



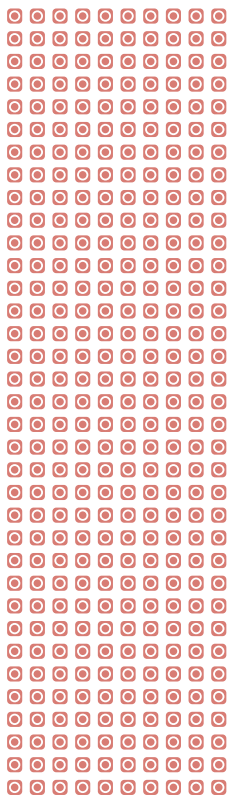
# White Paper

of Experiences and Lessons Learnt  
During the Compensation Procedure  
of the DRB Bank Group in 2015



National Deposit  
Insurance Fund  
of Hungary

SAFE DEPOSIT, ASSURED REFUND



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# List of abbreviations and explanations:

- CBH:** Central Bank of Hungary
- ÁKK:** Government Debt Management Agency Pte Ltd.
- OTP Bank:** market-leader commercial bank acting as Paying Agent Bank
- Takarékbank:** Central bank of the saving cooperatives, acting as Paying Agent Bank
- Liquidator:** Financial Stability and Liquidity Non-profit Ltd., acting as designated liquidator of credit institutions by law
- SCV:** single customer view
- Magyar (Hungarian) Post:** state owned company which is the market leader in the courier, express and parcel (CEP) market, acting as Paying Agent Bank
- T-Systems:** software developer that created the Pay-Out System of the NDIF
- POS:** Pay-out System, currently serving the compensation purposes with its version 3.0 (POS3.0)
- ERSTE:** Erste Bank, major player of the banking sector
- EPDB Zrt.:** Printing centre, subsidiary of the Hungarian Post.
- IPF:** Investor Protection Fund of Hungary
- MNE:** Ministry of Nation Economy (acting as Ministry of Finance)
- PDD:** Pension Disbursement Directorate, performing as central administration of statutory social and pension insurance is the Central Administration of National Pension Insurance (ONYF).
- TBSZ:** Long-term deposit account – proceeds of the incoming assets (money amounts) qualify for exemption from withholding tax if the account is kept by its holder for 5 years and no any assets are transferred from the account during this time.
- MKB Bank:** One of the oldest operating commercial bank in the market that was founded in 1950.
- BRB:** Buda Regional Bank, member of the DRB Bank Group
- DRB:** South Transdanubia Regional Bank, member of the DRB Bank Group
- DDB:** South Transdanubia Savings Bank, member of the DRB Bank Group
- ÉRB:** North Hungary Regional Bank, member of the DRB Bank Group
- Paradise Solution:** contracted call centre provider of the NDIF



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# I. Executive summary

The compensation paid in March 2015 in relation to four banks of the DRB Bank Group (hereinafter referred to as: Bank Group) was the largest payout in the 22 years of operation of the National Deposit Insurance Fund (NDIF). The compensation was remarkable not only because of the high number of (altogether 73,000) depositors and the compensation amount (HUF 107 billion, EUR 345 million), but also because it was the first time when NDIF had to make payments, the amount of which exceeded its assets at the time.

**Of the 73,000 depositors 95.5 percent received their compensation within five working days.**

## Factors contributing to the speed of administration included:

- NDIF fast compensation processes and its experienced external and internal resources;
- bridging liquidity (Emergency Loan Assistance) from Central Bank of Hungary;
- good working relationship with the partners

The simultaneous compensation of the four legally independent member institutions progressed according to a tight schedule with a view to databases and on the basis of the payments and customer services, and required extraordinary attention so as to avoid mix-ups arising from the hardly distinguishable names of banks (DRB as South Transdanubia Regional Bank, DDB as South Transdanubia Savings Bank, ÉRB as North Hungary Regional Bank, BRB as Buda Regional Bank).

The indemnity payments covering 49% of the losses of the depositors of Széchenyi Kereskedelmi Bank, which closed down at the end of 2014, also increased simultaneously with this large compensation case, which also coincided with the investigation of individual compensation claims of Tisza Savings Cooperative, also closed down at the end of 2014, and demanded additional resources.

## Main lessons learnt from organising the compensation process:

### Summary of the technical lessons learnt from the cases

#### Control

- Given its small staff (8 members), the NDIF was not in the position to conduct audits at four credit institutions with registered offices at different remote locations of the country far away from each other (former experience suggested that it took 1 full day to perform an on-site audit of 1 member institution based on documents submitted and reviewed in advance). Accordingly, reviewing the SCV files at the NDIF office remained as the only viable control option. No meaningful data cleansing could be performed in the short period between returning the reports on controlled SCV files and the closing of the banks (4 working days). Consequently, NDIF was in no position to assess local specificities hence it was obvious early on in the compensation process that the data review and data cleansing, otherwise an NDIF responsibility, would prevent NDIF from running a smooth compensation process and that the follow-up phase would put a huge burden on the NDIF staff.

## Human resources

- Considering the current size of the NDIF, the large volume compensation case combined with other simultaneous cases involving a lower number of clients represented major HR risks.

## Compensation

- Closed-down credit institutions must be required to generate the lists and liquidator statements as well as the SCV files as the NDIF needs these to be able to start compensation, since manual settings based on representations are a lot more time consuming due to the need to load SCV data.
- The failure of the Bank Group members to submit at the same time the declarations, documents and lists required for the four simultaneously launched compensation processes members, as these were submitted gradually as they got completed, which made it difficult to ascertain for the four institutions, which of the compensation processes had reached a stage that would allow loading data into the POS, verifying the data and making settings.
- Most of the file problems arose from the following events:
  - The failure of member institutions to register customers' new addresses. As NDIF contacts each depositor at their home address, the payment of compensation to such depositors suffered delays.
  - Frequent registration of the guardian/trustee as the holder of deposits made by the guardianship authority instead of the minor or the person subject to guardianship, so the NDIF had to manually register the data of the minor/person subject to guardianship and connect the owner to the deposit before it could pay compensation. In other cases, the guardian and the person under guardianship were erroneously registered as joint deposit holders, each holding 50 percent.
  - A lot of complaints in relation to deceased persons stemmed from the deceased showing up in the files as a live depositor and therefore NDIF sent them compensation. In a number of such cases, the complainants objected to the fact that the compensation was not paid to the beneficiary identified for the event of death or to the heir(s) specified in the effective grant of probate. In such cases NDIF cannot ascertain retrospectively whether or not the death had been reported to the credit institution, i.e. whether the omission is attributable to the depositor's relative or the credit institution. However, when a depositor has died, NDIF has to perform manually the subsequent entry of personal data (of the heir(s) and the beneficiary), and the division of the deceased person's deposits (each of the deposits of the deceased depositor recorded in the files must be divided among the heirs on a pro rata basis as indicated in the grant of probate).
  - Associating a different customer, usually the customer whose customer ID followed the true customer's ID immediately in order as the holder of the deposit account.
- As the four institutions were closed down simultaneously, the NDIF did not have the opportunity to deliver provide information to and educate the administrative staff of the credit institutions, which could have prevented several subsequent administrative questions and problems.
- The administrative staff of the four banks forwarded customer complaints about compensation to NDIF without any prior review. It was generally found that NDIF received a number of complaints, which only the credit institution could answer (e.g., requests for account statements, objections to transactions concluded while the bank was operational). The NDIF had to deal with such complaints in addition to its actual compensation work.

## Communication

- When a closed credit institution has its own social media platform (e.g., Facebook page), the co-operation with the liquidator/receiver should cover the use of such platforms for informing clients about the compensation. In order to achieve smooth cooperation, the liquidator/receiver should be asked to specify a contact person.
- It was for the second time that the NDIF used an integrated online geo-location campaign (lasting a fortnight) to support video spots presenting the operation of deposit insurance. During the compensation period, these spots bright high visibility (with more than 200,000 downloads).



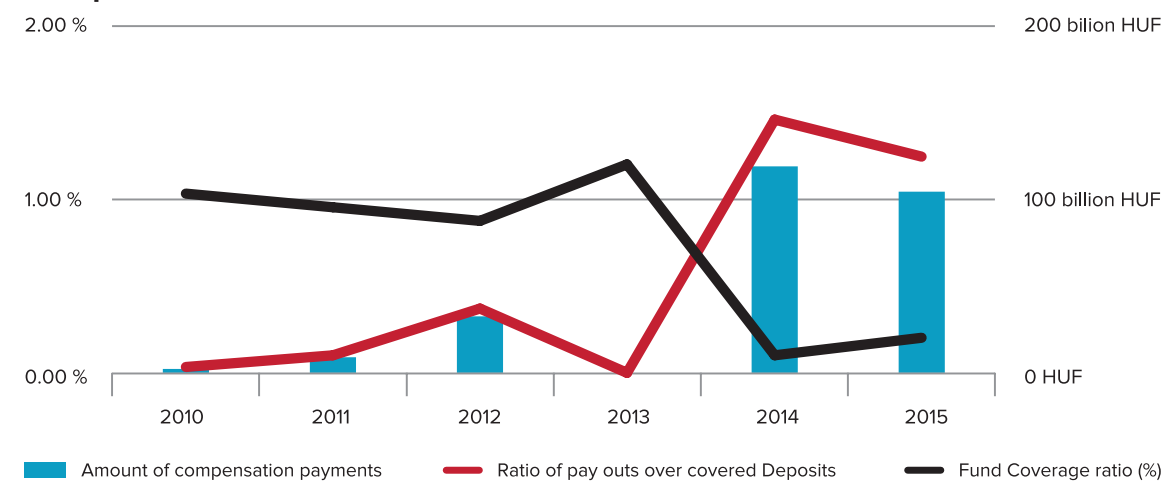


## II. Changes in financial standing

Until the mid 2010s the National Deposit Insurance Fund (NDIF) possessed a significant amount of assets, however, as the economic crisis took hold, it had to cope with ever increasing compensation payments on a continuous basis. Between 2010 and 2015, NDIF paid 3.23% (!) of covered deposits as compensation.

The coverage ratio of NDIF decreased from 1.2% in 2013 to 0.1% by the end of 2014, and it had to pay out an additional HUF 107 billion (equivalent of EUR 345 million) in 2015 with this financial background.

