory Board is required;
- 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 2018, this breakdown was calculated for each member by comparing, for each type of contribution, a target amount in 2018 with a stock of contributions already paid in 2017.

In case of insufficient resources, the FGDR can draw on the credit line that it obtained from a banking syndicate (cf. section 5.1.10. Off-balance sheet commitments) and collect special contributions from its members.

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 stipulates 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 stipulating 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;
- financial 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 financial penalties imposed by the Financial Markets Authority (AMF) (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 financial 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 2018.

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 €1.720 million at the end of 2018. 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 sustained 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).

Amortisation 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. Statutory auditors' reports

See following pages
⟶

FONDS DE GARANTIE DES DÉPÔTS 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 2018

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 2018)

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 DEPOTS ET DE RESOLUTION (FGDR) relatifs à l'exercice clos le 31 décembre 2018, 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 1 Janvier 2018 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 Réglementation 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 arrêtés 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, 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.

Vérifications spécifiques

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 Courbevoie, le 15 avril 2019

Les commissaires aux comptes

PricewaterhouseCoopers Audit	MAZARS
Jacques Lévi	Virginie Chauvin

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Head office : 65, rue de la victoire, 75009 PARIS

Auditors' report on the year-end financial statements

Year ended 31 December 2018

PRICEWATERHOUSECOOPERS AUDIT
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 2018)

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 2018, 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 2018 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 financial 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.

Specific verifications

We also carried out, in accordance with the professional standards applicable in France, the specific verifications required by law.

Information provided in the management report

We have no comment as to the accuracy and consistency with the year-end financial statements of the information provided in the Executive 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 Executive 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, 15 April 2019

The Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Jacques LÉVI	Virginie CHAUVIN

FONDS DE GARANTIE DES DÉPÔTS ET DE RÉSOLUTION

Siège social : 65 rue de la Victoire, 75009 PARIS

Rapport spécial des commissaires aux comptes sur les conventions réglementées

Exercice clos le 31 décembre 2018

PRICEWATERHOUSECOOPERS AUDIT MAZARS

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Exercice clos le 31 décembre 2018

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 del'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 AL' 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 15 avril 2019

