

Annex I: Overview of funding mechanisms adopted by EU MS

Table 1: funding mechanism description, data as of 31/12/2007

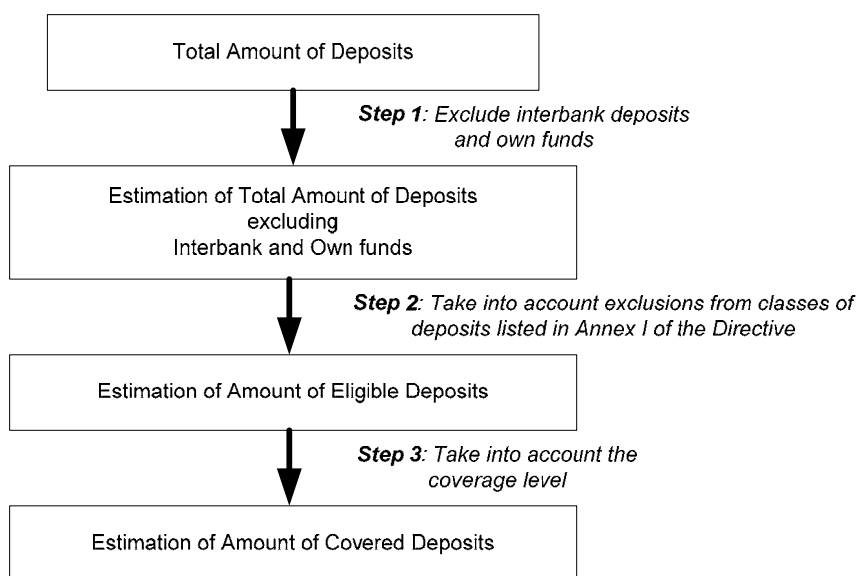
MS	Base	Contribution												
BE	Eligible	0.0175% of the contribution base												
BG	Eligible	0.5% of the contribution base												
CZ	Eligible	0.1% of the contribution base for banks and 0.05% for building saving banks												
DK	Covered	Only in case the fund is below the minimum level: in case, apportioned among members on the basis of their contribution base												
DE	n.a.	n.a.												
EE	Eligible	Quarterly contributions, each 0.09% in 2007												
IE	close to eligible	0.2% of the contribution base												
GR	Eligible	A decreasing percentage is applied to different ranges: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Deposit ranges (EUR million)</u></th> <th style="text-align: left;"><u>Contribution rate</u></th> </tr> </thead> <tbody> <tr> <td>0 – 600</td> <td>0.625%</td> </tr> <tr> <td>600.01 – 2,990</td> <td>0.6%</td> </tr> <tr> <td>2,990.01 – 8,843</td> <td>0.5875%</td> </tr> <tr> <td>8,843.01 – 20,940</td> <td>0.1025%</td> </tr> <tr> <td>over 20,940,01</td> <td>0.0125%</td> </tr> </tbody> </table>	<u>Deposit ranges (EUR million)</u>	<u>Contribution rate</u>	0 – 600	0.625%	600.01 – 2,990	0.6%	2,990.01 – 8,843	0.5875%	8,843.01 – 20,940	0.1025%	over 20,940,01	0.0125%
<u>Deposit ranges (EUR million)</u>	<u>Contribution rate</u>													
0 – 600	0.625%													
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2,990.01 – 8,843	0.5875%													
8,843.01 – 20,940	0.1025%													
over 20,940,01	0.0125%													
ES	Eligible	0.06% of the contribution base for banking establishments (ES1) 0.04% of the contribution base for credit cooperative banks (ES2) 0.08% of the contribution base for savings banks (ES3)												
FR	Eligible	Risk-based												
IT	Covered	ex-post												
CY	Eligible	Confidential information. The maximum amount of contribution can not exceed 0.3% of the contribution base												
LV	Eligible	Quarterly contributions, each 0.05% of the contribution base												
LT	Eligible	0.45% of the contribution base (commercial banks and branches of foreign banks) and 0.2% of the contribution base (credit unions)												
LU	Eligible	ex-post												
HU	Eligible	Quarterly contribution. A decreasing percentage is applied to different ranges: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Deposit ranges (HUF million)</u></th> <th style="text-align: left;"><u>Contribution rate</u></th> </tr> </thead> <tbody> <tr> <td>0 – 1</td> <td>0.05%</td> </tr> <tr> <td>1 – 6</td> <td>0.03%</td> </tr> <tr> <td>Over 6</td> <td>0.005%</td> </tr> </tbody> </table>	<u>Deposit ranges (HUF million)</u>	<u>Contribution rate</u>	0 – 1	0.05%	1 – 6	0.03%	Over 6	0.005%				
<u>Deposit ranges (HUF million)</u>	<u>Contribution rate</u>													
0 – 1	0.05%													
1 – 6	0.03%													
Over 6	0.005%													
MT	Eligible	From 2007, members must maintain 0.1% of their contribution base in the fund												
NL	other	ex-post												
AT	Covered	ex-post												
PL	other	Risk based												
PT	Eligible	Risk based. Contribution is calculated as a percentage of the contribution base. This amount is then adjusted using a solvency indicator												
RO	Eligible	Combination of ex-ante and ex-post. Ex-ante part: 0.1% of the contribution base												
SI	Covered	Ex-post												
SK	Eligible	Between 0.1% - 0.75% of the contribution base												
FI	Covered	Risk based. 0.05% of the contribution base + (0.125% * risk factor) of the contribution base												
SE	Covered	Risk based. Contribution = 0.1% of the contribution base, adjusted by taking into account the capital adequacy ratio												
UK	other	ex-post												

For the purpose of the numerical exercise the following assumptions were made:

- IE: We considered that the contribution base equals the eligible amount;
- LT: A contribution ratio of 0.45% of the contribution base was used for all the banks in the sample;
- CY: A ratio of 0.3% of the contribution base was used;
- MT: Contribution for all the banks in the sample equals 0.1% of their contribution base;
- SK: A contribution ratio of 0.35% of the contribution base was used for all the banks in the sample.

Annex II: Procedure to estimate total amount of eligible and covered deposits

This annex describes the methodology to estimate the contribution base for a given bank. Depending on the country, the contribution base will either be the amount of eligible or covered deposits. The estimation process is summarized in the flow below.



INITIAL DATA SET: The data on deposits amount available at individual banks level in Bankscope™ is our starting point for the estimation process. We first define the “Total amount of deposits” as the sum of the following categories of deposits available in Bankscope™:

- Customer Deposits;
- Municipalities/Government deposits;
- Other Deposits;
- Commercial Deposits;
- Bank Deposits;
- Certificates of Deposit.