### Compensation statistic



So that compensation payment could start without delay (obtaining loans under market conditions requires considerable time), the act on credit institutions was amended already in 2003 to allow the Central Bank of Hungary to extend a liquidity loan for a temporary period of three months.

### Creating the refinancing alternative

In addition, in 2012 the Managing Director of NDIF initiated the creation of further alternatives other than the only refinancing option (borrowing) specified in the law. (He did so as part of the review of the compensation capacity of large banks within the institutions). The right to issue bonds was eventually included in the legal regulations on NDIF in 2013. Finding a refinancing alternative was necessitated by cost-effectiveness considerations and the need for giving the Board of Directors greater freedom in decision-making.

### Revenue sources of NDIF

Before 2013	After 2013
Accession fee	Accession fee
Ordinary and extraordinary annual payments made by credit institutions	Ordinary and extraordinary annual payments made by credit institutions
Loans taken	Loans taken
Other revenues (e.g.: return on investment)	Other revenues (e.g.: return on investment)
	Bonds issued by NDIF

### Loans vs. bond issuance

Syndicated loans can be obtained within a shorter period of time (4 to 6 weeks), while the lead time of the issuance of private placement bonds is 2 to 3 months. Yet, at the time of requesting the mandatory offers bond issuance was nearly 5% cheaper based on the comparison of costs for the entire maturity period.

#### The advantages of bond issuance:

- Bonds are negotiable on the OTC market
- Lower interest rates can be negotiated than in the case of syndicated loans
- Bonds represent calculated costs for the banking system
- Bonds can be presented as liquid assets in the credit institution's balance sheet, including the LCR (Liquidity Coverage Ratio)

#### The disadvantages of bond issuance:

- It requires longer preparation than a syndicated loan
- It puts an added burden on human resources when materials need to be prepared and collected for the Information Memorandum, especially when compensation is carried out concurrently

Concurrently with the payment of compensation, in 2015 NDIF initiated a loan from CBH to ensure immediate coverage required for the payouts. In parallel with this, the Board of Directors decided to issue bonds, since the terms and conditions of bond issuance seemed to be more favourable. The Board of Directors also launched the bond issuance procedure.

Bond issuance by NDIF is also guaranteed by the state, so the risk of non-payment is negligible for the creditors. Therefore, organisation of a banking consortium did not cause any problem in this case.

### Key parameters of the NDIF bond issued in 2015:

Bond's name:	OBA 2022/A
ISIN code:	HU0000356472
Nominal value:	HUF 50,000,000 HUF (EUR 160,256)
Number of units:	2,140
Method of placement:	Private
First trading day:	03.06.2015
Maturity date:	03.06.2022
Repayment period:	Quarterly
Interest period:	Quarterly
Interest rate:	3 month BUBOR + 1.25% [1]

[1] The indicative offer for the syndicated loan was 3 months BUBOR + 1.75%.





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## III. Compensation chronology

### 1. Close-down and background information

From 23 February 2015, the CBH appointed oversight commissioners to the members of the DRB Bank Group, and imposed restrictions on all of the institutions, namely on:

- BUDA Regional Bank (BRB),
- South Transdanubia Regional Bank (DRB),
- South Transdanubia Savings Bank (DDB) and
- North Hungary Regional Bank (ÉRB).

The temporary measure published as an order by CBH in connection with the institutions' operations was required by the urgent need to protect stakeholders. The oversight commissioners took control of the credit institutions to replace the respective Boards of Directors and arranged for adequate operation. Simultaneously, CBH imposed a HUF 1 million restriction on the amount of deposits and other repayable funds that the credit institutions are allowed to pay per customer during the effective period of the temporary measures. Below that limit, both retail and other customers could recover their money upon request.

The appointment of the oversight commissioners delegated by Liquidator and other restrictive measures remained in effect for the shorter of the period until the decisions closing the investigation were adopted and a maximum of one year.

The managing director of NDIF issues a stand-by order to the NDIF organisation.

As the CBH measures published, the first Bank Group related calls were received at the call centre. The NDIF updated call centre documents and information to cover possible responses.

## 25 February, Wednesday

### NDIF actions to raise the funds potentially required for compensation:

- NDIF-ÁKK meeting to discuss the funding of compensation.
- Requests for quotations from ÁKK<sup>1</sup>, OTP Bank and CBH for a private bond issue and borrowing

Upon the request of the oversight commissioners, the CBH Financial Stability Council announced a bank holiday at each bank of the Bank Group.

A capacity enhancement meeting was held between NDIF and the provider of call centre services to help manage the expected large number of customer calls. NDIF seeks to ensure that the call centre can cope with a sudden (unprecedented) surge in the number of calls. The commitment requested and received from the service provider aimed at managing 5,000 incoming calls in a period of 24 hours.

## 26 February, Thursday

Given the solvency position of the Bank Group, the CBH reduced the amount of repayable deposits and other funds to HUF 60,000. The central bank made that decision in an attempt to ensure that the largest group of affected depositors should recover (at least a limited portion of) their deposits.

Third party step: the National Tax and Customs Administration issued an announcement informing the customers concerned that it would tolerate tax and contribution payment delays by customers with current and payment accounts held at any of the affected financial institutions who are therefore unable to meet their payment obligations in time.

### NDIF tasks in preparing for the compensation:

- Receiving preliminary SCV data
- The compensation manager manually reviewed the four SCV files from a number of aspects (formal and logical criteria) and prepared a report on that review, which the NDIF used for requesting oversight commissioners to have reported errors corrected.
- On the basis of the preliminary SCV data, a statement of the volume of expected payments to be made by the post office clearing centre (PCL) broken down by the four institutions was prepared for Magyar Posta in preparation for the eventual territorial workload to be managed through the post office, indicating separately projected compensation amount below and above HUF 100,000
- Order placed with OTP Bank for 30,000 cards

### Actions designed to ensure financing for NDIF:

- Negotiations with the Executive Director of the Corporate Division of CBH concerning a potential loan

<sup>1</sup> Government Debt Management Agency Pte Ltd.

### Customer information, communication:

- The first questions were received from journalists about taking out a loan as NDIF liabilities might surpass its net assets.
- Interview by László Windisch, Deputy Governor of CBH, Chairman of the Board of Directors of NDIF to MTI (Hungarian News Agency):

*“... if the banks ... were liquidated, the National Deposit Insurance Fund (NDIF) would compensate customers up to approximately HUF 30 million in no more than 20 working days or even faster, as experience suggests, maybe in just one or two weeks. Thus, people can recover their money in a short time.”*

The Deputy Governor also indicated that he requested the Monetary Council of CBH on Thursday to ensure that the CBH provides sufficient liquidity to pay out customer claims should the NDIF not have enough funds for the purpose. *“That is to say the NDIF can fully comply with its duty to pay compensation,”* Mr Windisch stressed.

- OTP Bank indicated that it had received questions from the media about its preparations for a potential major compensation event and the decisions made so far. The NDIF indicated that, pursuant to the PAB agreement, any communication of the compensation was NDIF's competence and that the NDIF would not make any statement before the actual compensation started and would not entertain guesses or assumptions in relation to the compensation, if any.

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## 27 February, Friday

### Actions designed to ensure financing for NDIF:

- Information from MNE about the way NDIF is to apply to the CBH for first demand state surety
- ÁKK proposals on fund raising
- NDIF submits a loan application to the Governor of CBH
- Receipt of an OTP Bank quotation for a private bond issue and a loan
- Receipt of an ÁKK quotation for a private bond issue and a loan
- MKB Bank: Quotation for a private bond issue and a loan

**CBH information:** The Financial Stability Council decision on the Bank Group will be made on Monday evening (2 March 2015), and will be announced on Tuesday (3 March 2015).

### NDIF tasks in preparing for the compensation:

- Territorial records for the PAB agreement based on preliminary SCV data regarding Southern Transdanubia Savings Bank (DDB) and Southern Transdanubia Regional Bank (DRB), Northern Hungary Regional Bank (ÉRB) and Buda Regional Bank (BRB)
- Prior distribution of the declarations required for compensation, request for data from the over-sight commissioners of the banks

### Human resource capacity:

In order to prepare for the compensation involving four institutions, a new colleague joined the payment unit of NDIF with a contract for 3 months.

### Customer information, communication::

While the number of customer enquiries received by the call centre did not yet reach staggering heights, the number of visits to the NDIF website rose significantly (2,000 visitors a day).

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## 2 March, Monday

### NDIF tasks in preparing for the compensation:

- DRB and ÉRB banks return the corrected SCV file as requested by NDIF. Certain modifications required an adjustment of the computer program, and the affected banks indicated that the modification was in progress. The other two banks (BRB and DDB) did not return a corrected SCV file.
- Posta confirmed that the PCL could cope with the HUF 2.5 million limit in relation to the volume of expected payments
- Receipt of an offer from OTP Bank to act as PAB
- Receipt of an offer from Takarékbank to act as PAB
- Request the Hungarian State Treasury to provide the identification data of Start Accounts held with the credit institutions of the Bank Group. (Start Accounts may be transferred be to the Treasury only in the course of compensation, and may not therefore be included in the automatic compensation round. Accordingly, the blocking of all those accounts in the file must be verified. To do that, the lists of Start Accounts need to be obtained from both the Hungarian State Treasury and the credit institutions and itemised checks need to be run on both lists at the very beginning of the compensation process.)
- Meeting with OTP Bank and Takarékbank to discuss the details of cooperation.
- The finalisation of customer satisfaction questionnaires

**CBH announcement:** CBH withdrew the operating licences of the banks of the Bank Group. Depositors will receive their savings in the form of automatic payments made by NDIF in the course of the current month.

### Human resource capacity:

- Contract with 2 attorneys-at-law.
- On-site support for POS by T-Systems with 1 person.