Les Commissaires aux comptes

PRICEWATERHOUSE COOPERSAUDIT

Jacques LEVI

MAZARS

Virginie CHAUVIN

FONDS DE GARANTIE DES DEPOTS ET DE RESOLUTION

Head office : 65, rue de la victoire, 75009 PARIS

Auditors' special report on regulated agreements

Year ended 31 December 2018

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, 15 April 2019

The Auditors

PRICEWATERHOUSECOOPERS AUDIT

Jacques LÉVI

MAZARS

Virginie CHAUVIN

Facts & Figures

at 31/12/2018

Available resources at 31/12/2018

€4.269 billion

Member Institutions

458 members

Credit Institutions

356 members

Investment Services Providers

305 members

Banks and Financing Companies

304 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

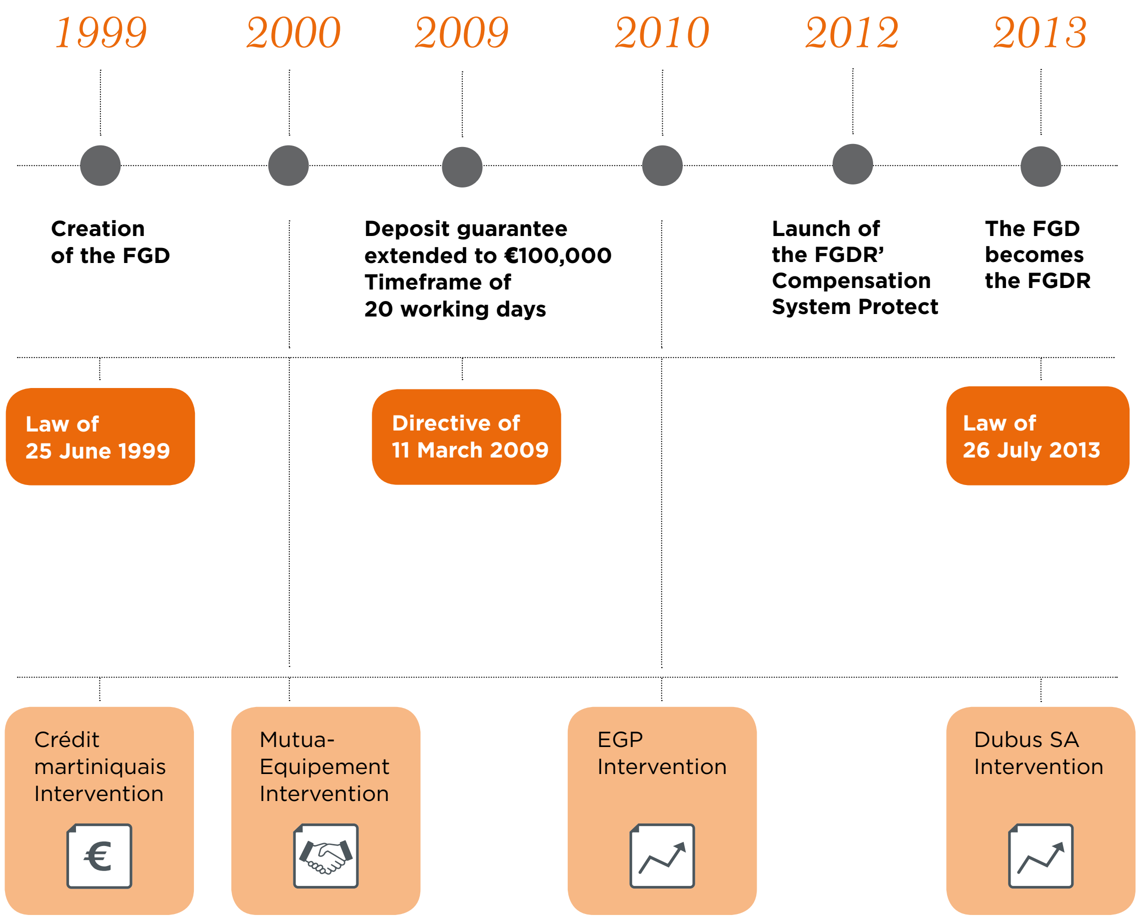
Performance Bonds Guarantee Scheme

Up to 90%
of the harm sustained

FGDR

FONDS DE GARANTIE
DES DÉPÔTS ET
DE RÉSOLUTION

Path of the FGDR



The FGDR's Available Resources at 31/12/2018

Guarantee Mechanism	Available Resources (€M)
Deposit Guarantee Scheme	4,050
Investor Compensation Scheme	154
Performance Bonds Guarantee Scheme	38
National Resolution Fund	26
Total Assets	**4,269**

2014

“DGSD2” directive of 16 April and “BRRD” directive 15 May 2014

2015

Coverage of Temporary High Balances Timeframe of 7 working days

Transposition order of 20 August 2015

Decrees of 27 October 2015

2016

Agreements on Cross-border Compensation in the EU

Validation by the European Banking Authority 21 June 2016

2017

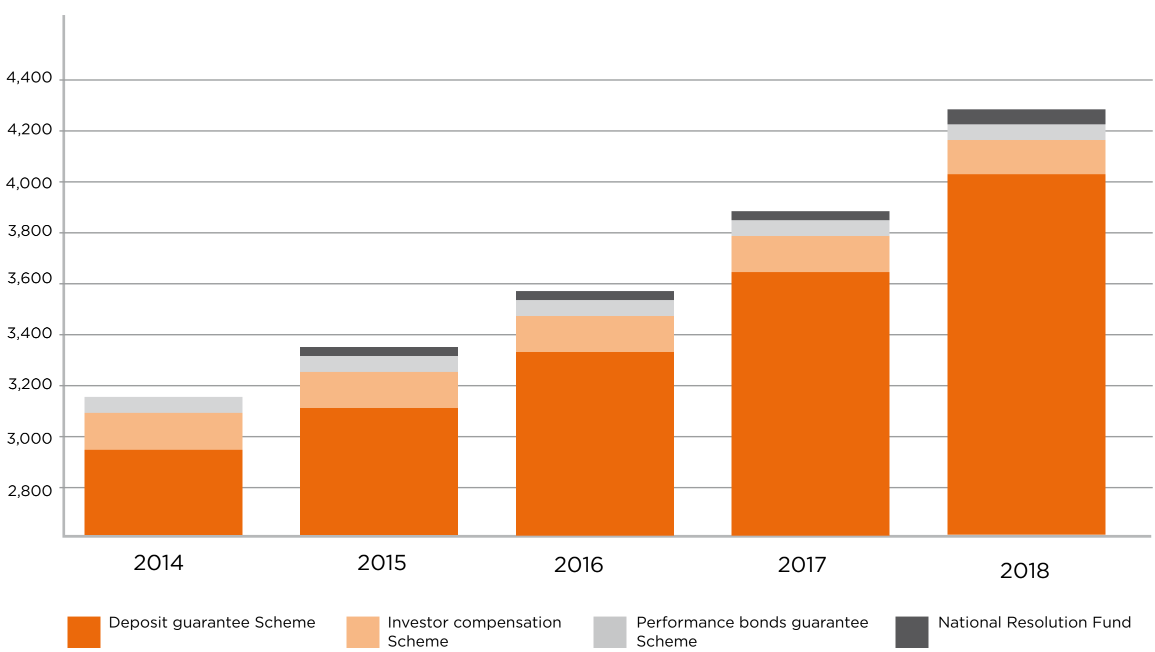
FGDR banking industry work stream 2012-2018

2018

Compensation and Communication System: Simulations and stress tests

€1,4 billion credit line

Change in Available Resources (€M)



The FGDR team

Tania Badea-Nirin
International Communications Manager

Patrice Bouchet
Deputy Chief of Operations

Magalie Boucheton
Office Manager

Sarah Chetouane
Senior Payout Specialist

Corinne Chicheportiche
Membership Manager

Clara Cohen
Head of Legal

Thierry Dissaux
Chairman of the Executive Board

Marion Delpuech
Senior Payout Specialist

Pierre Dumas
Head of Operations

Vincent Gros
Member of the Executive Board

Sylvie Godron-Derozières
Head of Communications

Kevin Mendes
Analyst and Project Manager

Alexia Prudhomme
Accounting Manager

Arnaud Schangel
Head of Finance

Anne-Valérie Seguin
Senior Payout Specialist

Sana Shabbir
Administrative Assistant

Realisation: 2019 Insign - ©DR

FONDS DE GARANTIE DES DÉPÔTS ET DE RÉSOLUTION
65, rue de la Victoire – 75009 PARIS – France / T + 33 (0)1 58 18 38 08 / F +33 (0)1 58 18 38 00

contact@garantiedesdepots.fr / www.garantiedesdepots.fr