It should be noted that in the definition that Bankscope™ uses for “Total Deposits”, the category “Certificates of Deposit” is not included. However, in the DGS context and taking into account how

“deposits” are defined in the Directive EC/94/19, it was decided to include them. The amounts reported under this category are not significant though.

STEP 1 – Estimation of the Total Amount of Deposits excluding Interbank and Own Funds

Article 2 of the Directive EC/94/19 excludes from any repayment by guarantee schemes “interbank deposits” and “own funds”. To take this into account, we subtract from the “Total Amount of Deposits” the following categories:

- Bank Deposits: Interbank deposits;
- Other Deposits: By definition these do not represent deposits from customers, and should therefore include banks’ own funds.

STEP 2 – Estimation of the Amount of Eligible Deposits

Article 7 (2) of the Directive gives the possibility to Member States to exclude from protection certain type of deposits or depositors (as detailed in Annex I of the Directive). The amount calculated in Step 1 needs therefore to be adjusted to take into account the eligibility rules adopted by each individual MS.

The layers of breakdown on deposits amounts available at bank level from Bankscope™ is unfortunately not sufficient to make those adjustments using data from individual banks. As an alternative, we estimate for each country a ratio representing the proportion of “Eligible Deposits” out of the “Total amount of deposits excluding Interbank and own funds” (herein identified as the “eligible ratio”). This “eligible ratio”, specific to each country, is then applied to all the banks within a country according to this formula:

Estimated Amount of Eligible Deposits for Bank Y from country Z =

(Total amount of deposits excluding Interbank and own funds for Bank Y) X (Eligible Ratio for country Z)

To estimate the eligible ratio, we rely on the statistics on Financial Accounts (Balance Sheet Data) available from Eurostat (<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>). These statistics contain the aggregated amount of deposits held in a given country, with a breakdown by economic sector.

List of sectors:

- Non-financial corporations
- Financial corporations

- Central bank
- Other monetary financial institutions
- Other financial intermediaries, except insurance corporations and pension funds
- Financial auxiliaries
- Insurance corporations and pension funds
- General government
 - Central government
 - State government
 - Local government
 - Social security funds
- Households
- Non-profit institutions serving households

To estimate the amount of eligible deposits, the deposits from the sectors above are included or excluded depending on the specific eligibility rules applying on each country. Although with the above sectors we are not able to match all the classes of deposits listed in Annex I of the Directive, the most important ones (e.g. corporations, municipalities,...) are taken into account.

STEP 3 – Estimation of the Amount of Covered Deposits

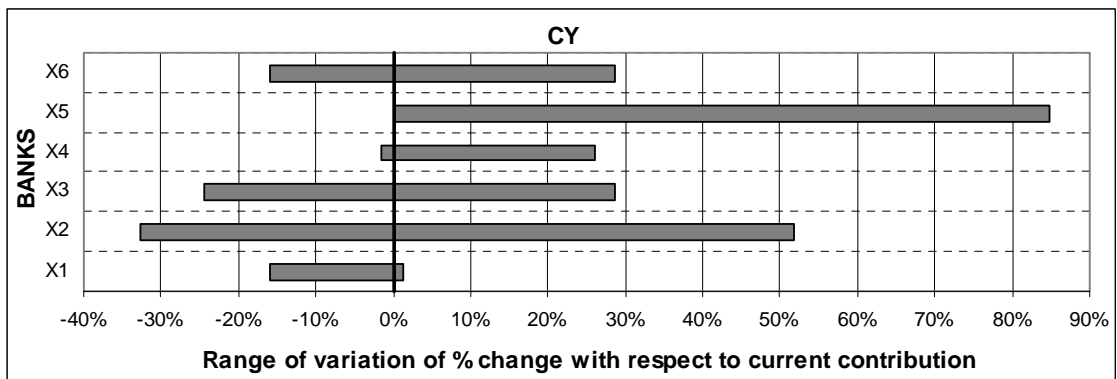
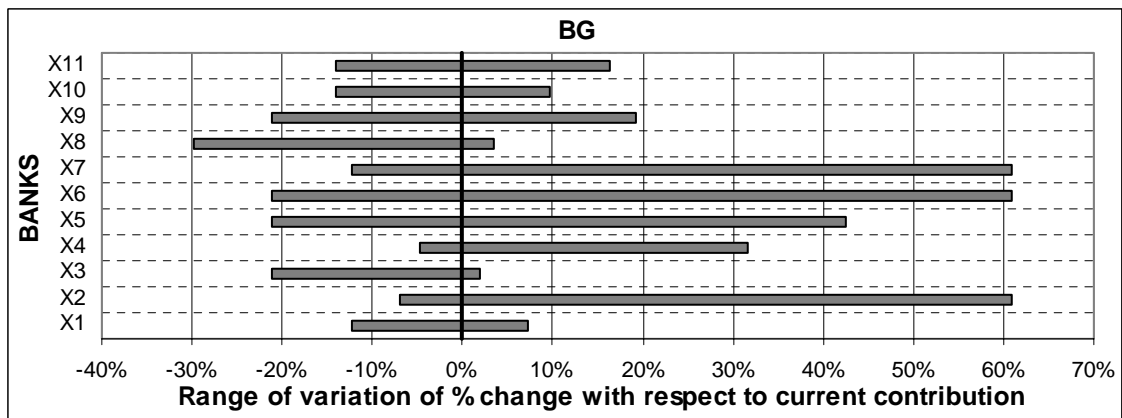
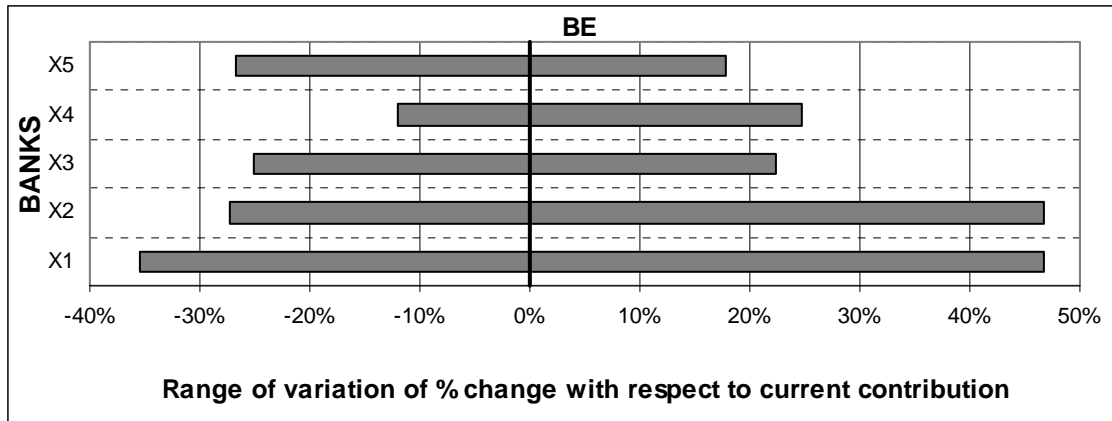
For those countries where the base of contributions is the amount of covered deposits, the amount resulting from Step 2 will be adjusted by a ratio (herein identified as the covered ratio) representing the proportion of eligible deposits that are protected. As for the “eligible ratio”, the “covered ratio” can not be calculated at the individual bank level. To estimate this ratio we use the actual numbers of eligible and covered deposits collected from DGS in a past survey¹, by means of this formula:

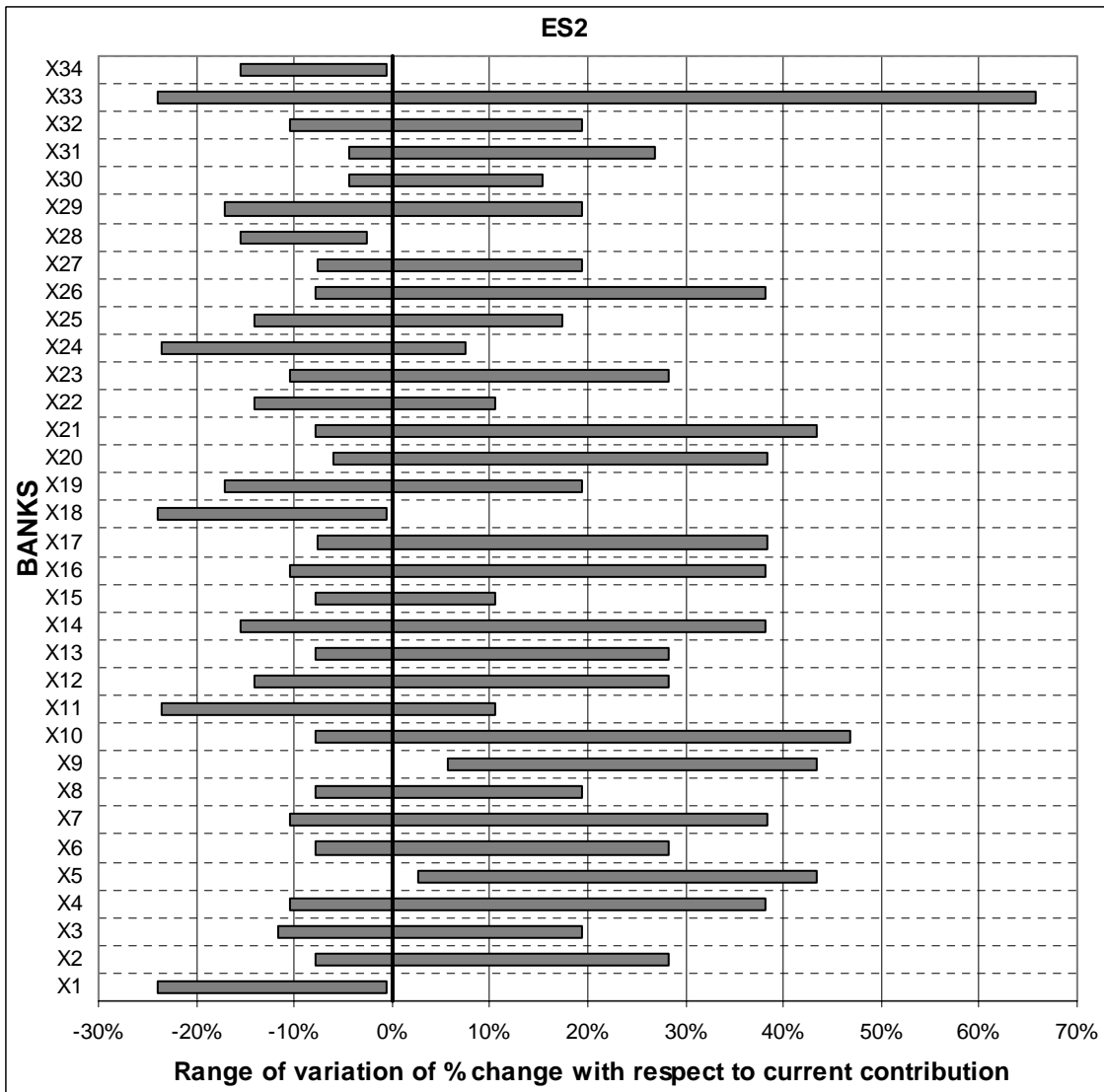
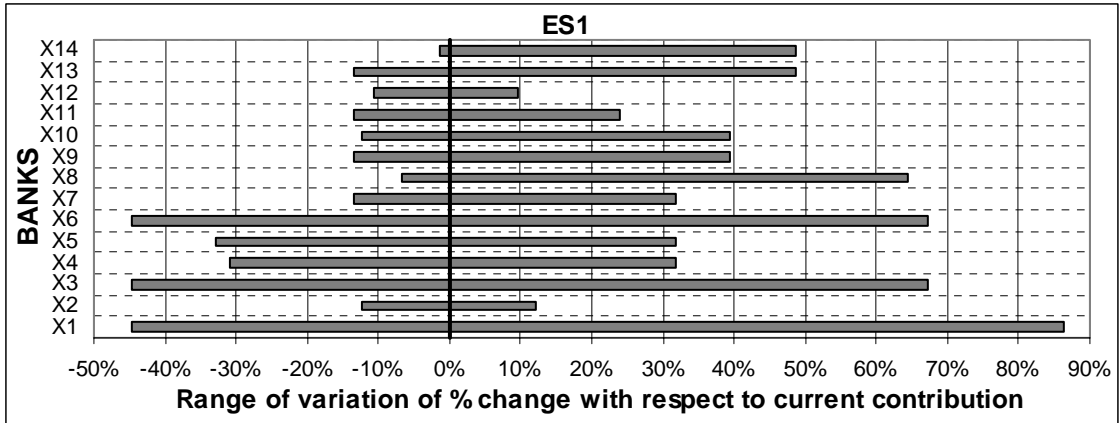
Estimated Amount of Covered Deposits for Bank Y (from country Z) =