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## 3 March, Tuesday – The day of closing

### Board of Directors:

- The Board of Directors of NDIF authorises the Managing Director to take out a loan from CBH and to apply for first demand absolute state surety.
- The Board of Directors also decided on payment methods
  1. **Postal payment orders** for private individuals (approximately 68,000 customers) whose compensation amount did not surpass HUF 2.5 million. The Post hand delivered compensation payments up to the amount of HUF 100,000.
  2. NDIF Deposit Insurance Card for private individuals (approximately 5,000 customers), whose compensation amounts were higher than HUF 2.5 million, but did not exceed HUF 5 million. Customers compensated with the NDIF Deposit Insurance Card will receive the card, the envelope containing the PIN code for the card and the statement of a settlement by mail under separate cover. Once the compensation amount has been determined, the funds will be credited to the depositor's cards, who can withdraw compensation amounts at OTP Bank, through ATMs and via POS terminals at post offices.
  3. **With the involvement of paying agent banks (PABs)** (a total of approximately 15,500 customers) parties obliged to open a current account (legal entities, private entrepreneurs, other organisations) and private individuals whose net compensation amount, i.e. compensation less tax on interest income and health contribution, surpasses HUF 5 million. Weekly reports and multilateral consultations will start in relation to the DRB Bank Group case – with the MNE.



CBH announcement: with its effective resolutions, the CBH withdrew the operating licences of the members of the DRB Bank Group. Official CBH HUF-EUR exchange rate: 304.61.

#### **NDIF tasks in preparing for the compensation:**

- Official letter to the liquidators requesting data in relation to each member of the Bank Group (LIQUIDATOR)
- Collection and control on the NDIF customer service portal (T-Systems)

#### **Actions designed to ensure financing for NDIF:**

- Receipt of the CBH Governor's letter to the loan application by NDIF
- Incoming offers for loans and bond issue

#### **Human resource capacity:**

- POS site support by T-Systems with 3 persons.

#### **Customer information, communication:**

- NDIF press release: *"The compensation of DRB Bank Group depositors to start soon – The National Deposit Insurance Fund (NDIF) will start paying compensation to the depositors of the DRB Bank Group tomorrow and will complete the process in 20 working days."*
- Hungarian Radio, Info Radio, HírTV, M1, RTL Klub, TV2 local interviews on the start of the compensation process.
- Ordering the publication of four announcements, on Wednesday and Thursday, in the following daily papers: Magyar Nemzet, Népszabadság, Somogyi Hírlap, Dunántúli Napló, Tolnai Népszerűség, Zalai Hírlap, Fejér Megyei Hírlap, Észak-Magyarország, Kelet-Magyarország és Hajdú-Bihari Napló.
- Since the start of the compensation process, NDIF has been actively using its own social media platforms, to show, among others, the NDIF videos recorded last year on the basis of actual customer experience.
- NDIF requests posts to be placed on the Facebook page of the Bank Group (popular among its customers, 12,000 followers) with the approval of the oversight commissioners.

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## **4 March, Wednesday – first day of compensation**

#### **NDIF tasks in preparing for the compensation:**

- The head of Magyar Posta indicates by phone that Posta would like to involve paying partner sites, such as municipalities in order to help the PCL make payments.
- Consultations with Takarékbank on the ad hoc agreement, consultations on including new sites, request for and verification of branch capacity
- No response was received to the data requests (containing the representations and lists required for compensation) sent by e-mail to the supervisory commissioners of the four banks on 3 March setting an evening deadline.
- The SCV data were received from all Bank Group during the night

#### **Actions designed to ensure financing for NDIF:**

- Execution of a loan agreement with CBH

#### **Human resource capacity:**

- Employment of one supporting IT expert coming from the CBH (for a definite term)
- Employment of one employee, extremely experienced in handling Excel files (for a limited period)

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## **5 March, Thursday**

#### **NDIF tasks in preparing for the compensation:**

- The loading and processing of the SCV files of all four banks started. NDIF loads the SCV files of the four banks received during the night from 4 to 5 March 2015 into POS and ran the required primary checks within 3 hours.
- After data were loaded rapidly, a risk occurred that impeded the compensation process: the representations and data required for compensation and requested from the liquidators were received only sporadically, upon repeated requests, and therefore NDIF could launch the payments only a day later, on 6 March 2015.
- Providing regular updates to paying partners on the estimated start of payments

#### **Actions designed to ensure financing for NDIF:**

- Receipt of the approval of the Minister for National Economy of first demand state surety,
- Information from the CBH: a decision has been made - NDIF bonds qualified as negotiable for the central bank.

Pursuant to the NDIF-CBH loan agreement, NDIF requests to draw down HUF 27 billion from the CBH with the value date of 6 March 2015.

#### **Customer information, communication:**

- Compensation risk: according to call centre information, fraudsters may approach banking claimants. A number of victims reported telephone calls where people tried to persuade them to transfer the compensation amount to an account number provided on the phone.

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## **6 March, Friday**

#### **NDIF tasks in preparing for the compensation:**

- Data cleansing (data clinic run) is complete, hence customer consolidation is also implemented
- Registration of blockages, verification in POS
- Recording customers with Start Accounts as blocked in POS on the basis of physical lists received from the Hungarian State Treasury and credit institutions,
- Reconciliation of the deposits of the guardianship authority with the lists received from credit institutions, blockage of guardianship authority deposits which had not been blocked in SCV.
- Checking whether or not the file contains parties who are not insured and are specified in Article 213 (1) l) and m) of the Act on Credit Institutions (detailed review of the data of the company register to the extent possible)
- With regard to the items requested to be included in the offsetting by the liquidators, checking whether or not the amounts stated in the SCV file match the amounts included in the list provided on paper,
- Review of the compensation data of customers also holding (what are known as merger-related) deposits of a kind specified in Article 214 (9) of the Act on Credit Institutions in terms of the limit; ignoring customers holding merger-related deposits and with the total of deposits higher than the compensation limit for the purposes of the first round of the compensation (until double-checking).
- Blocking of deposits made to TBSZ and reviewing the total deposits of customers with deposits on TBSZ in terms of the limit. (Depositors with deposits on TBSZ and with total deposits higher than the compensation limit will be omitted from the first round of compensation.)

- Checks applied to financial institutions covered by Article 213 (1) h) of the Act on Credit Institutions, enabling the suspension of the payment
- The electronic PCL can accept address data of no more than 24 characters and cuts off the rest of the data of any longer address (thus, the house number may be missing from the address transferred to the post office, which prevents delivery). Addresses longer than 24 characters must be corrected one by one in the customer database (due to shortage of time and reliability, no programmed shortening of addresses – given in the Hungarian language – is feasible).
- Preparation of the first payment batches, batch verification and approval at administrator and manager level.
- The PAB branch allocation request was sent to Takarékbank in relation to all four banks.
- Indication to the company contracted for printing out and posting the payment settlement slips that the data would be transferred on the subsequent working day and that the dispatch on Tuesday is feasible
- Sending the card order file to OTP Bank card centre
- Approximately HUF 25 billion compensation of approximately 51,000 customers is sent to PCL.
- The Post indicated that agents would be sent to the addresses of customers who lived more than 15 km away from PCL paying sites to inform respective customers that they should visit the contracted marketing points (local government offices) to make arrangements for transferring amounts paid in compensation to a different credit institution.
- 13,000 customers are waiting for branch allocation at the paying agent banks with HUF 56 billion compensation (the payment settlement slips to be posted were dispatched on Tuesday (10.03.).
- Preparation of the complaints, data modification report and bank account report forms for customers, separately for each of the four banks and sending them to the liquidators in order to promote the administration.

#### Actions designed to ensure financing for NDIF:

- CBH website: CBH provides a liquidity loan to NDIF in order to enable NDIF to provide compensation to the depositors concerned of the banks of the Bank Group within 20 working days.
- Transfer of HUF 27 billion into the NDIF account from the CBH (Bank Group/PCL)
- Telephone conference and transfer of data to Erste Bank to help prepare a loan offer.
- Pursuant to the NDIF-CBH loan agreement, the NDIF requests to draw down HUF 70 billion with the value date of 9 March 2015 in order to compensate the depositors of the Bank Group through an agent bank (Takarékbank) and with a Deposit Insurance Cards (OTP Bank).

## 7-8 March, Saturday, Sunday

#### Customer information, communication:

In line with the established practice, the spokesperson answers the questions of regional media during media road shows while visited studios to present details of the compensation. Studio interviews and telephone enquiries at Radio 1 of Pécs and Radio Most, Kaposvár on 7 March, at Radio Eger, Eger TV and Radio M, Miskolc on 8 March.



## 9 March, Monday

#### NDIF tasks in preparing for the compensation:

- Takarékbank returned the branch allocation. The earliest PAB payment is scheduled for Wednesday, 11.03.2015 (with 23.03.2015 as the date for the latest).
- Takarékbank reports that it will open sales points with mobile bankers available for customers at geographic locations where its integrated banks have no branch (as according to the PAB allocation, customers receive notification that they will get paid at the savings cooperative branch located nearest to their homes, and there are some customers who live far away from their designated paying site. At the request of Takarékbank NDIF took part in informing the customers concerned in a letter (by handing over customer address data and the letter to be mailed to customers broken down by savings cooperative branch to EPDB Zrt., the provider contracted for printing and posting the letters).
- Transfer of HUF 16.7 billion to OTP Bank to fund card payments
- Transfer of HUF 56 billion to Takarékbank to fund compensation through PAB branches
- Transportation of (4,829) PIN envelopes to the posting site, posting
- Uploading "AA" as the ID card number of customers whose SCV file data included all personal information apart from an ID card number to facilitate compensation (for security reasons, POS automatically suspends the compensation of customers, even if a single detail is missing).
- Completion of the missing "Former name" field with the data included in the "Name" field for men in the SCV file.
- Comparison of the data included in the list of Start Accounts received from the Hungarian State Treasury and SCV file data, as well as those received on paper from the four banks and enquiries sent to the four banks in order to clarify discrepancies.
- The ultimate deadline for draw-down pursuant to the NDIF-CBH loan agreement is 15.03.2015.
- There were approximately 9,000 customers with less than HUF 500 deposits - who were not eligible for compensation

#### Actions designed to ensure financing for NDIF:

- CBH transfers HUF 70 billion to the NDIF account (funding required for starting PAB and card-based compensation of the customers of the Bank Group)
- Reconciliation of the NDIF-OTP Bank-Takarékbank loan

#### Board of Directors:

NDIF prepares Report I on the compensation of the Bank Group



Payment method	Amount	Person
<b>1) Postal remittance orders,</b> total amount sent on 06.-10.03.2015	<b>24,253,199</b>	<b>52,238</b>
DDB South Transdanubia Savings Bank plc.	6,583,000	14,569
DRB South Transdanubia Regional Bank plc.	4,492,012	9,578
ÉRB North Hungary Regional Bank plc.	8,128,576	15,977
BRB Buda Regional Bank plc.	5,049,611	12,114
<b>2) Paying agent bank (Takarékbank),</b> on 09.03.2015. (Monday)	<b>56,005,061</b>	<b>13,172</b>
DDB South Transdanubia Savings Bank plc.	11,369,781	2,466
DRB South Transdanubia Regional Bank plc.	11,447,598	2,234
ÉRB North Hungary Regional Bank plc.	23,107,536	5,565
BRB Buda Regional Bank plc.	10,080,146	2,907
<b>3) NDIF Deposit Insurance Card</b>	<b>16,734,453</b>	<b>4,829</b>
South Transdanubia Savings Bank plc.	3,924,145	1,131
DRB South Transdanubia Regional Bank plc.	3,490,753	1,004
ÉRB North Hungary Regional Bank plc.	6,134,989	1,771
BRB Buda Regional Bank plc.	3,184,566	923
• Transfer of funding	9 March 2015 (Monday)	
• Posting of PIN envelopes	9 March 2015 (Monday)	
• Posting of settlement statements	11 March 2015 (Wednesday)	
• Posting of cards	11 March 2015 (Wednesday)	
<b>Total amount paid to the customers of the DRB Bank Group:</b>	<b>96,992,713</b>	<b>70,239</b>
DDB South Transdanubia Savings Bank plc.	21,876,926	18,166
DRB South Transdanubia Regional Bank plc.	19,430,363	12,816
ÉRB North Hungary Regional Bank plc.	37,371,101	23,313
BRB Buda Regional Bank plc.	18,314,323	15,944
<b>Number of customers of the DRB Bank Group eligible for compensation:</b>		<b>73,573</b>
DDB South Transdanubia Savings Bank plc.		19,402
DRB South Transdanubia Regional Bank plc.		13,591
ÉRB North Hungary Regional Bank plc.		24,047
BRB Buda Regional Bank plc.		16,533
<b>Private person</b>		<b>64,000</b>
DDB South Transdanubia Savings Bank plc.		17,720
DRB South Transdanubia Regional Bank plc.		12,038
ÉRB North Hungary Regional Bank plc.		19,977
BRB Buda Regional Bank plc.		14,265
<b>Company</b>		<b>9,232</b>
DDB South Transdanubia Savings Bank plc.		1,644
DRB South Transdanubia Regional Bank plc.		1,395
ÉRB North Hungary Regional Bank plc.		3,950
BRB Buda Regional Bank plc.		2,243
<b>Joint owners</b>		<b>341</b>
DDB South Transdanubia Savings Bank plc.		38
DRB South Transdanubia Regional Bank plc.		158
ÉRB North Hungary Regional Bank plc.		120
BRB Buda Regional Bank plc.		25

Paid amounts in HUF thousand without any tax or health contribution

## 10 March, Tuesday

Weekly report and multilateral consultation at the MNE.

### Compensation tasks:

- Customers receive the first postal payments (through PCL)
- Payment settlement slips – mailing projected for Tuesday-Wednesday-Thursday (10-12.03.). Letters containing cards issued to customers selected for card based compensation are to be sent by ordinary surface mail a day later.
- Takarékbank PAB problem - Takarékbank used post codes for allocating customers to branches. However, the post codes shown among the customer data of a number of customers did not match the name of the settlement. (POS does not review the matches while processing data.) Such PAB letters may be returned eventually or the Takarékbank program may have allocated customers to a remote branch, located far away from their homes. The same problem may also affect the postal payments (PCL): the Post Office may return PCL remittance orders due to lack of identification. The NDIF must correct all such items manually one by one.
- Transportation of the letters containing the NDIF cards to the Post Office logistics centre
- Receipt of the first complaint form at reklamacio@oba.hu
- The call centre reported that (80% of) callers generally did not know where they kept their money. 10% of the customers did not even know the name of the savings cooperative, only the name of the settlement. When that occurred the Google Search was used to identify the bank where the customer kept the money.

### Customer information, communication:

- NDIF press release: “Approximately HUF 103 billion compensation paid out to 73,000 depositors in the first phase”
- Number of visits to the website: 3,600 a day

## 11 March, Wednesday

### NDIF compensation tasks:

- The first payments are made at PAB branches
- Sending the draft modification of the NDIF call centre contract to Paradise Solution
- Sorting and picking customer data containing an wrong post code from POS
- A new PAB branch needs to be allocated to 52 customers due to post code mismatches and new notification letters will also have to be generated. NDIF took these letters for mailing, priority postage paid, to the Post Office in Városmajor utca at 3 p.m.
- Mailing (358) notification letters to depositors with a permanent addresses abroad on the method of disposing over the compensation amount
- Compilation of Excel spreadsheets for collecting the data required for completing the Hungarian State Treasury forms and transferring Start Accounts to the Hungarian State Treasury and loading the data available at NDIF into these spreadsheets,
- Preparation of notification letters to customers with TBSZ
- Request for an account turnover statement about accepted deposits of customers with merger deposits from the DRB banks in order to establish the capital and interest amount prevailing at the time of the merger and incorporation. (Pursuant to the provisions of the Act on Credit Institutions, deposits placed at merging credit institution prior to the merger are considered separate deposits in terms of the compensation limit.)

### Customer information, communication:

- All national channels (MTV, RTL Klub, TV2, Hír TV, Echo TV and Kossuth Radio) cover the start of compensation. Continuous media services assist customer orientation in relation to the news (e.g., Kossuth Radió 180 Minutes), and narrative programmes (e.g., Klub Radio, Nívó, Echo TV The Business).
- The number of calls is rising. 413 calls to the call centre on 10 March, followed by 524 calls on 11 March. Most customers are calm and relaxed.

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## 12 March, Thursday

### NDIF compensation tasks:

- Mailing (257) notification letters to customers with deposits held on TBSZ about the option to transfer their deposits to another credit institution subject to legal continuity
- Drafting a contract for payments under state guarantee and sending it to the MNE
- Request for a statement of deposits secured by a state guarantee in SCV format from the Bank Group

### Actions designed to ensure financing for NDIF:

- Loan disbursement request (4) - pursuant to the NDIF-CBH loan agreement, NDIF requests to draw down HUF 1,116,000,000 with the value date of 13 March 2015
- receipt of the amount drawn-down from CBH

### Customer information, communication:

- NDIF press release: Compensation affects 13 counties

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## 13 March, Friday

### Actions designed to ensure financing for NDIF:

- Loan disbursement request - pursuant to the NDIF-CBH loan agreement, NDIF requests to draw down HUF 9 billion with the value date of 16 March 2015
- Launching compensation up to the single limit (HUF 30,461,000) to customers holding merger-related deposits.

### Customer information, communication:

- Customer phone call with an important lesson: NDIF mailed the compensation amount through PCL to a depositor who had died 15 years earlier. The SCV file did not contain any indication of the death of the customer. As the family did not understand the origin of the money sent to the owner, who had been deceased for 15 years, they called us. NDIF informed the caller that it is likely that they failed to report the death of the family member to the bank, and therefore according to the data of the bank, the customer is still alive, but that statement was corrected by the calling customer immediately: *“You know that there is no need for reporting anything because everyone knows everything about everyone else in a village. We usually do not make reports.”*

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## 16 March, Monday

### NDIF compensation tasks:

- Review of the items requiring clarification for various reasons and put aside in phase one of the compensation, preparation and launch of new payment batches.

### Actions designed to ensure financing for NDIF:

- receipt of HUF 9 billion drawn-down from the CBH

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## 17 March, Tuesday

### NDIF compensation tasks:

- transporting letters with PIN codes for a new batch of card payments to the post office logistics centre
- Sending a copy of the ad hoc PAB agreement signed by NDIF to Takarékbank for signature
- Sending the Excel spreadsheets needed for transferring Start Accounts to the Hungarian State Treasury and for completing Hungarian State Treasury forms to the four banks so they can load data,
- Collection and review of other items to be clarified and verified because they contained problems and transferring them to the contact persons of the four banks for processing required for the certificate
- DDB and DRB contact persons indicated that the SCV file included a few errors, it failed to associate the beneficial owner with certain deposits appropriately and compensation was disbursed unlawfully as a result. In the case of these customers, the individual unlawfully collecting the compensation had to be instructed to repay the money and additional compensation had to be sent to the rightful holder after receiving a certificate from the liquidator. As the majority of the customers instructed to repay amounts applied for payment in instalments because they had already spent the amount collected, the management and monitoring of these processes put an additional workload on NDIF.
- Request the four banks to send the documents completed at account opening and about disposal over the accounts of companies with missing tax numbers

### Customer information, communication:

- Since 24 February 2015, the call centre handled 3,500 calls in relation to the compensation of the Bank Group (more than one-third of the total number of calls made in 2014).
- Since the beginning of the compensation, the number of active users and followers of the NDIF Facebook page has increased. Customers consider it a separate customer service channel and ask questions using the platform. We answer these questions (in compliance with the confidentiality regulations) in a manner suitable for providing useful information to all Facebook followers.

### Communication and compensation experience:

- Typical customer orientation cases normally involve consumers in trouble who seek assistance from an institution that they are aware of or have heard of before. That is how we happened take 500 calls in relation to investor protection (Buda-Cash, Hungaria Securities, Quaestor Group). We contacted the staff of IPF (the Investor Protection Fund) and informed them that we would transfer a large number of customer calls to them. We transferred 200 additional calls to the IPF office before it established its own outsourced customer service on 1 April.