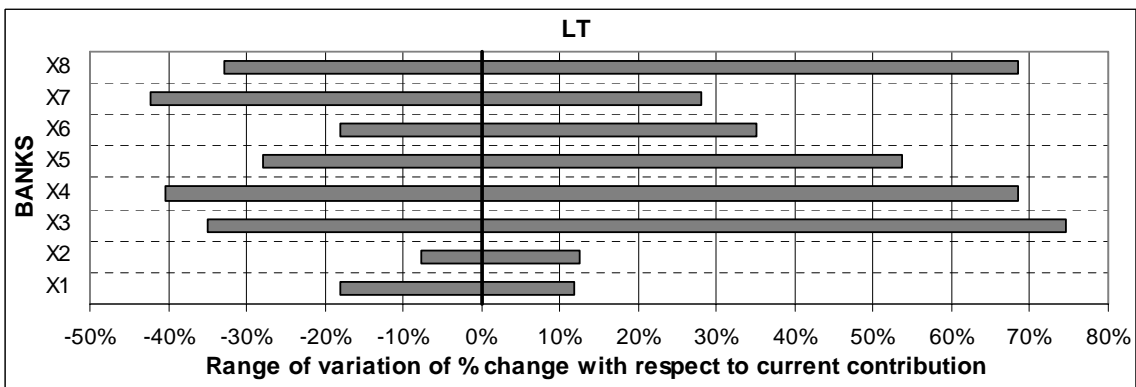
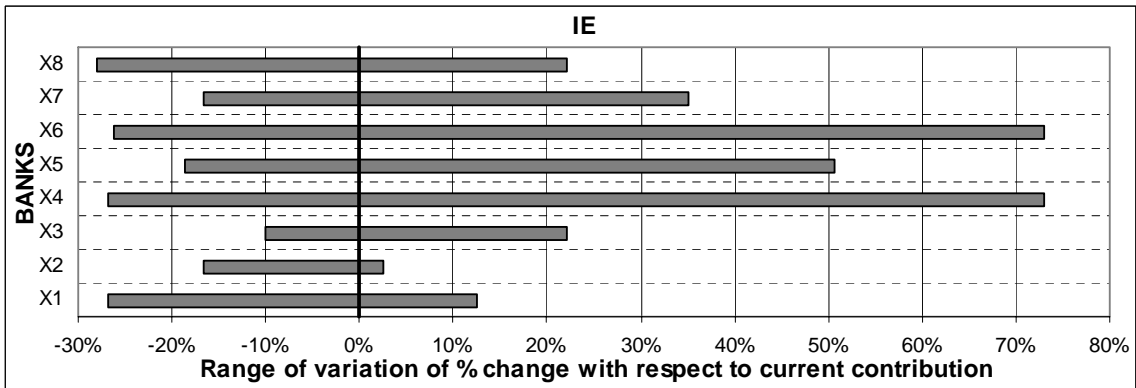
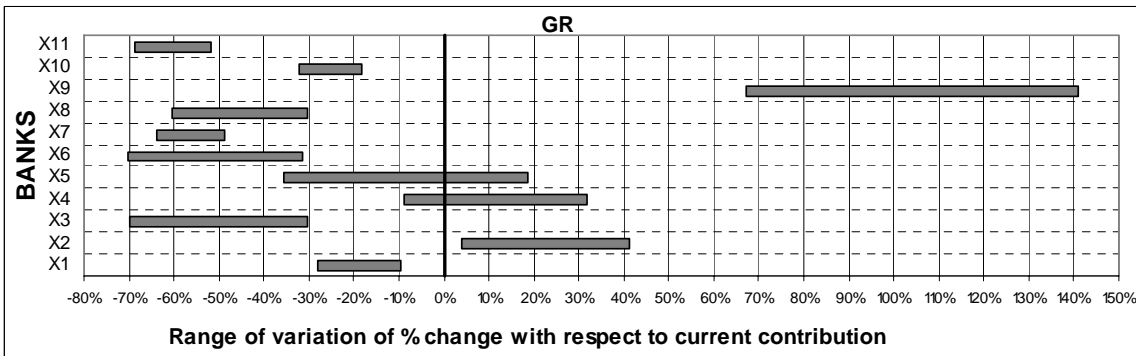
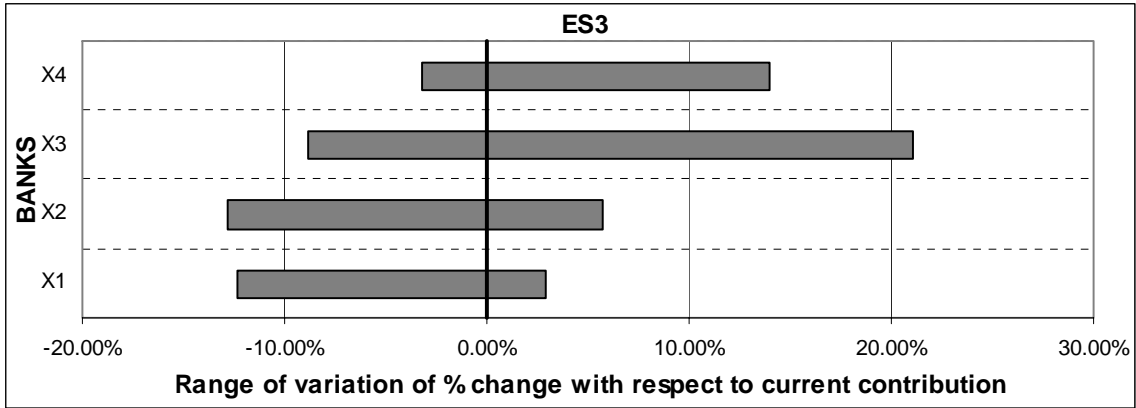
(Estimated Amount of Eligible Deposits for Bank Y) X (Covered Ratio for country Z)

¹ Please refer to the report “Investigating the efficiency of EU Deposit Guarantee Schemes” – European Commission, Joint Research Centre (http://ec.europa.eu/internal_market/bank/docs/guarantee/deposit/report_en.pdf)

Annex III: Single Indicator Model – Percentage of variation of banks' contributions for each MS







Annex IV: Single Indicator Model – Mean (μ) and standard deviation (σ) of the relative percentage change in banks' contributions

Table 2: Average and standard deviation of the percentage change in contributions compared to what would be paid under the current contribution systems.