### Board of Directors:

- NDIF prepares Report II for the Board of Directors
- Presentation and multilateral consultations at the office of the Parliamentary Secretary of State (MNE)



Payment method	Amount	Person
<b>1) Postal remittance orders,</b> total amount sent until 16.03.2015	<b>24,428,536</b>	<b>52,565</b>
DDB South Transdanubia Savings Bank plc.	6,645,403	14,694
DRB South Transdanubia Regional Bank plc.	4,539,273	9,673
ÉRB North Hungary Regional Bank plc.	8,164,619	16,036
BRB Buda Regional Bank plc.	5,079,241	12,162
<b>2) Paying agent bank (Takarékbank),</b> total payments made on 16.03.2015. (Monday)	<b>58,706,077</b>	<b>13,493</b>
DDB South Transdanubia Savings Bank plc.	11,792,606	2,507
DRB South Transdanubia Regional Bank plc.	12,181,785	2,419
ÉRB North Hungary Regional Bank plc.	24,380,575	5,639
BRB Buda Regional Bank plc.	10,351,111	2,928
<b>3) NDIF Deposit Insurance Card</b>	<b>17,012,733</b>	<b>4,909</b>
DDB South Transdanubia Savings Bank plc.	4,011,543	1,156
DRB South Transdanubia Regional Bank plc.	3,595,150	1,034
ÉRB North Hungary Regional Bank plc.	6,176,334	1,783
BRB Buda Regional Bank plc.	3,229,706	936
• Transfer of funding	7 March (Tuesday)	
• Posting of PIN envelopes	17 March (Tuesday)	
• Posting of settlement statements	17 March (Tuesday)	
• Posting of cards	18 March 2015 (Wednesday)	
<b>Total of DRB Bank Group related payments:</b>	<b>100,147,346</b>	<b>70,967</b>
DDB South Transdanubia Savings Bank plc.	22,449,552	18,357
DRB South Transdanubia Regional Bank plc.	20,316,208	13,126
ÉRB North Hungary Regional Bank plc.	38,721,528	23,458
BRB Buda Regional Bank plc.	18,660,058	16,026
<b>Number of customers of the DRB Bank Group eligible for compensation:</b>		<b>73,573</b>
DDB South Transdanubia Savings Bank plc.		19,402
DRB South Transdanubia Regional Bank plc.		13,591
ÉRB North Hungary Regional Bank plc.		24,047
BRB Buda Regional Bank plc.		16,533
<b>Private person</b>		<b>64,000</b>
DDB South Transdanubia Savings Bank plc.		17,720
DRB South Transdanubia Regional Bank plc.		12,038
ÉRB North Hungary Regional Bank plc.		19,977
BRB Buda Regional Bank plc.		14,265
<b>Company</b>		<b>9,232</b>
DDB South Transdanubia Savings Bank plc.		1,644
DRB South Transdanubia Regional Bank plc.		1,395
ÉRB North Hungary Regional Bank plc.		3,950
BRB Buda Regional Bank plc.		2,243
<b>Joint owners</b>		<b>341</b>
DDB South Transdanubia Savings Bank plc.		38
DRB South Transdanubia Regional Bank plc.		158
ÉRB North Hungary Regional Bank plc.		120
BRB Buda Regional Bank plc.		25

Paid amounts in HUF thousand without any tax or health contribution

Payment method	Person
<b>Customers who have not yet received compensation</b> (deposits by guardianship authority, waiting for certificate, blocked, foreigner)	<b>2,606</b>
DDB South Transdanubia Savings Bank plc.	1,045
DRB South Transdanubia Regional Bank plc.	465
ÉRB North Hungary Regional Bank plc.	589
BRB Buda Regional Bank plc.	507
<b>For DRB Bank Group, percentage ratio of the projected compensation liability to the total amount of compensation (HUF 106,787,060,000) including amounts not covered in the first round but likely to be paid, before interest tax and health contribution</b>	<b>93.8</b>
DDB South Transdanubia Savings Bank plc. (HUF 23,803,259,000)	94.3
DRB South Transdanubia Regional Bank plc. (HUF 22,833,242,000)	89.0
ÉRB North Hungary Regional Bank plc. (HUF 40,493,870,000)	95.6
BRB Buda Regional Bank plc. (HUF 19,656,689,000)	94.9
<b>The ratio of DRB Bank Group customers to all customers insured by NDIF, %</b>	<b>96.5</b>
DDB South Transdanubia Savings Bank plc.	94.6
DRB South Transdanubia Regional Bank plc.	96.6
ÉRB North Hungary Regional Bank plc.	97.6
BRB Buda Regional Bank plc.	96.9

## 18 March, Wednesday

### NDIF compensation tasks:

- Administration of new payment batches
- Receipt of the file containing the deposits covered by state guarantee

## 19 March, Thursday

### NDIF compensation tasks:

- Start Accounts: Unblocking each deposit blocked by NDIF at the beginning of the compensation process; registration of the technical account number received from the Hungarian State Treasury for each depositor, calculation, approval and launch of the payment batch for bank transfer (1,427).
- Administration of the transfer of TBSZ on the basis of the continuous flow of incoming customer representations.
- During our review of the portfolio containing the deposits placed at ÉRB under state guarantee we encountered a problem as its total amount was HUF 150 million higher than the data reported for fee declaration purposes in the preceding year. Requested ÉRB to investigate.

## 20 March, Friday

### NDIF compensation tasks:

- Request for new certificates from customers holding merger-related deposits after the receipt of the statement of turnover (e.g., the statement of turnover did not relate to the same account that was included in the SCV file as a merger-related deposit; the deposit ID in the contract concluded at the merging institution did not match the ID included in the SCV file).

### Board of Directors:

- NDIF Board of Directors meeting - Decision on the issues relating to the refinancing of the CBH extraordinary liquidity loan (financing form, request for state guarantee, selection of legal counsel),
- Report on the current status of the compensation of the depositors of the Bank Group

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## 23 March, Monday

### NDIF compensation tasks:

- Administration of holders of deposits on TBSZ and processing payment batches
- Distribution of a letter to customers with Start Accounts containing information on how to proceed at the Hungarian State Treasury in order to open a new account

### Actions designed to ensure financing for NDIF:

- The receipt of the supplemented offer of the Consortium for the organisation of a private bond issue and related services

### Customer information, communication:

- András Fekete-Győr and Péter Farkas the Managing Directors of the NDIF and also the IPF gave mutual 1 hour interview in the Arena programme of Info Radio.

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## 24 March, Tuesday

### Actions designed to ensure financing for NDIF:

- Receipt of the Consortium offer supplemented by the Consortium members via e-mail for the organisation of a private bond issue and related services

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## 25 March, Wednesday

CBH-NDIF consultations on the bond issue.

### NDIF compensation tasks:

- Modification of the items based on the data modification certificates signed by the liquidator
- Modification of the data according to the received reports
- Transfer of the Excel spreadsheets containing the data required for the transfer of Start Accounts to the Hungarian State Treasury,
- Administration of complaint forms and verification requests received from PAB branches
- Demanding the repayment of compensation amounts transferred to PAB for payment based on a certificate of the death of the depositor, followed by distributing the deposits among the heirs and launching the compensation process.

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## 26 March, Thursday

### NDIF compensation tasks:

- Administration of payment batches (e.g., transportation of letters containing PIN codes to the Post Office logistics centre, mailing PAB branch allocation lists and posting payment settlement slips)

### Actions designed to ensure financing for NDIF:

- NDIF responds to the bond offer – request for a final offer by 12 a.m. in order to prepare for a decision to be made on Friday
- Receipt of the supplemented offer of the Consortium by e-mail for the management of a private bond issue and for related services

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## 30 March, Monday

### NDIF compensation tasks:

- Request for the data of the parties recorded at the four banks with the right to dispose of the accounts in relation to depositors not included in the company register (foundations, associations, condominiums), followed by grouping the data by paying savings cooperative and sending them to the executive officer of the savings cooperative.
- Sending a draft assignment contract to the MNE for NDIF involvement in the payment of the deposits of the Bank Group secured by state guarantee.

### Customer information, communication:

- Since 24 February, the NDIF received 8,500 calls concerning the compensation process of the Bank Group, most of which were handled by the call centre (the total number of calls in 2014 was 10,000).
- Within the total number of calls received during the DRB compensation, 700 calls were received from the customers of Buda-Cash, Hungária Értékpapír and Quaestor requesting call orientation and assistance.

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## 31 March, Tuesday

### NDIF compensation tasks:

- Compensation related administration which required item by item processing (e.g., transfer to the bank account number reported to the bank by the customer in relation to a card blocked upon the customer's request after the PIN envelope had been lost; resending compensation returned by post to a new address reported by the customer to the bank).





Payment method	Amount	Person
<b>1) Postal remittance orders</b>	<b>24,480,149</b>	<b>52,665</b>
DDB South Transdanubia Savings Bank plc.	6,651,298	14,713
DRB South Transdanubia Regional Bank plc.	4,553,136	9,693
ÉRB North Hungary Regional Bank plc.	8,171,573	16,062
BRB Buda Regional Bank plc.	5,104,142	12,197
<b>2) Paying agent bank (Takarékbank)</b>	<b>59,508,585</b>	<b>13,592</b>
DDB South Transdanubia Savings Bank plc.	11,991,766	2,520
DRB South Transdanubia Regional Bank plc.	12,561,225	2,446
ÉRB North Hungary Regional Bank plc.	24,454,929	5,686
BRB Buda Regional Bank plc.	10,500,665	2,940
<b>3) NDIF Deposit Insurance Card</b>	<b>17,053,943</b>	<b>4,922</b>
DDB South Transdanubia Savings Bank plc.	4,016,215	1,156
DRB South Transdanubia Regional Bank plc.	3,607,642	1,040
ÉRB North Hungary Regional Bank plc.	6,176,334	1,783
BRB Buda Regional Bank plc.	3,253,752	943
<b>4) Direct transfer</b>	<b>704,521</b>	<b>1,522</b>
DDB South Transdanubia Savings Bank plc.	110,539	577
DRB South Transdanubia Regional Bank plc.	447,537	313
ÉRB North Hungary Regional Bank plc.	80,831	322
BRB Buda Regional Bank plc.	65,614	310
<b>Total amount paid to the customers of the DRB Bank Group:</b>	<b>100,147,346</b>	<b>73,573</b>
DDB South Transdanubia Savings Bank plc.	22,449,552	19,402
DRB South Transdanubia Regional Bank plc.	20,316,208	13,591
ÉRB North Hungary Regional Bank plc.	38,721,528	24,047
BRB Buda Regional Bank plc.	18,660,058	16,533
<b>Number of customers of the DRB Bank Group eligible for compensation:</b>		<b>64,000</b>
DDB South Transdanubia Savings Bank plc.		17,720
DRB South Transdanubia Regional Bank plc.		12,038
ÉRB North Hungary Regional Bank plc.		19,977
BRB Buda Regional Bank plc.		14,265
<b>Private person</b>		<b>9,232</b>
DDB South Transdanubia Savings Bank plc.		1,644
DRB South Transdanubia Regional Bank plc.		1,395
ÉRB North Hungary Regional Bank plc.		3,950
BRB Buda Regional Bank plc.		2,243
<b>Company</b>		<b>341</b>
DDB South Transdanubia Savings Bank plc.		38
DRB South Transdanubia Regional Bank plc.		158
ÉRB North Hungary Regional Bank plc.		120
BRB Buda Regional Bank plc.		25
<b>Joint owners</b>		<b>872</b>
DDB South Transdanubia Savings Bank plc.		38
DRB South Transdanubia Regional Bank plc.		158
ÉRB North Hungary Regional Bank plc.		120
BRB Buda Regional Bank plc.		25

Paid amounts in HUF thousand without any tax or health contribution

Payment method	Person
<b>Customers who have not yet received compensation</b> (deposits by guardianship authority, waiting for certificate, blocked, foreigner)	<b>872</b>
DDB South Transdanubia Savings Bank plc.	436
DRB South Transdanubia Regional Bank plc.	99
ÉRB North Hungary Regional Bank plc.	194
BRB Buda Regional Bank plc.	143
<b>For DRB Bank Group, percentage ratio of the projected compensation liability to the total amount of compensation (HUF 106,787,060,000) including amounts not covered in the first round but likely to be paid, before interest tax and health contribution</b>	<b>96.7</b>
DDB South Transdanubia Savings Bank plc. (HUF 23,803,259,000)	97.3
DRB South Transdanubia Regional Bank plc. (HUF 22,833,242,000)	93.0
ÉRB North Hungary Regional Bank plc. (HUF 40,493,870,000)	97.7
BRB Buda Regional Bank plc. (HUF 19,656,689,000)	98.5
<b>At the DRB Bank Group the ratio compared to all customers insured by NDIF, %</b>	<b>98.8</b>
DDB South Transdanubia Savings Bank plc.	97.8
DRB South Transdanubia Regional Bank plc.	99.3
ÉRB North Hungary Regional Bank plc.	99.2
BRB Buda Regional Bank plc.	99.1

Withdrawal of the “red alert”

## 2. Data of the quadruple compensation process

Number of payment batches posted and customers compensated during the twenty working days of the compensation process involving four institutions:

	Number of batches posted in 20 working days	Number of paid out items
DDB South Transdanubia Savings Bank plc.	18	16,390
DRB South Transdanubia Regional Bank plc.	32	13,492
ÉRB North Hungary Regional Bank plc.	26	18,967
BRB Buda Regional Bank plc.	26	23,853

Only the first batch in each payment channel (PCL, Deposit Insurance Card, PAB) can be launched automatically. Some (minor or more demanding) manual work is required for each item included in the subsequent batches (e.g., unblocking of Start Accounts, registration of the Hungarian State Treasury technical account number for each depositor, registration of new addresses, if the first payment failed due to the wrong address or entering the bank account number reported by the depositor for the transfer, entering the data of the heir(s) when the depositor deceased and distribution of all deposits of the testator among them).

## 3. Follow-up

Number of payment batches posted and customers compensated beyond the twenty-working-day period of the compensation process of the four institutions before the preparation of the White Paper (3 December 2015):

	Number of batches posted in 20 working days	Number of paid out items
DDB South Transdanubia Savings Bank plc.	144	831
DRB South Transdanubia Regional Bank plc.	158	784
ÉRB North Hungary Regional Bank plc.	151	1,249
BRB Buda Regional Bank plc.	164	1,127

#### 4. Creditor claims reported in the liquidation

The liquidation process of all four banks started on 3 March 2015.

By the end of the 20th working day of the compensation 98.8% of the customers of the DRB Group were transferred to the paying partner organisations.

**By institutions:**

South Transdanubia Savings Bank plc.	97.8%
DRB South Transdanubia Regional Bank plc.	99.3%
ÉRB North Hungary Regional Bank plc.	99.2%
BRB Buda Regional Bank plc.	99.1%

**Portfolio data on 30 September 2015:**

Data in HUF 1000	Total deposit portfolio	Compensation obligation	Deposits that cannot be paid out by NDIF
BRB	23,795,178	19,369,203	4,425,975
DDB	28,087,297	23,464,810	4,622,486
DRB	24,928,308	22,768,297	2,160,011
ERB	45,708,091	40,674,184	5,033,907
<b>DRB Bank Group total</b>	<b>122,518,873</b>	<b>106,276,494</b>	<b>16,242,379</b>

**Payment amounts and customers transferred to paying partners on 30 September 2015:**

Data in HUF 1000	Customer type	Customer number	NDIF compensation amount HUF 1000
BRB	Private person	17,175	19,768,392
	Company	1,635	3,365,428
	Joint owners	38	27,771
	<b>Total</b>	<b>18,848</b>	<b>23,161,591</b>
DDB	Private person	11,637	19,332,698
	Company	1,372	2,723,682
	Joint owners	159	461,485
	<b>Total</b>	<b>13,168</b>	<b>22,517,865</b>
DRB	Private person	19,312	32,332,218
	Company	3,908	6,844,263
	Joint owners	122	148,238
	<b>Total</b>	<b>23,342</b>	<b>39,324,719</b>
ERB	Private person	13,618	15,540,575
	Company	2,249	3,559,843
	Joint owners	25	113,747
	<b>Total</b>	<b>15,892</b>	<b>19,214,165</b>
<b>DRB Bank Group total</b>	Private person	61,742	86,973,883
	Company	9,164	16,493,216
	Joint owners	344	751,241
<b>Grand total</b>		<b>71,250</b>	<b>104,218,340</b>

**Amounts held by paying partners (PAB) for customers who failed to collect:**

Data in HUF 1000	Number of items	Net amount
BRB	456	92,721
DDB	246	55,607
DRB	243	100,564
ERB	749	114,403
<b>DRB Bank Group total</b>	<b>1,694</b>	<b>363,295</b>

**Compensation amounts left unpaid to the following customers, or returned by the paying site, customer instructions are required:**

	Name	Customer number
DDB	Due to offsetting pursuant to Article 215 of the Act on Credit Institutions	153
	Customers with blocked amounts (loan, guardianship authority deposit)	68
	Deceased	220
	Item returned by the paying site	445
	Customer with an address abroad	70
	<b>Total:</b>	<b>956</b>
DRB	Due to offsetting pursuant to Article 215 of the Act on Credit Institutions	75
	Customers with blocked amounts (loan, guardianship authority deposit)	19
	Deceased	70
	Item returned by the paying site	340
	Customer with an address abroad	46
	Clarification is required for compensation	17
	<b>Total:</b>	<b>567</b>
ÉRB	Due to offsetting pursuant to Article 215 of the Act on Credit Institutions	153
	Customers with blocked amounts (loan, guardianship authority deposit)	50
	Deceased	30
	Item returned by the paying site	622
	Customer with an address abroad	9
	Clarification is required for compensation	33
	<b>Total:</b>	<b>897</b>
BRB	Due to offsetting pursuant to Article 215 of the Act on Credit Institutions	68
	Customers with blocked amounts (loan, guardianship authority deposit)	35
	Deceased	65
	Item returned by the paying site	609
	Customer with an address abroad	9
	Clarification is required for compensation	7
	<b>Total:</b>	<b>793</b>
<b>DRB Bank Group total</b>	Due to offsetting pursuant to Article 215 of the Act on Credit Institutions	449
	Customers with blocked amounts (loan, guardianship authority deposit)	172
	Deceased	385
	Item returned by the paying site	2016
	Customer with an address abroad	134
	Clarification is required for compensation	57
<b>Grand total</b>		<b>3,213</b>





## IV. Legal cases

We received inquiries from the Pension Disbursement Directorate (PDD) in relation to a number of deceased persons, with the PDD claiming that NDIF should reimburse to the PDD any pension benefits remitted without a legal basis after the date of death. The NDIF subtracted the amount stated by the PDD from the deposit of the deceased and, if a payment had already been made to the heir in the meantime, the NDIF instructed the heir to repay. In addition, NDIF informed the PDD that, pursuant to the law, the pension disbursement agency could order the payment service provider to repay the funds.

Occasionally the banks recorded a few long-term deposit agreements (LTI Accounts) as joint deposits in departure from the rules of the Act on Personal Income Tax on tax allowances, which provide that a long-term deposit may only belong to a single holder. As in the case of an LTI Account, the credit institution does not need to subtract any income tax from the interest accrued, as opposed to “ordinary” term deposits where such tax is to be withheld, the gross amount of interest on LTI Accounts is capitalised and continues to earn interest, while the interest accruing on “ordinary” deposits is interest after taxes. Accordingly, the principal amount of a joint deposit recorded as an LTI Account can differ substantially from the amount payable legally to the customer for compensation purposes. In such cases, the NDIF requested the respective bank to recalculate the deposit amounts (to subtract tax on interest income and to capitalisation interest after taxes), and returned the certificate for correction repeatedly, if necessary.



## V. Management of customer complaints

During the entire assignment period, the call centre classified customer calls and reported customer complaints to NDIF. Most of the calls related to a change of the customer’s permanent address, which the customers submitted to the banks during the compensation period. At the beginning, NDIF could not enter modified addresses into the files, and given the speed of the compensation process, payments could only be sent to the addresses registered in the databases of the four banks.

The call centre also registered a few complaints that were the consequence of the forgetfulness and lack of customer awareness e.g., they did not know that outstanding amounts receivable were offset.

In addition to reporting new addresses and asking for information about the nearest paying branch, a lot of customers complained about the compensation amount. In comparison, there were fewer complaints relating to the use of cards or loss of PIN codes.

**Complaint rate of the case was 4,5%.**

Overall, out of the total 73,000 compensated clients 3302 (a 4.5% rate in the complaint) filed a complaint on paper, most of which just wanted individual case management (answer), did not constitute a genuine complaint. Most of these paper-based complaint were related to inheritance, custody and other matters.