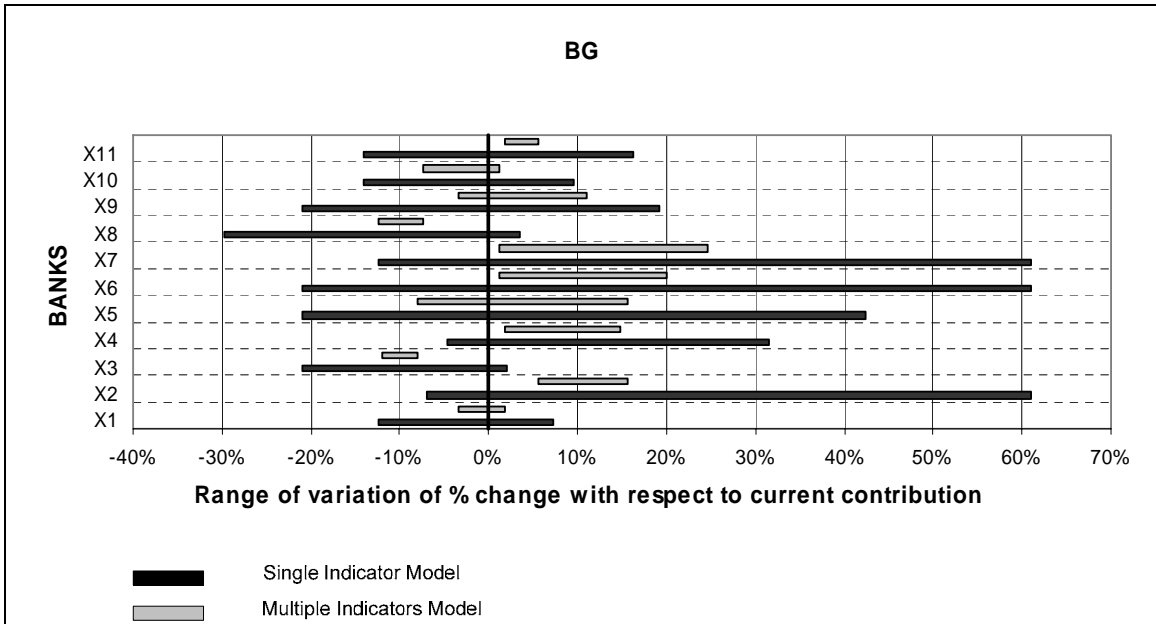
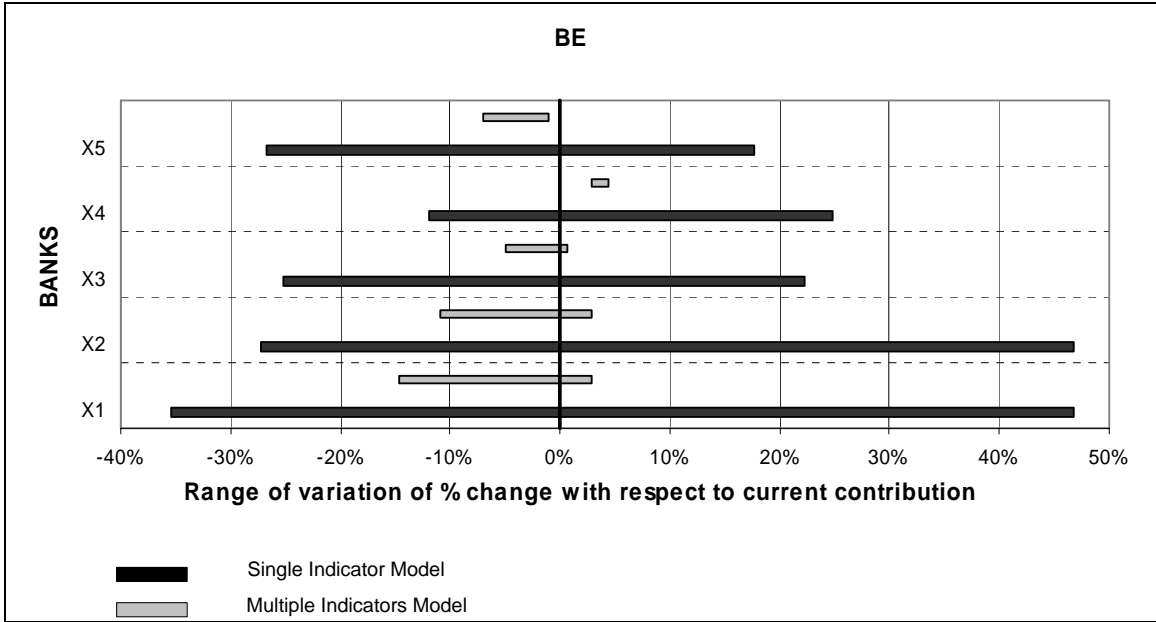
	CA1		CA2		AQ1		AQ2		P1		P2		L1		L2	
	μ	σ	μ	σ	μ	σ	μ	σ	μ	σ	μ	σ	μ	σ	μ	σ
BE	-9 %	17 %	-12 %	18 %	-2 %	6 %	-7 %	9 %	1 %	25 %	2 %	16 %	20 %	27 %	0 %	0 %
BG	3 %	18 %	0 %	5 %	1 %	15 %	-5 %	22 %	16 %	32 %	2 %	7 %	3 %	10 %	0 %	9 %
DK	-17 %	13 %	-26 %	17 %	2 %	6 %	0 %	16 %	18 %	30 %	-20 %	16 %	-29 %	20 %	-2 %	5 %
ES1	-12 %	18 %	10 %	23 %	9 %	23 %	-17 %	19 %	8 %	23 %	23 %	32 %	10 %	27 %	12 %	22 %
ES2	7 %	18 %	4 %	14 %	2 %	7 %	2 %	9 %	3 %	11 %	10 %	20 %	10 %	17 %	1 %	18 %
ES3	0 %	14 %	0 %	14 %	-2 %	6 %	1 %	9 %	-1 %	7 %	-1 %	13 %	-2 %	6 %	-3 %	11 %
GR	-22 %	51 %	-22 %	60 %	-18 %	47 %	-21 %	45 %	-17 %	46 %	-16 %	43 %	-17 %	49 %	-21 %	52 %
IE	-7 %	14 %	2 %	20 %	3 %	6 %	2 %	16 %	14 %	37 %	14 %	28 %	2 %	23 %	-3 %	24 %
LT	-15 %	21 %	-17 %	22 %	15 %	34 %	11 %	17 %	17 %	33 %	9 %	28 %	6 %	18 %	-8 %	22 %