## VI. Communication

In terms of partner relations, the compensation of the Bank Group was communicated rapidly, effectively and professionally by CBH and NDIF, PFSN and the NDIF technical units compared to previous cases of cooperation among multiple participants.

### Media service

Admittedly, the DRB case triggered intensive media interest. Journalists focused most on NDIF financing. The NDIF bond issued to refinance the rapidly disbursed CBH liquidity loan was not covered to the similar depth even in the financial media.

Full weekend local media road-shows were held in Kaposvár, Pécs, Eger and Miskolc to provide information to customers.

### Communication channels

#### Crisis banner

A crisis banner was activated on the NDIF website, which returned to ordinary operating mode after completing the compensation case relating to three institutions in December 2014. In March 2015 22,000 users downloaded almost 123,000 pages from the website. The highest indicator was recorded for 10 March, in the period of launching the actual compensation process when the website recorded 3,700 visitors.

#### Letters, e-mail messages

The NDIF received a lot of inquiries from customers during the 20 working days of the compensation procedure in relation to the large volume of compensation and the problems with files encountered in the four banks (deposits certified by the liquidator in arrears, registration of deceased individuals as live depositors, etc.), and the number of such cases increased even further in the follow-up phase.

#### Customer service by phone

The NDIF telephone customer service received calls in a 24-hour schedule, and relieved the NDIF staff of substantial work load yet again. A total of 7,100 calls were received during the 20 working days of the compensation process (and the weekends in-between).



## VII. Call centre

### Telephone customer service

It could be predicted that in the case of the DRB Banking Group the telephone customer service of NDIF would be the most important channel of communication with the depositors (due to the high customer number).

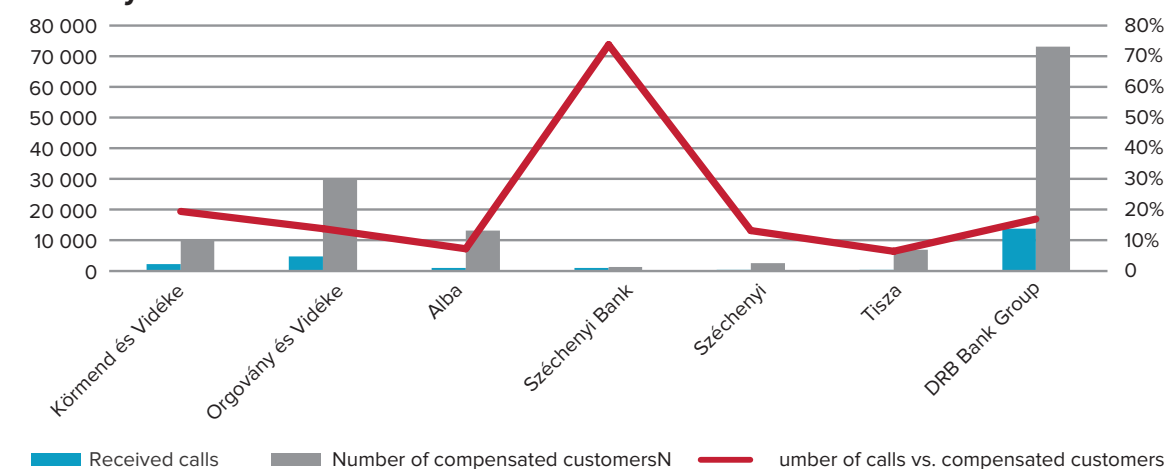
The Call Centre – which was outsourced in 2012, and has been activated during payout events – takes a significant burden off the small executive organisation of NDIF.

Below we present the most typical aspects of the telephone customer service in the light of the call statistics.

### 1. Customer activity

In relation to the use of Call Centre the most important goal is to professionally answer incoming calls and questions during the entire compensation period, but especially in the first few days. One of the most problematic parts of this work is the provision of a preliminary capacity estimate, predicting the amount of incoming calls and the required operator capacity (NDIF had trained 40 call centre operators for the compensation of the customers of the DRB Banking Group). According to the call statistics of compensation procedures completed in 2014 and 2015, on average 17% of the customers of a closed bank contact the Call Centre of NDIF.

#### Activity of the Call Centre in 2014-2015



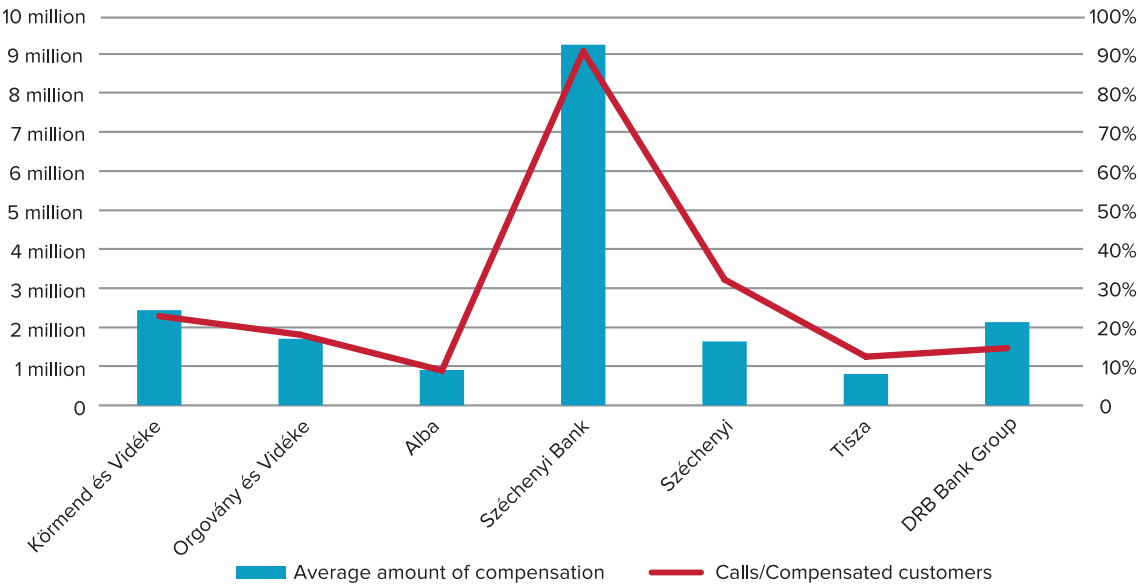


## 2. Components of customer activity

In addition, based on the recent compensation cases it can be shown that the number of calls is influenced, first of all, by two factors: the number of depositors and the average deposit size. Bigger average deposits generate more, while smaller average deposits generate fewer calls. So we can state that the customers of smaller banks can also behave in a conscious manner (see the customer activity of Széchenyi Kereskedelmi Bank), since the higher the per capita amount of compensation (to be paid by NDIF), the more probable it is that customers will call the Call Centre to inquire about their compensation.

Credit institution	Calls/Compensated customers	Average amount of compensation (million HUF)
Körmend és Vidéke Takarékszövetkezet (2014)	21.92%	2.2
Orgovány és Vidéke Takarékszövetkezet (2014)	15.40%	1.8
Alba Takarékszövetkezet (2014)	8.17%	0.8
Széchenyi Bank (2014)	83.14%	9.1
Széchenyi Hitelszövetkezet (2014)	14.78%	3.2
Tisza Takarékszövetkezet (2014)	7.24%	1.2
DRB Banking Group (2015)	19.13%	1.46

### Average deposit size vs Calls



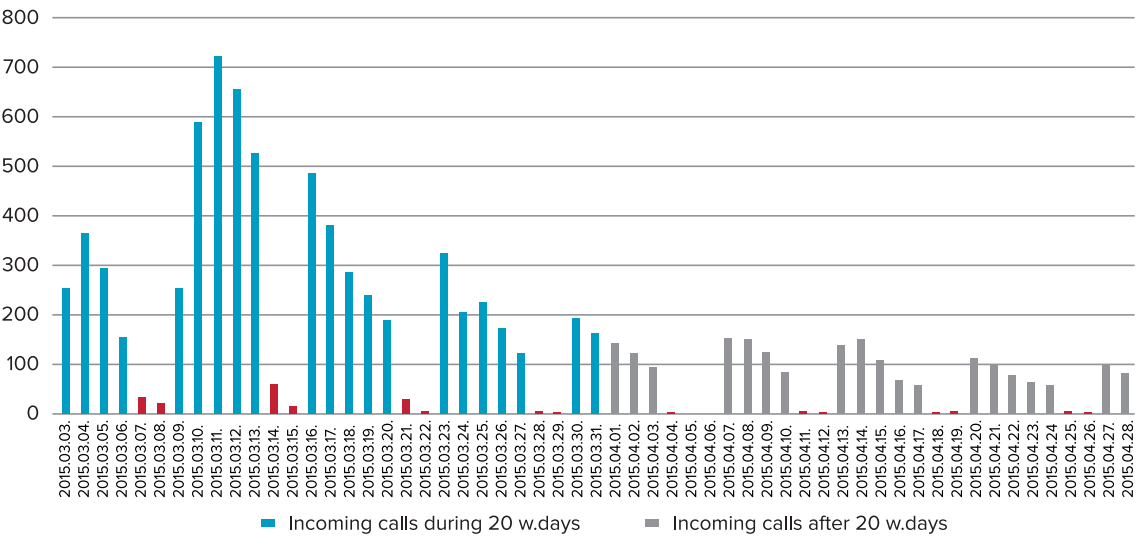
## 3. Distribution of calls (DRB Group 2015)

### Compensation within a limited timeframe

For capacity planning and for monitoring the reaction of the general public it is important to have information about the distribution of calls within and beyond the statutory compensation period of 20 workdays. It can be seen that the number of calls does not drop drastically after 20 workdays, compensation and information exchange continues in protracted cases (e.g. inaccuracy of information available on consolidated insured deposits, name or address change, inheritance or custody cases, etc.). In general, NDIF deactivated the external call centre around the 40th to 46th workday.

### Incoming calls during DRB Banking group payout event

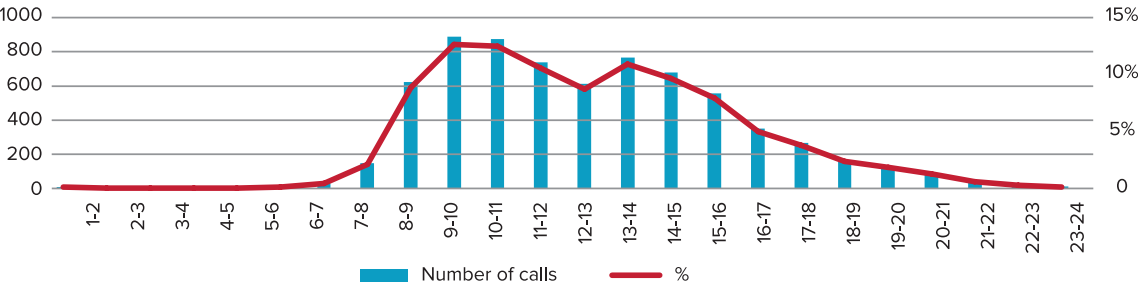
Number of calls since the beginning of the compensation period



### During the day

Another aspect of capacity planning is the distribution of calls within the day. Looking at a 24-hour interval it can be stated that the daily peak is in the morning hours. Most phone calls are received between 8 a.m. and 4 p.m., however depositors make calls in the afternoon and evening hours too.

### Distribution of calls during the day (within 20 working days) – DRB payouts



### During the week

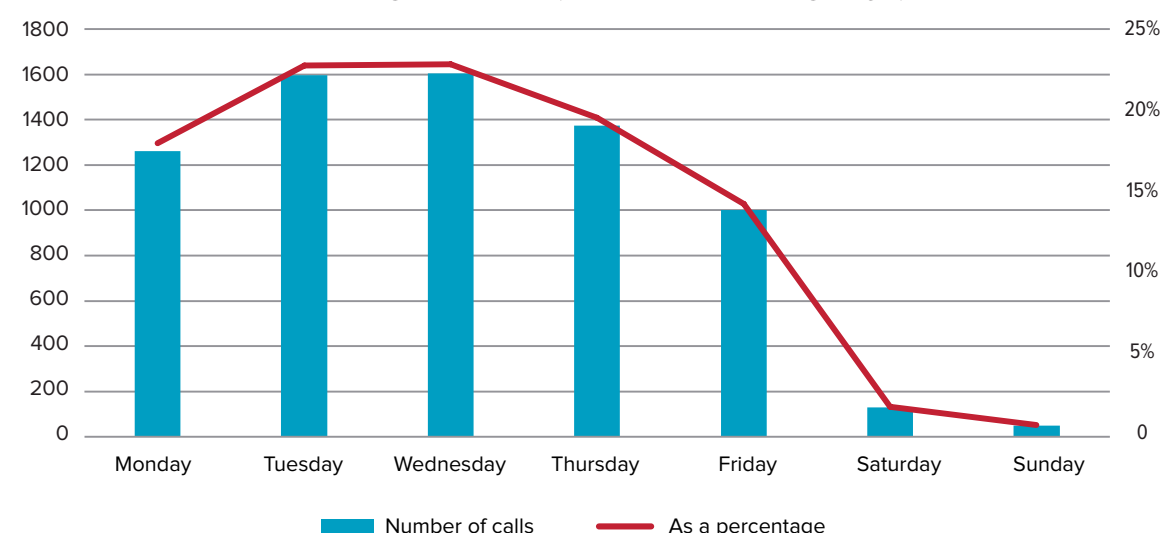
The distribution of calls during the week is essential for operator capacity planning. The figures show that in the first one and a half weeks calls tend to concentrate in the middle of the week, while after two weeks most calls are received at the beginning of the week. The number of calls tends to be the lowest on Fridays. This can be explained by the fact that after 1 to 1.5 weeks depositors possess sufficient information to ask concrete questions, and the first payouts (bank transfers, payouts in post offices) have been completed. Fridays are usually spent in preparation for the weekends, which can explain the smaller amount of calls. Yet, it is important to see that depositors who experience the failure of their banks do not restrict their phone calls to workdays only. It is realistic that some depositors will initiate calls at the weekend.

Weekend and late night calls must be taken as seriously as the mass calls initiated on workdays, because this will mitigate potential panic among the population.

### Payouts to DRB Group customers on the first 20 working days of the compensation period

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Number of calls	1,262	1,597	1,604	1,374	1,001	130	50
As a percentage	17.98%	22.76%	22.86%	19.58%	14.26%	1.85%	0.71%

**Distribution of calls during the week (within 20 working days)**



## Social media

Customers were informed actively via Facebook during the process of compensation of the depositors of the Bank Group. As a result, customers asked their questions on Facebook and used the media info-graphics uploaded to our Facebook page to illustrate compensation related correspondence.

Victims did not organise their Facebook groups like they did earlier in relation to Orgovány and Region and Tisza Savings Cooperatives, presumably owing to the speed of payments.

The NDIF on-line videos were viewed on PCs and smart phones on more than 200,000 occasions.

## Subsequent customer satisfaction survey

9.1% of the satisfaction survey questionnaires sent to the customers of the Bank Group (by 14 May) were returned and processed (6,728 questionnaires), which was a higher figure than the 7% response rate measured in 2014. The numbers show that the depositors' opinions on the key conditions of compensation have improved since 2014 and therefore the experience and perception of depositors who got into trouble due to any reason beyond their control confirms the deposit insurance protection, promised and stated in the law (they received their claims up to a high amount within a short time).

Customer responses concerning the EUR 100,000 deposit insurance compensation limit (is it sufficient, does it provide adequate protection?):

- 75% was satisfied (in 2014 this ratio was on average: 73%)
- 8% could not decide (18%)
- 17% thought it was not sufficient (9%)

Customer responses concerning the period of 20 working days needed to complete deposit insurance compensation (Is it a sufficiently re-assuring period when a bank closes down?):

- according to 91% it is re-assuring (91%)
- 3% could not decide (10%)
- according to 6% it is not re-assuring (9%)

Customer responses concerning the NDIF compensation service, which started on 4 March 2015:

- 74% were satisfied (68%)
- 24% could not decide (28%)
- 2% were not satisfied (4%)

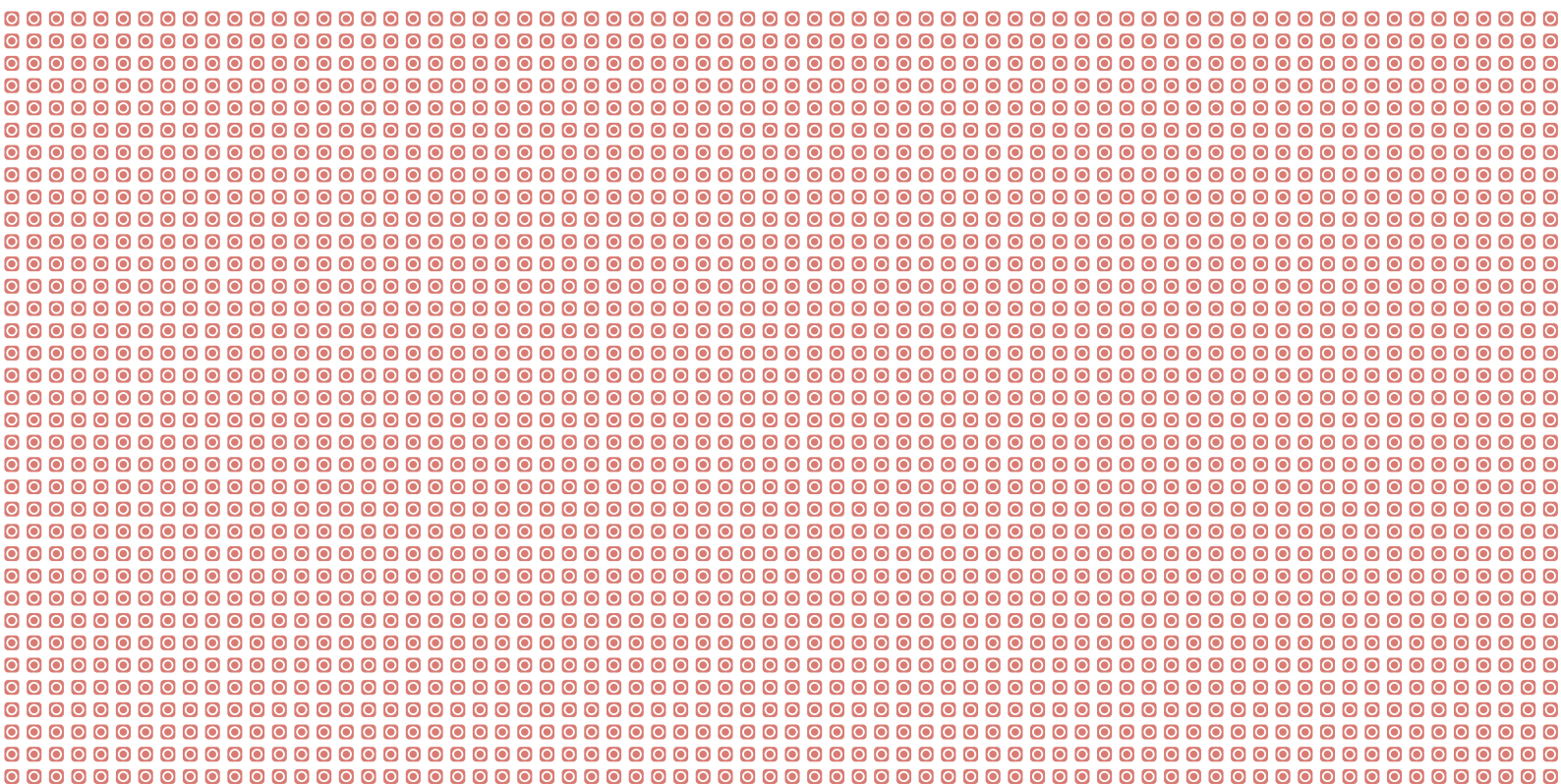
## National Deposit Insurance Fund of Hungary

### White Paper of Experiences and Lessons Learnt During the Compensation Procedure of the DRB Bank Group in 2015

Published by:

National Deposit Insurance Fund of Hungary





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SAFE DEPOSIT, ASSURED REFUND