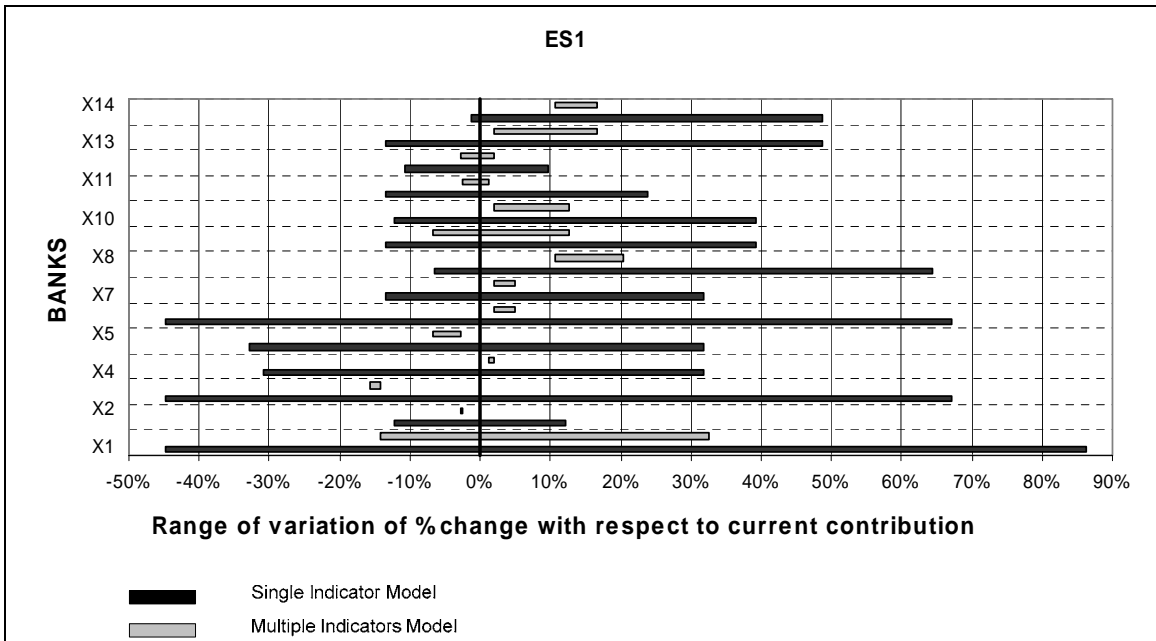
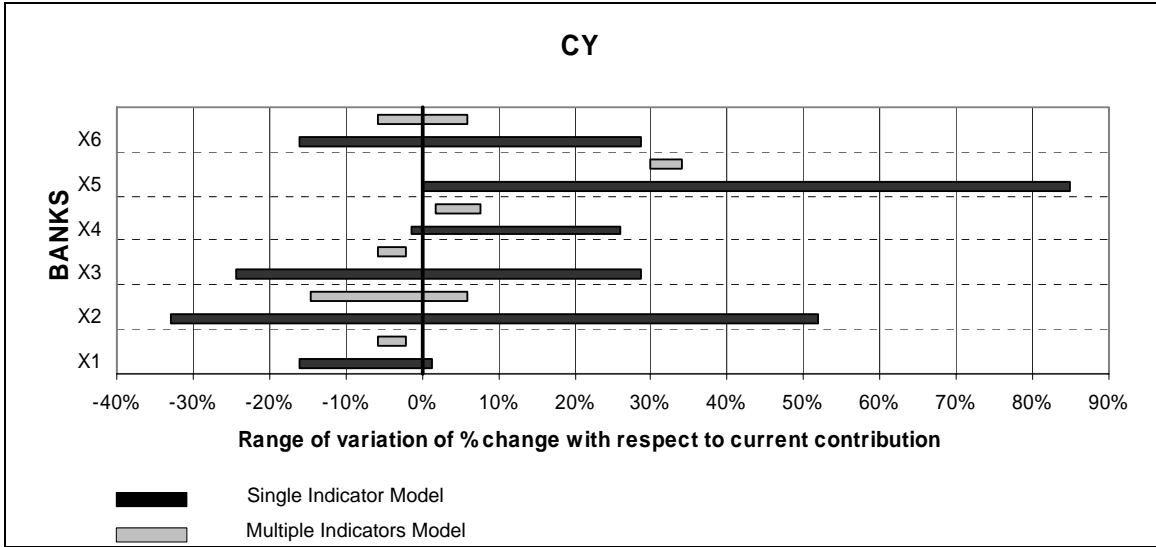
Comments: Although the numbers from the above table should be interpreted with caution given the size of the sample of banks used, what comes out of it is the significant impact the choice of the indicator has on the variation of the banks contributions. For example, in the case of ES1², contributions would on average be reduced by 12% when the Tier 1 capital indicator (CA1) is used. However when the Return on Average Assets (P2) indicator is used, contributions would on average be increased by 23%. It should be noted that the mean in the above table is calculated as a simple arithmetic average of the percentage variation of contributions for all the banks in the sample on a given country. In other words, the size of the banks (e.g. amount of eligible deposits) is not taken into consideration in the average calculation.

Another interesting situation is the example of Belgium for the indicator L2 (Loan to deposit ratio). Both the mean and the standard deviation are 0%. This is because the value of the β_i risk coefficient is the same for all the banks in the sample. The introduction of a risk based contribution would in this specific scenario have no impact on the contributions paid (i.e. current contributions = risk based contributions).

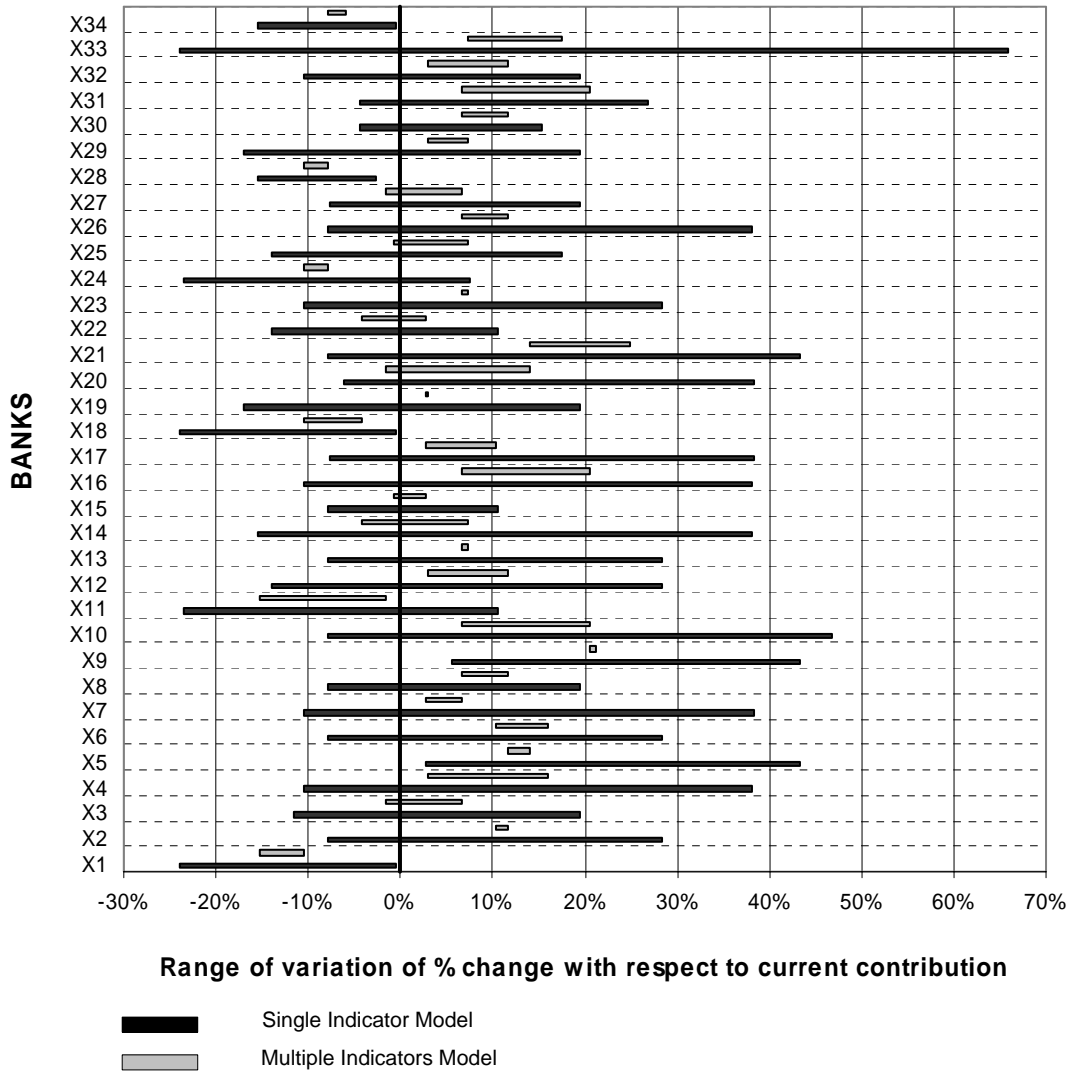
² ES1 represents the Spanish DGS covering banking establishments.

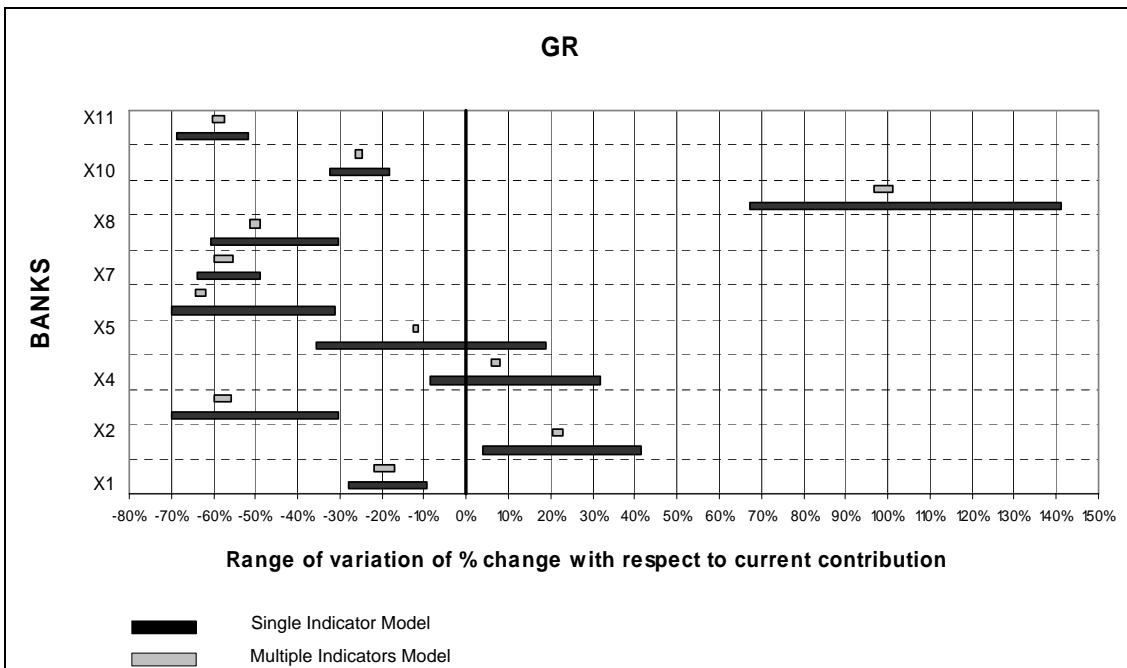
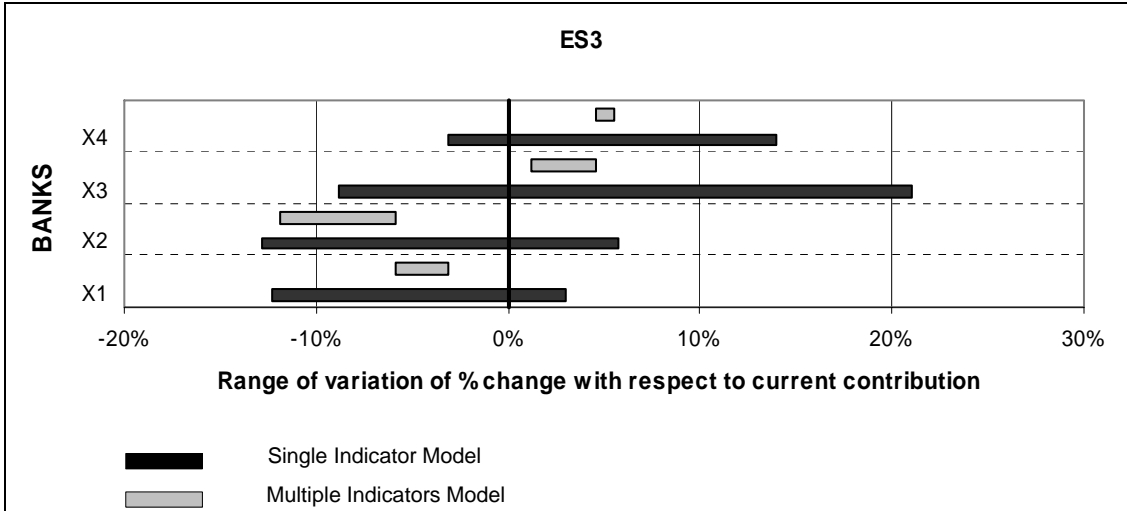
Annex V: Multiple Indicator Model – Percentage of variation of banks' contributions under Scenarios A and B

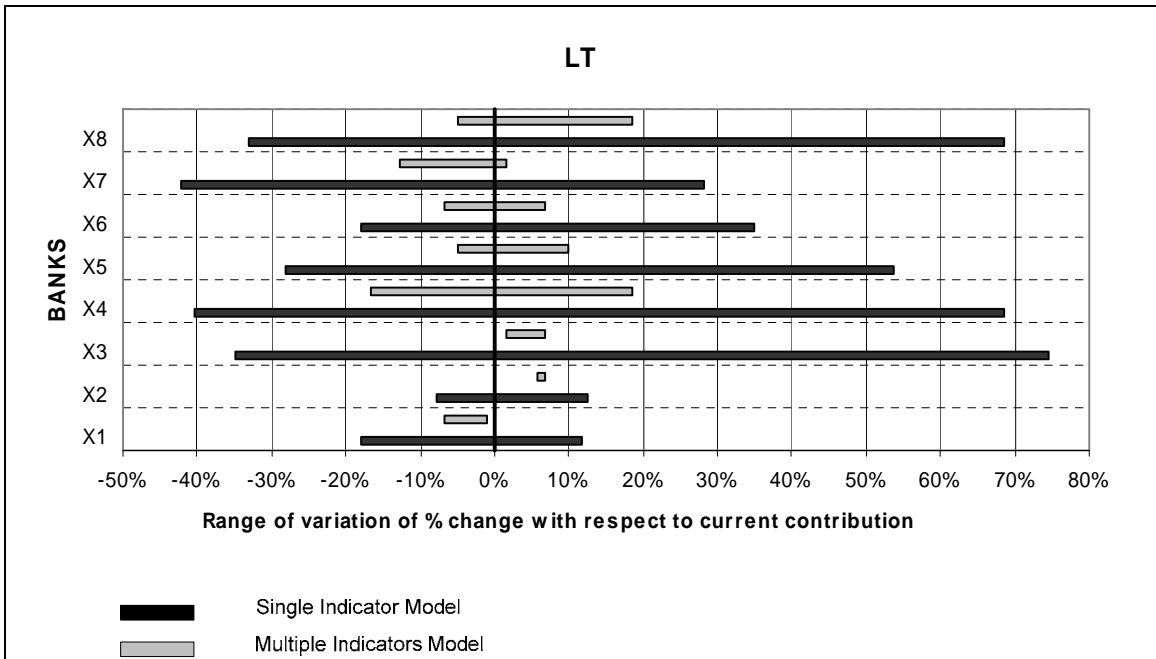
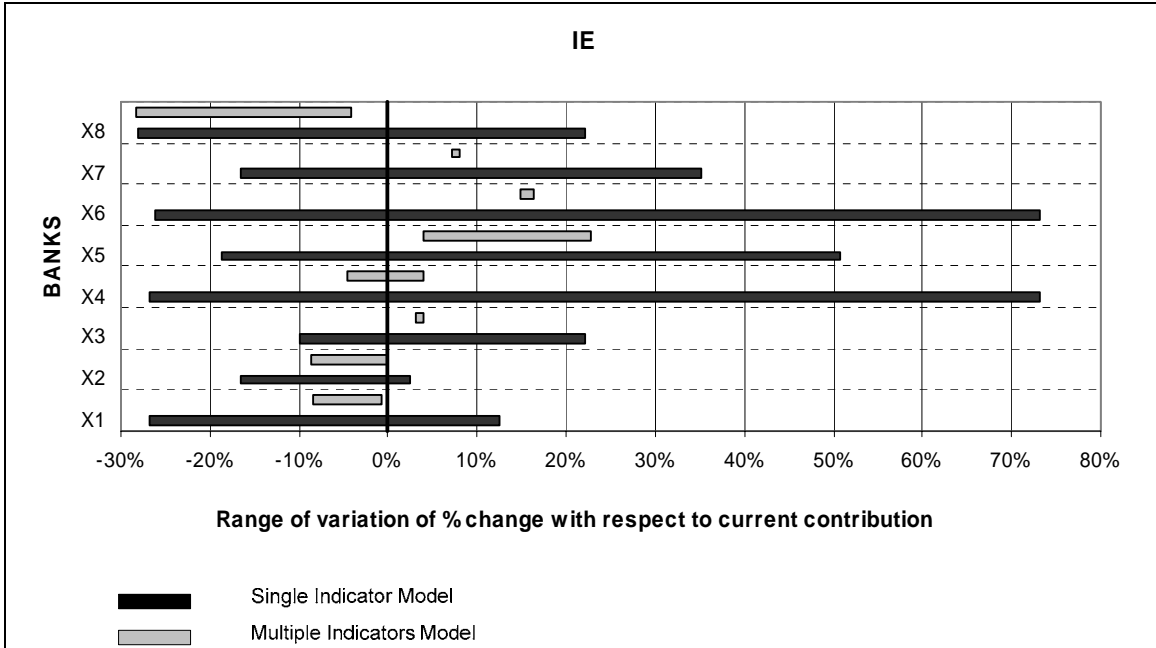




ES2







Annex VI: Multiple Indicator Model – Mean (μ) and standard deviation (σ) of the relative percentage change in contributions for Scenarios A and B

Table 3: Average and standard deviation of the percentage change in contributions compared to what would be paid under the current contribution systems.

	Scenario A		Scenario B	
	Average μ	Standard deviation σ	Average μ	Standard deviation σ
BE	0.48 %	3.50 %	-5.51 %	7.94 %
BG	5.98 %	12.17 %	-0.52 %	7.67 %
DK	-8.49 %	9.73 %	-12.32 %	9.31 %
ES1	2.24 %	11.06 %	3.95 %	10.93 %
ES2	6.59 %	9.73 %	3.87 %	8.51 %
ES3	-2.07 %	7.42 %	-0.64 %	5.98 %
GR	-19.26 %	48.19 %	-20.10 %	49.51 %
IE	2.96 %	7.53 %	0.72 %	15.55 %
LT	5.32 %	9.86 %	-2.41 %	9.12 %